Netwealth Technical Update

2020 Coronavirus Stimulus Package

24 March 2020

Introduction

The Government is acting decisively in the national interest to support households and businesses and address the significant economic consequences of the Coronavirus (COVID-19).

While the full economic effects from the virus remain uncertain, the Government's outlook has changed since their initial Economic Response announced on 12 March 2020 and as a result a second round of stimulus has just been announced.

These actions seek to provide timely support to affected workers, businesses and the broader community. The Government's economic response targets three areas namely:

- Supporting individuals and households
- Support for businesses
- Supporting the flow of credit

Below is a summary of issues that may impact financial planners and their clients, but please note that the situation is changing daily and individual State Governments are also undertaking their own measures.

Contents

Supporting individuals and households_____4

Support for businesses_____7

Supporting the flow of credit_____10

Disclaimer

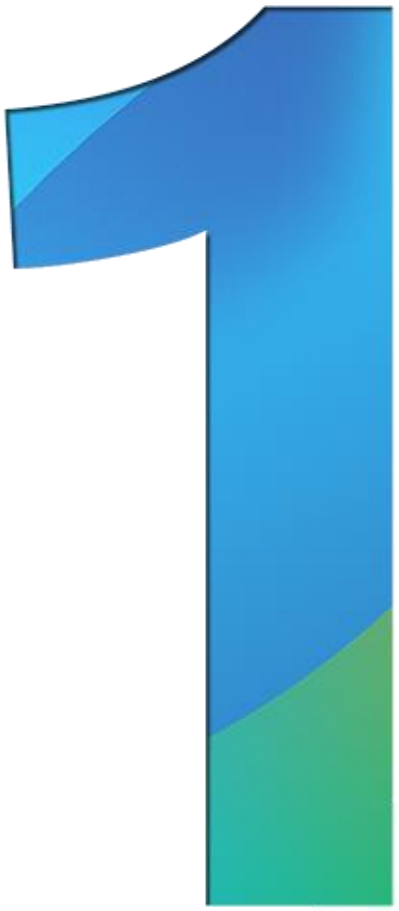
The material in this technical update has been prepared and issued by Netwealth Investments Limited (Netwealth), ABN 85 090 569 109, AFSL 230975, RSE L0000192). It contains factual information and general financial product advice only and has been prepared without taking into account your individual objectives, financial situation or needs. The information provided is not intended to be a substitute for professional financial product advice and you should determine its appropriateness having regard to your particular circumstances and seek any independent financial or other professional advice you may require. The relevant disclosure document should be obtained from Netwealth and considered before deciding whether to acquire, dispose of, or to continue to hold, an investment in any Netwealth product.

Information in this presentation may contain forward looking statements regarding our views with respect to potential regulatory changes.

While all care has been taken in the preparation of this document (using sources believed to be reliable and accurate), no person, including Netwealth, or any other member of the Netwealth group of companies, accepts responsibility for any loss suffered by any person arising from reliance on this information.

Unless specified, all information in this technical update is at 22/03/2020.

Supporting individuals and households



Income support for individuals

From 27 April 2020, eligibility to increased and accelerated income support payments is being expanded for the next 6 months, and a new, time-limited Coronavirus supplement to be paid at a rate of $550 per fortnight (p.f.) will be available. This is on top of existing income support payments.

Those on the following income support payments are eligible for the new Coronavirus supplement

- JobSeeker Payment (and all payments progressively transitioning to JobSeeker Payment; 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

Those eligible for the Coronavirus supplement will receive the full supplement of $550 p.f.

For the period of the Coronavirus supplement, there will be

Expanded access
JobSeeker Payment and Youth Allowance JobSeeker criteria will provide payment access for permanent employees who are stood down or lose their employment.

Expanded access will also be available for sole traders, for the self-employed, for casual workers and for contract workers who meet the income tests as a result of the economic downturn due to the Coronavirus. This could include a carer 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 periods
Where eligible for the Coronavirus supplement:

- The Ordinary Waiting Period has been waived.
- The Liquid Asset test Waiting Period (LAWP) and the Seasonal Work Preclusion Period (SWPP) will be waived (including those currently serving the LAWP).
- The Newly Arrived Residents Waiting Period (NARWP) will be temporarily waived, however residency requirements still apply.
- Income Maintenance Periods and Compensation Preclusion Periods will continue to apply.

