

Support for individuals / households

Reducing Pension minimum drawdowns

The minimum drawdown requirements for Account-Based Pensions (ABPs) and similar products will be reduced by 50 per cent.

The reduction will apply for the current income year (2019-20) and the 2020-21 income year.

Age	Current minimum	Reduced minimum
< 65	4%	2%
65-74	5%	2.5%
75-79	6%	3%
80-84	7%	3.5%
85-89	9%	4.5%
90-94	11%	5.5%
95+	14%	7%

If a member has already drawn the reduced minimum in the current income year, they will not be required to take any additional payments. However, from a practical perspective, members may need to contact their fund to confirm they wish to reduce their pension payments accordingly.

Also where a member has already received the reduced minimum, the Government has confirmed that they won't be able to get any pension payments they have received over the reduced minimum back into superannuation - unless they are otherwise eligible to contribute.

While this announcement will allow people to reduce their pension payments to preserve capital this will depend on their ability to meet their ongoing living costs.

In this case, it will be important to take into account the Government's other stimulus announcements in relation to additional payments and changes to deeming rates.

Early access to superannuation

From mid-April 2020, eligible individuals will be able to access up to \$10,000 of their superannuation before 1 July 2020. They will also be able to access up to a further \$10,000 from 1 July 2020 for approximately three months (exact timing will depend on the passage of the relevant legislation).

The Government has confirmed the payments will be tax-free and will not impact a member's Centrelink or DVA entitlements.

Aspect comment: Only one application per year

It is important to note that the Government has confirmed that members will only be permitted to make one application each income year.

For example, if a member accessed \$6,000 in May 2020, they will not be permitted to make an additional application to release an extra \$4,000 before the end of the year.

Eligibility

To be eligible for early release a member must satisfy any one or more of the following requirements:

- they are unemployed, or
- they are eligible to receive a Jobseeker Payment, Youth Allowance for jobseekers, Parenting Payment (which includes the single and partnered payments), Special Benefit or Farm Household Allowance, or
- on or after 1 January 2020:
 - they were made redundant, or
 - their working hours were reduced by 20 per cent or more, or
 - if they are a sole trader — their business was suspended or there was a reduction in their turnover of 20 per cent or more.

Note - It is not exactly clear how working hours or turnover will be determined at the time of writing, however the example in the relevant Government factsheet indicates that if a person's hours or turnover in a month reduce by more than 20% compared to their average hours or turnover over the last six months of 2019, they will be eligible.

How to apply

Members will need to apply for the early release of their benefits directly to the ATO through the myGov website: www.my.gov.au.

Once the ATO has processed the application it will issue a determination to the member and a copy to their fund. The member will not need to apply directly to their super fund.

Note - separate arrangements will apply for members of self-managed superannuation funds. Further guidance will be available via the ATO website.

The Government expects members will be able to start applying through myGov from mid-April 2020.

\$750 support payments

The Government is providing two separate \$750 payments to social security, veteran and other income support recipients and eligible concession card holders.

- The first payment will be paid automatically from 31 March 2020 (note: likely to be around 22 April)
- The second payment will be paid automatically from 13 July 2020

An individual can be eligible to receive both the first and second payment. However, they can only receive one \$750 payment in each round of payments.

The payment will be exempt from taxation and will not count as income for the purposes of Social Security, Farm Household Allowance and Veteran payments.

Eligibility for the first \$750 payment

To qualify for the first payment, an individual:

- must be residing in Australia, and
- must be receiving one of the following payments, or hold one of the following concession cards, at any time from 12 March 2020 to 13 April 2020, inclusive (or have lodged a claim during this period and the claim is subsequently granted):

- Age Pension
- Disability Support Pension
- Carer Payment
- Parenting Payment
- Wife Pension
- Widow B Pension
- ABSTUDY (Living Allowance)
- Austudy
- Bereavement Allowance
- Newstart Allowance
- JobSeeker Payment
- Youth Allowance
- Partner Allowance
- Sickness Allowance
- Special Benefit
- Widow Allowance
- Family Tax Benefit (including Double Orphan Pension)
- Carer Allowance
- Pensioner Concession Card (PCC) holders
- Commonwealth Seniors Health Card holders
- Veteran Service Pension; Veteran Income Support Supplement; Veteran Compensation payments, including lump sum payments; War Widow(er) Pension; and Veteran Payment.
- DVA PCC holders; DVA Education Scheme recipients; Disability Pensioners at the temporary special rate; DVA Income support pensioners at \$0 rate.
- Veteran Gold Card holders
- Farm Household Allowance

Eligibility for the second \$750 payment

To qualify for the second payment, an individual must meet the following criteria on 10 July 2020:

- must be residing in Australia, and
- must be receiving one of the payments or hold one of the concession cards that were eligible for the first payment, except for those who are eligible to receive the Coronavirus supplement.

