

Federal tax measures announced in response to COVID-19

In response to the economic impact that COVID-19 is having, and will continue to have on Australian businesses and individuals, the Federal Government has announced a number of tax relief measures. The measures are set out in the table below and are current as at 9 April 2020. Importantly, many of the measures require ordinary lodgement and compliance activity to be maintained.

Our detailed update about the JobKeeper Payment can be found [here](#)

Tax measure	Details	What you need to do
Expanded instant asset write-off	<p>The instant asset write-off threshold has increased from \$30,000 to \$150,000 (plus GST).</p> <p>Eligible taxpayers The threshold for eligibility has been increased to cover businesses with an aggregated turnover of less than \$500 million (up from \$50 million). Multinational groups will need to assess eligibility with the aggregated turnover threshold in accordance with existing tax law, which takes into account the ordinary business income of connected and affiliated entities, both Australian or foreign.</p> <p>Qualifying assets The increased threshold will apply to a depreciable asset that is first used, or installed ready for use, between 12 March 2020 and 30 June 2020. This will be available for both new and second-hand or used assets acquired.</p> <p>Small business pooling Entities with a turnover below \$10 million will also be able to claim a deduction for their entire general small business pool if it is less than \$150,000 at the end of the 2020 income year.</p>	<ul style="list-style-type: none"> • Taxpayers will need to lodge their 2020 income tax return to realise a benefit from the instant asset write-off.
Accelerated depreciation	<p>Eligible taxpayers - under \$10million Businesses with an aggregated turnover of less than \$10 million, that use the simplified depreciation rules, can claim a deduction of 57.5% (rather than 15%) of an assets business value in the year it is added to their small business pool.</p> <p>Eligible taxpayers - between \$10 million and \$500 million Businesses with aggregated turnover of less than \$500 million, that do not use the simplified depreciation rules, can claim a deduction of:</p> <ul style="list-style-type: none"> • 50% of the cost of a depreciating asset; plus • the amount of the usual depreciation deduction that would otherwise apply, calculated after first offsetting a decline in value of 50%. <p>Effectively, this will allow businesses to claim an immediate deduction of more than 50% in most cases.</p> <p>Qualifying assets The depreciating asset must be:</p> <ul style="list-style-type: none"> • new, and not previously held by another entity (cannot be used or second hand assets); • an asset under which depreciation deductions have not previously been applied; and • first held, and first used or installed ready for use, for a taxable purpose between 12 March 2020 and 30 June 2021. 	<ul style="list-style-type: none"> • Taxpayers will need to lodge their 2020 and 2021 income tax returns to realise a benefit from the accelerated depreciation rules.

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Cash flow support for employers	<p>Entities (including not-for-profit organisations, sole traders, partnership, company or trust) with an aggregated annual turnover below \$50 million for the previous income year will be provided with two cash flow boosts delivered as credits in the activity statement system.</p> <p>Eligible entities will receive at least \$20,000 of credits, up to a total of \$100,000. The credit will be applied against other tax liabilities in the activity statement, and any excess will be refunded.</p> <p>The cash flow boost assistance will be made to employers tax-free, in two rounds as summarised below.</p> <p>First cash flow boost</p> <ul style="list-style-type: none">• Quarterly lodgers - a credit equal to 100% of the amount of PAYG withheld for the March or June 2020 quarter, up to a maximum of \$50,000. The minimum credit will be \$10,000, even if the amount required to be withheld is zero.• Monthly lodgers - a credit of 300% of the amount of PAYG withheld for March 2020, and 100% for April, May, and June 2020, up to a maximum of \$50,000. The minimum credit will be \$10,000, even if the amount required to be withheld is zero. Additional credits may be received for April and May, but the total credits received will not exceed \$50,000. <p>Additional cash flow boost</p> <ul style="list-style-type: none">• Quarterly lodgers - 50% of the total initial cash flow boosts for the quarters ended June and September.• Monthly lodgers - 25% of the total initial cash flow boosts for June, July, August and September. <p>Eligible taxpayers</p> <p>An entity (other than a charity) must have held an ABN on 12 March 2020 (or a later time allowed by the Commissioner) and:</p> <ul style="list-style-type: none">• derived business income in the 2019 income year, and lodged its 2019 tax return on or before 12 March 2020; or• made a supply for consideration since 1 July 2018, and lodged the relevant activity statement on or before 12 March 2020. <p>The second boost payment will be automatically available to eligible first boost payment recipients provided the entity still lodges activity statements.</p> <p>Qualifying payments</p> <p>Entities must have made payments where there was an obligation to withhold prior to 12 March 2020, even if no withholding was required. Qualifying payments could include salary and wages, director fees, retirement or termination payments, compensation payments and certain contractor payments.</p> <p>Trusts can be eligible businesses but trust distributions would not meet the withholding obligation requirement.</p> <p>There is also an integrity rule that prevents new (or inactive) entities being established, or artificial arrangements being entered into, solely to obtain the cash flow boost assistance.</p>	<ul style="list-style-type: none">• Eligible entities do not need to separately apply to the ATO• The boost amounts will be delivered automatically as a credit against other activity statement liabilities from 28 April 2020.• Any surplus activity statement credits will be refunded in cash within 14 days.• Entities must continue to lodge their activity statements on time to receive the boost amounts.