Streamlined application process
Simplified arrangements will be put in place including removing the requirements for:

- Employment Separation Certificates, proof of rental arrangements and verification of relationship status,
- Job Seeker Classification Instruments and;
- The need for job seekers to make an appointment before beginning to be paid.

Flexible JobSeeking arrangements
Where in self-isolation or having caring responsibilities, an exemption from "mutual obligations" re: job seeking may be available.

Payments to support households

Two separate $750 payments to social security, veteran and other income support recipients and eligible concession card holders will be made. The payments are available to those who are eligible payment recipients and concession card holders at any time between 12 March and 13 April 2020 inclusive, and again on 10 July 2020. In the case of the second payment, the $750 payment is not payable for those who are receiving an income support payment that is eligible to receive the Coronavirus supplement. The first payment will be paid automatically from 31 March 2020 and the second automatically from 13 July 2020.

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.

The complete list of eligible income support payments and concession card is available here: https://treasury.gov.au/sites/default/files/2020-03/Fact_sheet-Payments_to_support_households.pdf.

Temporary early release of superannuation

Eligible individuals can apply online from mid-April through myGov to access up to $10,000 of their superannuation before 1 July 2020 (only 1 application allowed for the period). They will also be able to access up to a further $10,000 from 1 July 2020 for approximately three months (depends on the passage of the legislation).

Eligibility

To apply for early release you must satisfy any one or more of the following requirements:

1. You are unemployed

2. You are eligible to receive a Job Seeker Payment, Youth Allowance for jobseekers, Parenting Payment (which includes the Single and Partnered Payments), Special Benefit or Farm Household Allowance

3. On or after 1 January 2020
   a. You were made redundant, or;
   b. Your working hours were reduced by 20 per cent or more, or;
   c. If you are a sole trader — your business was suspended or there was a reduction in your turnover of 20 per cent or more.

Access

Applications are directed to the ATO using the MyGov portal, who will process and issue a determination with a copy to the Fund who will then release the money.

Taxation

People accessing their superannuation will not need to pay tax on amounts released and the money they withdraw will not affect Centrelink or Veterans' Affairs payments.

Temporarily reducing superannuation minimum drawdown rates

The superannuation minimum drawdown requirements for account-based pensions and similar products is being temporarily reduced by 50% for the 2019-20 and 2020-21 income years.

Age	Default minimum drawdown rates	Reduced rates by 50 per cent for the 2019-20 and 2020-21 income years
Under 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 or more	14%	7%

Reducing social security deeming rates

As of 1 May 2020, the upper deeming rate will be 2.25 per cent (currently 2.5 per cent) and the lower deeming rate will be 0.25 per cent (currently 0.5 per cent).

On average, this will result in the receipt of around $105 more from the Age Pension in the first full year that the reduced rates apply.

Support
for businesses

Boosting cashflows for employers

The Government is providing up to $100,000 to eligible small and medium-sized businesses and not- for-profits (NFPs) that employ people, with a minimum total payment of $20,000.

Small and medium sized business entities and NFPs with aggregated annual turnover under $50 million and that employ workers will be eligible. Eligibility will generally be based on prior year turnover.

Under the scheme, employers will receive a payment equal to 100 per cent of the business' salary and wages withheld, with the maximum payment of $50,000 and a minimum payment of $10,000.

- The payment will be delivered by the ATO as an automatic credit in the activity statement system from 28 April 2020 upon employers lodging eligible upcoming activity statements.
- Eligible employers that withhold tax to the ATO on their employees' salary and wages will receive a payment equal to 100 per cent of the amount withheld, up to a maximum payment of $50,000.
- Eligible employers that pay salary and wages will receive a minimum payment of $10,000, even if they are not required to withhold tax.
- The payments will only be available to active eligible employers established prior to 12 March 2020.

Quarterly lodgers will be eligible to receive the payment for the quarters ending March 2020 and June 2020.

Monthly lodgers will be eligible to receive the payment for the March 2020, April 2020, May 2020 and June 2020 lodgements. To provide a similar treatment to quarterly lodgers, the payment for monthly lodgers will be calculated at three times the rate (300 per cent) in the March 2020 activity statement.

An additional payment is also being introduced in the July-October 2020 period
Eligible entities will receive an additional payment equal to the sum of all the Boosting Cash Flow for Employers payments they have received as above. This means that eligible entities will receive at least $20,000 up to a total of $100,000 under both payments.