Individuals who are eligible to receive the Coronavirus supplement are not eligible for the second \$750 payment. Please refer to the 'Coronavirus supplement of \$550 per fortnight' section in this article for more information.

Coronavirus supplement of \$550 per fortnight

From 27 April 2020, the Government is establishing a new, time-limited Coronavirus supplement to be paid at a rate of \$550 per fortnight.

This supplement will be paid to both existing and new recipients of the following eligible payment categories:

- Jobseeker Payment (and all payments progressively transitioning to Jobseeker Payment including those currently receiving Partner Allowance, Widow Allowance, Sickness Allowance and Wife Pension)
- Youth Allowance Jobseeker
- Parenting Payment (Partnered and Single)
- Farm Household Allowance
- Special Benefit recipients

Anyone who is eligible for the Coronavirus supplement will receive the full rate of the supplement of \$550 per fortnight.

These changes will apply for the next six months.

Note - people that qualify for the Coronavirus supplement will not be eligible for the second \$750 stimulus payment.

Expanded access to income support

For the six-month Coronavirus supplement period commencing on 27 April 2020, there will be expanded access to the income support payments listed above. This means:

Expanded access

Jobseeker Payment and Youth Allowance Jobseeker will be accessible to permanent employees stood down or lost employment **as well as** sole traders, the self-employed, casual workers, and contract workers who meet income tests as a result of the economic downturn due to Coronavirus.

This could also include a person required to care for someone who is affected by the Coronavirus.

Reduced means testing

Asset testing for Jobseeker Payment, Youth Allowance Jobseeker and Parenting Payment will be waived for the period of the Coronavirus supplement.

Income testing will still apply to the person's other payments, consistent with current arrangements.

Reduced waiting times

- Ordinary waiting period waived

The one-week ordinary waiting period will be waived for people applying for Parenting Payment, Jobseeker Payment or Youth Allowance between 12 March 2020 and 11 June 2020.

People will not be permitted, and will need to declare that they are not, accessing employer entitlements (such as annual leave and/or sick leave) or Income Protection Insurance, at the same time as receiving Jobseeker Payment and Youth Allowance Jobseeker under these arrangements.

Flexible Job seeking arrangements

- Jobseekers who have caring responsibilities, or who need to self-isolate, will be able to seek an exemption from their mutual obligation requirements without the need for medical evidence.
- Activities can be rescheduled if the job seeker is unable to attend as a result of the Coronavirus. Job Plans will be adjusted to a default requirement of four job searches a month (or one a week) to reflect softening labour market conditions.
- Mutual obligations can be tailored for each individual to suit not only their needs but also the needs of the community.

Sole traders that become eligible for the Jobseeker Payment will automatically meet their mutual obligation requirements during this period by continuing to develop and sustain their business.

- Job seekers are encouraged to stay job ready, connected to their employment services provider and up to date on potential job opportunities in their local area.

These changes ensure that job seekers can reliably access income support, safely look for work, fill critical vacancies as they emerge, develop their skills and job preparedness, contribute to their community and help the economy to bounce back stronger.

Aspect comment:

The waiving of the one-week ordinary waiting period included in the Social Security (Ordinary Waiting Period Exemption) Instrument 2020, is relevant to people applying for Parenting Payment, Jobseeker Payment or Youth Allowance between 12 March 2020 and 11 June 2020.

It is not clear at this stage whether the waiving of the ordinary waiting period will be extended to six months.

Support for business

Expanding instant asset write-off

At present, the instant asset write-off is available to businesses with aggregated turnover of less than \$50 million. It currently allows eligible businesses to claim an immediate tax-deduction for the cost of eligible depreciating assets valued at up to \$30,000 (per asset).

The Government has proposed temporarily expanding the instant asset write-off for assets first used (or installed ready for use) from 12 March 2020 to 30 June 2020 by:

- increasing the threshold from \$30,000 to \$150,000, and
- expanding the businesses who can access the instant asset write-off to those with an aggregated turnover of less than \$500 million.

