

COVID-19: SMALL AND MEDIUM BUSINESS EMPLOYERS TO RECEIVE CASH FLOW RELIEF

Businesses with turnover under \$50m will benefit from a cash flow boost over a six month period as part of a Government stimulus package. This package has been upgraded with the second tranche of government stimulus announced on 22 March 2020.

Overall, it is designed to reduce the economic effects of a pandemic-based downturn, will encourage employers to keep staff by providing full “credits” of PAYG tax withheld.

ELIGIBILITY CRITERIA:

- Business with turnover under \$50m
- Employ staff where PAYG tax is withheld from gross payments
- Lodge Activity Statements during the period 1 January 2020 to 30 June 2020

FORM OF CASH FLOW BOOST:

The government announcements are designed to help businesses cover the cost of employee wages. The stimulus package does this by allowing a credit on 100% of PAYG withheld over a six-month period.

The minimum amount an employer would be able to receive over two quarters is \$20,000, to a maximum of \$100,000. Presumably, this would mean if a business employs a person where tax is withheld over the next two quarters, a refund credit should apply in the taxpayer’s ATO Running Balance Account for \$10,000 per quarter.

TIMING OF ACTIVITY STATEMENT "CREDITS":

On lodgement on the March and June quarter Business Activity Statements, the ATO will automatically apply a credit to the Running Balance Account in the amount of the PAYG tax withheld reduction (ie. 100% in most cases).

For employers with monthly Activity Statement lodgements, the March 2020 credit will be calculated at three times the rate, to cover for the January and February months.

The ATO has advised that, where these credits end up with the business having a net refundable amount, these refunds will be paid within 14 days to a nominated bank account.

This fact sheet contains general advice only and does not take into account particular objectives, financial circumstances and needs. The information provided in this fact sheet is not a substitute for legal, tax and financial product advice. Before making any decision based on this information, you should always seek professional advice from a solicitor, accountant or financial advisor for your particular circumstances.

EXAMPLE:

Jessica runs a business which employs staff and lodges monthly activity statements. All staff are on salary, and a monthly withholding of \$15,000 is declared each activity statement.

On the March 2020 activity statement, the \$15,000 is claimed in W2. The ATO will automatically apply a credit in the Running Balance Account of \$45,000 (\$15,000 × 3 times).

On the April, May and June 2020 activity statements, \$15,000 is claimed in W2. The ATO will automatically apply credits of \$15,000 for each month. The total amount Jessica will receive as a “credit” will be \$90,000.

HOW CAN WE HELP?

If you are concerned about how COVID-19 is affecting your business, please feel free to give me a call to arrange a time to meet so that we can discuss your particular requirements in more detail.
Ph 02 9135 8450