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Debt deferral	<p>The ATO will grant taxpayers impacted by COVID-19 a deferral of the due date for payment of tax liabilities of up to 6 months.</p> <p>This means that while lodgement dates will remain unchanged (eg for BAS or income tax returns), where a deferral is granted interest will not accrue as the due date for payment has been deferred.</p> <p>Taxpayers will need to speak with the ATO debt team to request a deferral, and show that they have been impacted by COVID-19. Further rolling deferrals will be considered by the ATO based upon the taxpayers specific circumstances, and the state of affairs, at the time.</p> <p>There are reports that the ATO will not exercise a discretion to defer <i>'the PAYGW, GST and excise obligations of large withholders, except in circumstances where an insolvency event is imminent, and the large withholder can demonstrate that they don't have access to other sources of funding (e.g. loan facilities, equity contributions from new or existing shareholders, realisation of liquid assets), and the granting of a deferral would result in the large withholder remaining a going concern,'</i></p>	<ul style="list-style-type: none"> • This assistance will not be automatic; taxpayers need to be proactive and the Tax Team at Hall & Wilcox has the lines of communication with the ATO to assist. • The ATO has also stressed that employers will still need to meet their ongoing super guarantee obligations. These obligations are set by legislation, and cannot be varied or ignored by the ATO through the use of administrative powers.
ATO support measures	<p>In conjunction with the relief measures, the ATO is offering a suite of administrative support to businesses by:</p> <p>Cash flow only measures</p> <ul style="list-style-type: none"> • allowing businesses to change from quarterly to monthly GST reporting cycles if they are due for a GST refund; • allowing businesses to vary PAYG instalment amounts to zero for the March 2020 quarter. Businesses may also be entitled to a refund for any instalments made for the September 2019 and December 2019 quarters; <p>Potential cash in pocket measures</p> <ul style="list-style-type: none"> • remitting any interest and penalties, incurred on or after 23 January 2020, that have been applied to tax liabilities; and • allowing businesses with existing and ongoing tax liabilities to enter into low interest payment plans. 	<ul style="list-style-type: none"> • This assistance will not be automatic; taxpayers need to be proactive and the Tax Team at Hall & Wilcox has the lines of communication with the ATO to assist.
Superannuation guarantee amnesty	<p>The ATO will consider flexible payment plans for taxpayers who come forward under the superannuation guarantee amnesty.</p> <p>While the ATO will consider payment terms that extend beyond 7 September 2020, being the end of the amnesty period, payments made after this date will not be deductible.</p> <p>Taxpayers who are concerned that they may not be able meet their liabilities if they come forward are still encouraged to do so, as the ATO will no doubt consider a voluntary disclosure during the amnesty period favourably when deciding to remit penalties.</p>	<ul style="list-style-type: none"> • This assistance will not be automatic, taxpayers will need to make a valid disclosure under the superannuation guarantee amnesty and also request flexible payments terms.

¹ <https://www.gtlaw.com.au/insights/ato-clarifies-its-position-big-businesses-allowed-use-payg-withheld-stay-afloat>

<https://www.accountantsdaily.com.au/tax-compliance/>

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<p>Temporary early release of superannuation</p>	<p>Individuals affected by COVID-19 can withdraw up to \$10,000 from their superannuation this financial year, and an additional \$10,000 between 1 July 2020 and 24 September 2020.</p> <p>Eligibility conditions</p> <p>To be eligible, a person must satisfy one or more of the following requirements:</p> <ul style="list-style-type: none"> • unemployed; • eligible to receive a job seeker payment, youth allowance for jobseekers, parenting payment (which includes the single and partnered payments), special benefit under the Social Security Act or farm household allowance; or • on or after 1 January 2020, either: <ul style="list-style-type: none"> » have been made redundant; » have had working hours reduced by 20% or more; or » if the person is a sole trader, have had their business suspended or a reduction in their turnover of 20% or more. 	<ul style="list-style-type: none"> • Applications can be made through myGov from 20 April 2020.
<p>Reducing superannuation minimum drawdown rates</p>	<p>The minimum drawdown rates that apply for pensions and annuities calculated in accordance with the relevant formula for the 2020 and 2021 income years has been reduced by 50%.</p>	<ul style="list-style-type: none"> • To claim this benefit individuals must already be eligible to make withdrawals from their superannuation fund.