The instant asset write-off can apply to both new and second-hand eligible depreciating assets. Further information about the instant asset write-off [can be found on the ATO website](#).

It is important to note that under existing legislation, from 1 July 2020 the instant asset write-off will revert to only being available to small businesses (less than \$10 million in aggregated turnover) and to a threshold of only \$1,000.

Accelerated depreciation deductions for new assets The Government has also announced more generous depreciation deductions for businesses with aggregated turnover of less than \$500 million, who purchase eligible new depreciating assets acquired after the Government's announcement and first used or installed ready for use by 30 June 2021.

Under this incentive, an immediate deduction of 50% will apply in the income year in which the eligible asset is first used or installed ready for use, with existing depreciation rules applying thereafter.

Where the asset purchased instead qualifies for the instant asset write-off (which as discussed above will be significantly increased and expanded until 30 June 2020), the instant asset write-off will apply instead and 100% of the cost of the asset can be claimed as a deduction in the first income year.

Boosting cash flow for employers

The Government will provide an estimated 690,000 eligible small and medium business employers and an estimated 30,000 not-for-profit employers (including charities) with cash flow assistance of between \$20,000 and \$100,000.

For this purpose, a small or medium business or not-for-profit entity is one with less than \$50 million in aggregated turnover in the previous income year. It appears that this proposal will apply to all types of business structures.

This cash flow assistance will be delivered as an initial series of payments of between \$10,000 and \$50,000, and a final series of payments equal to the total of the initial payments (i.e. a further \$10,000 to \$50,000).

Initial series of payments

The initial series of payments will be made as a credit in the activity statement system starting from April 2020, with eligible entities that withhold tax from their employees' salaries receiving a payment of 100% of the amount withheld, up to \$50,000 in total.

Eligible entities that pay staff but are not required to withhold tax will still qualify for a minimum payment of \$10,000.

Where an eligible entity lodges an activity statement and due to this payment is in a refund position, the ATO will deliver the refund within 14 days.

Where an eligible entity lodges its activity statements quarterly, it will be eligible for this payment in the March 2020 and June 2020 quarters.

Where an eligible entity lodges its activity statements monthly, it will be eligible for this payment for the monthly lodgements of March, April, May and June 2020. However, in this case the payment for March will be calculated at 300% (instead of 100%) to provide equity between quarterly and monthly lodgers.

Final series of payments

A final series of payments will be made that (combined) match the total of the initial series of payments. To be eligible for each of the final series of payments, the business or not-for-profit must continue to be active.

The final payments are again delivered as a credit in the activity statement system. Where an eligible entity lodges an activity statement and due to this payment is in a refund position, the ATO will deliver the refund within 14 days.

The following tables summarise the final payments for eligible entities.

Entity is quarterly lodger	
Quarter	Payment amount
June 2020 quarter (lodged by 28 July 2020)	50% of total of initial payments
September 2020 quarter (lodged by 28 October 2020)	50% of total of initial payments

Entity is monthly lodger	
Month	Payment amount
June 2020 (lodged by 21 July 2020)	25% of total of initial payments
July 2020 (lodged by 21 August 2020)	25% of total of initial payments
August 2020 (lodged by 21 September 2020)	25% of total of initial payments
September 2020 (lodged by 21 October 2020)	25% of total of initial payments

Example of payments: quarterly lodger

ABC Co is an eligible medium business which withholds \$22,000 in tax from employees' salaries in the March 2020 quarter and \$18,000 in tax from employees' salaries in the June 2020 quarter.

Initial payments

Upon lodging its activity statement for the March 2020 quarter (due 28 April 2020), ABC Co will receive a payment of \$22,000 ($\$22,000 \times 100\%$). Upon then lodging its activity statement for the June 2020 quarter (due 28 July 2020), it will be entitled to a payment of \$18,000 ($\$18,000 \times 100\%$).

If the sum of both payments would exceed \$50,000, the payments would instead be capped at \$50,000. However, the payments for ABC Co total \$40,000.

Final payments

Assuming ABC Co remains active, it will receive the following final payments – each equal to 50% of the total of the initial payments.

- \$20,000 for June 2020 quarter (lodged by 28 July)
- \$20,000 for September 2020 quarter (lodged by 28 October)

In total, ABC Co will therefore receive \$80,000 in 'boosting cash flow' payments.