The cash flow boost provides a tax-free payment to employers and is automatically calculated by the ATO. There are no new forms required.

Supporting apprentices and trainees

Eligible employers can apply for a wage subsidy of 50 per cent of the apprentice's or trainee's wage paid during the 9 months from 1 January 2020 to 30 September 2020. Employers will be reimbursed up to a maximum of $21,000 per eligible apprentice or trainee ($7,000 per quarter). The subsidy will be available to small businesses employing fewer than 20 full-time employees who retain an apprentice or trainee. The apprentice or trainee must have been in training with a small business as at 1 March 2020.

Temporary relief for financially distressed businesses

The key elements are:

- A temporary increase in the threshold (from $2,000 to $20,000) at which creditors can issue a statutory demand on a company and the time (from 21 days to 6 months) companies have to respond to statutory demands they receive - both measures to apply for 6 months.
- A temporary increase in the threshold (from $5,000 to $20,000) for a creditor to initiate bankruptcy proceedings, an increase in the time period (from 21 days to 6 months) for debtors to respond to a bankruptcy notice, and extending the period of protection (from 21 days to 6 months) a debtor receives after making a declaration of intention to present a debtor's petition - all measures to apply for 6 months.
- Temporary relief for directors from any personal liability for trading while insolvent.
- Providing temporary flexibility in the Corporations Act 2001 to provide targeted relief for companies from provisions of the Act to deal with unforeseen events that arise as a result of the Coronavirus health crisis.

Increasing the instant asset write-off

The Government is increasing the instant asset write-off (IAWO) threshold from $30,000 to $150,000 and expanding access to include all businesses with aggregated annual turnover of less than $500 million (up from $50 million) until 30 June 2020.

The higher IAWO threshold provides cash flow benefits for businesses that will be able to immediately deduct purchases of eligible assets each costing less than $150,000. The threshold applies on a per asset basis, so eligible businesses can immediately write-off multiple assets.

The IAWO is due to revert to $1,000 for small businesses (turnover less than $10 million) from 1 July 2020.

Backing business investment

The Government is introducing a time limited 15-month investment incentive to support business investment and economic growth over the short-term, by accelerating depreciation deductions.

The key features of the incentive are:

- **Benefit** – deduction of 50 per cent of the cost of an eligible asset on installation, with existing depreciation rules applying to the balance of the asset's cost.
- **Eligible businesses** – businesses with aggregated turnover below $500 million.
- **Eligible assets** – new assets that can be depreciated under Division 40 of the Income Tax Assessment Act 1997 (i.e. plant, equipment and specified intangible assets, such as patents) acquired after announcement and first used or installed by 30 June 2021.

Supporting the flow of credit

Coronavirus SME guarantee scheme

Under the Scheme, the Government will provide a guarantee of 50 per cent to SME lenders for new unsecured loans to be used for working capital. SMEs with a turnover of up to $50 million will be eligible to receive these loans.

The Government will provide eligible lenders with a guarantee for loans with the following terms:

- Maximum total size of loans of $250,000 per borrower.
- The loans will be up to three years, with an initial six-month repayment holiday.
- The loans will be in the form of unsecured finance, meaning that borrowers will not have to provide an asset as security for the loan."

Loans will be subject to lenders' credit assessment processes. As part of the loan products available, the Government will encourage lenders to provide facilities to SMEs that only have to be drawn if needed by the SME. The Scheme will commence by early April 2020 and be available for new loans made by participating lenders until 30 September 2020.

More publications from Netwealth

Next super steps
This guide explores four super strategies designed to elevate your superannuation advice in 2020 and beyond.

Download the report

How to attract and retain high net worth clients
Explore seven strategies to evolve your service offering and attract more high net worth individuals as clients.

Download the report

Cultural mega-trends that matter to financial advice
Explore three behavioural shifts that are happening right now, and how your business can evolve with them.

Download the report

What life really looks like with managed accounts
We speak to advisers and experts as to how managed accounts are transforming advice.

Download the report

Outside the super square
This guide explores four alternative super strategies, that look outside the super square.

Download the report

Removing customer friction
Learn from the companies revolutionising customer experience how you can remove friction for your clients.

Download the report

Contact Netwealth for more information about this or other Netwealth products

Freecall 1800 888 223
Email contact@netwealth.com.au
Web www.netwealth.com.au

netwealth