Example of payments: monthly lodger

XYZ Co is an eligible medium business which withholds the following in tax from employees' salaries:

- \$13,000 for March 2020
- \$12,000 for April 2020
- \$10,000 for May 2020
- \$12,000 for June 2020.

Initial payments:

Upon lodging its activity statement for March 2020 (due 21 April 2020), XYZ Co will receive a payment of \$39,000 ($\$13,000 \times 300\%$). Upon then lodging its activity statement for April 2020 (due 21 May 2020), it will be entitled to a payment of \$11,000 due to the \$50,000 cap on total payments (as the calculated amount of $\$12,000 \times 100\%$ would lead to the \$50,000 cap being exceeded).

As the \$50,000 cap is reached in April 2020, no further initial payments would then apply for May 2020 or June 2020.

Final payments

Assuming XYZ Co remains active, it will receive the following final payments – each equal to 25% of the total of the initial payments.

- \$12,500 for June 2020 (lodged by 21 July)
- \$12,500 for July 2020 (lodged by 21 August)
- \$12,500 for August 2020 (lodged by 21 September)
- \$12,500 for September 2020 (lodged by 21 October)

In total, XYZ Co will therefore receive the maximum \$100,000 in 'boosting cash flow' payments.

Supporting apprentices and trainees

Small businesses with less than 20 full time employees who retain an apprentice or trainee can apply for a wage subsidy of 50% of the wages paid to the apprentice / trainee during the 9 months from 1 January 2020 to 30 September 2020.

To qualify, the apprentice or trainee must have been in training with the eligible small business at 1 March 2020. A cap of \$21,000 applies to the amount of subsidy that can be provided, per eligible apprentice / trainee (\$7,000 per quarter).

In addition, employers of any size, and group training organisations, can apply for the subsidy where they re-engage an eligible out-of-trade apprentice or trainee.

Temporary relief for financially distressed businesses

The Government has also proposed the following temporary measures to help protect otherwise viable businesses that face temporary financial distress due to the coronavirus pandemic.

Higher thresholds and more time to respond to creditor demands

For a six-month period, the Government has proposed making the following changes to situations where creditors issue a statutory demand on a company under the Corporations Act (note, a creditor issuing a statutory demand is a common way for a company to enter liquidation):

- Increasing the threshold (ie, amount owed) at which a creditor can issue a statutory demand on a company from \$2,000 to \$20,000, and
- Increasing the timeframe that a company has in which to respond to a statutory demand from 21 days to six months.

To assist individuals, for six months the Government has proposed changing personal insolvency laws as follows:

- Increasing the minimum amount of debt required in order for a creditor to initiate bankruptcy proceedings against a debtor from \$5,000 to \$20,000, and
- Increasing the timeframe that a debtor has in which to respond to a bankruptcy notice from 21 days to six months.
- Where a debtor declares an intention to enter voluntary bankruptcy, increasing the period of protection during which unsecured creditors cannot take further action to recover debts from 21 days to six months.

These proposed temporary changes do not impact on a creditor's right to enforce debts against companies or individuals through the courts.

This proposed relief would only apply in respect of debts incurred in the ordinary course of a company's business, and the Government points out that cases of fraud or dishonesty may be subject to criminal penalties.

Supporting credit flow to small and medium businesses

50% Government guarantee on eligible SME

loans To provide lenders with incentive to continue providing credit to small and medium businesses, the Government has proposed a 'coronavirus SME guarantee scheme'.

Under the scheme, the Government would guarantee 50% of the value of new unsecured loans for working capital made by lenders to eligible small and medium businesses (less than \$50 million in turnover).

To qualify for the guarantee, lenders must comply with the following:

- A maximum loan size of \$250,000 per borrower,
- A maximum loan term of 3 years, with an initial six month repayment holiday, and
- The loans will be unsecured (ie, borrowers will not have to provide assets as security).

This scheme is proposed to commence in early April 2020 and be available for new loans made by participating lenders until 30 September 2020.

More efficient access to credit for small business

To enable small businesses to access credit more quickly and efficiently, the Government has also proposed temporarily exempting lenders providing credit to small businesses from responsible lending obligations.

This exemption will apply for six months and applies to any credit for business purposes (including new credit, credit limit increases, or variations and restructures in existing credit).

*** If this measure may apply to you, please let me know and I will send further information to you when it becomes available ***

