

## Open letter from the partners and staff of CDTL Chartered Accountants

23 March 2020

Dear Clients,

Following the series of announcements by the Government and Reserve Bank we provide the following summary of what it means to you:

### 1. Individuals

The government is offering income support to individuals or sole traders who become unemployed or incur significant financial hardship as per the table below:

Your situation	Your maximum fortnightly payment
Single, no children	\$565.70
Single, with a dependent child or children	\$612.00
Single, aged 60 or over, after 9 continuous months on payment	\$612.00
Partnered	\$510.80 each
Single principal carer granted an exemption from mutual obligation requirements for any of the following: <ul style="list-style-type: none"><li>• foster caring</li><li>• non-parent relative caring under a court order</li><li>• home schooling</li><li>• distance education</li><li>• large family</li></ul>	\$790.10

#### 1.1 Coronavirus supplement

A further allowance of \$550 per fortnight will be paid for six months.

#### 1.2 Payment to support households

The Government is providing two separate \$750 payments to social security, veteran and other income support recipients and eligible concession card holders to support households to manage the economic impact of the Coronavirus.

The first payment will be available to people who are eligible payment recipients and concession card holders at any time from 12 March 2020 to 13 April 2020.

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The second payment will be available to people who are eligible payment recipients and concession card holders on 10 July 2020.

### 1.3 Other Centrelink Assistance

Individuals may be eligible for further amounts including:

- Rent assistance
- Energy supplement

### 1.3 How to claim

- To claim online, you need a myGov account linked to Centrelink.

- To create a mygov account go to:

<https://my.gov.au/>

Documents you may need, include:

- tax file number
- bank account details
- savings, term deposits, mortgage offsets or overseas account details
- investments
- insurance agreements
- income and assets, including real estate assets
- superannuation.

Once you lodge your claim you can track it online. The government has indicated that claims will be fast tracked.

### 1.4 Access to your Superannuation

Individual affect by the crisis can withdraw up to \$10,000 before 30 June 2020 and a further \$10,000 from 1 July 2020 from their superannuation fund. The Government has said that these withdrawals will be tax free.

To arrange these payments, you will need to contact your superannuation fund, details of which will be on your member statement.

## 2. Businesses

### 2.1 'Boosting Cash Flow for Employers' measures

#### Small and medium business (turnover of less than \$50 million)

- The Government is providing up to \$100,000 as part of its 'Boosting Cash Flow for Employers' measures, with a minimum payment of \$20,000.
- This measure applies to eligible small and medium sized businesses entities with aggregated annual turnover under \$50 million that employ workers.
- The measure also applies to not-for-profit charities with aggregated annual turnover under \$50 million that employ workers.
- An additional payment is also being introduced in the July-October 2020 period for business who continue to be active. Eligible entities will receive an additional payment equal to the total of all of the 'Boosting Cash Flow for Employers' payments they have received.
- Eligible entities will receive at least \$20,000 up to total of \$100,000 under both payments.
- Where credits place businesses in a refund position, the ATO will deliver the refund within 14 days.

#### 'Boosting Cash Flow for Employers' payments:

- Under the 'Boosting Cash Flow for Employers' measure, employers will receive a 100% credit of PAYGW (withholding from employees' wages) up to a maximum of \$50,000.
- Payment will be delivered by the ATO as a credit in the activity statement system from 28 April 2020 upon businesses lodging eligible upcoming activity statements.
- Eligible businesses that pay salary and wages, but do not withhold tax for employees, will still receive a minimum payment of \$10,000.
- Payments will only be available to active eligible employers established prior to 12 March 2020.

#### Additional payments:

- To qualify for the additional payments, businesses must continue to be active.
- The additional payment will be applied to a limited number of activity statement lodgements.
- For monthly activity statement lodgers, additional payments will be delivered as automatic credit in the activity statement system. The payment will be equal to a quarter of your total initial Boosting Cash Flow for Employers payment following lodgement of your June 2020, July 2020, August 2020 and September 2020 activity statements (up to \$50,000).
- For quarterly activity statement lodgers, the additional payments will be delivered as an automatic credit in the activity statement system. This will equal to half of your total initial Boosting Cash Flow for Employers payment following the lodgement of your June 2020 and September 2020 activity statements (up to total of \$50,000).

## 2.2 Apprentices and trainees

- Eligible employers can apply for a wage subsidy of 50% 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.
- Employers can register for the subsidy from early April 2020.
- Final claims for payment must be lodged by 31 December 2020.

## 2.3 Temporary relief for financially distressed businesses

- A creditor issuing a statutory demand on a company is a common way for a company to enter liquidation. The Government is temporarily increasing the current minimum threshold for creditors issuing a statutory demand on a company under the *Corporations Act 2001* from \$2,000 to \$20,000. This will apply for six months.
- The statutory timeframe for a company to respond to a statutory demand will be extended temporarily from 21 days to six months. This will apply for six months.
- The threshold for the minimum amount of debt required for a creditor to initiate bankruptcy proceedings against a debtor will temporarily increase from its current level of \$5,000 to \$20,000. This will apply for six months.
- When a debtor declares an intention to enter voluntary bankruptcy by making a declaration of intention to present a debtor's petition there is a period of protection when unsecured creditors cannot take further action to recover debts. This period will be temporarily extended from 21 days to six months.

## 2.4 Temporary relief from Directors' personal liability for trading while insolvent

To make sure that companies have confidence to continue to trade through the Coronavirus health crisis with the aim of returning to viability when the crisis has passed, directors will be temporarily relieved of their duty to prevent insolvent trading with respect to any debts incurred in the ordinary course of the company's business. This will relieve the director of personal liability that would otherwise be associated with the insolvent trading. It will apply for six months.

Temporary relief from personal liability for insolvent trading will apply with respect to debts incurred in the ordinary course of the company's business. Egregious cases of dishonesty and fraud will still be subject to criminal penalties. Any debts incurred by the company will still be payable by the company.

## **2.5 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 until 30 June 2020.

This proposal applies from 12 March 2020 until 30 June 2020, and applies on a per asset basis, for new or second-hand assets first used or installed ready for use in this timeframe.

This applies to machinery, vehicles and other business assets.

## **2.6 Accelerating depreciation deductions**

The Government has also introduced a 15 month investment incentive to support business investment and economic growth over the short term, by accelerating depreciation deductions for businesses with a turnover of less than \$500m. This applies to eligible assets acquired from 12 March 2020, and first used or installed ready for use by 30 June 2021.

Eligible businesses will be able to deduct 50% of the cost of an eligible asset on installation, with existing depreciation rules applying to the balance of the cost of the asset. These measures only apply to new assets, not second hand assets.

## **2.7 Small and medium enterprise guarantee scheme**

The Government will provide a guarantee of 50% 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 with the expectation that lenders will look through the cycle to sensibly take into account the uncertainty of the current economic conditions.

### 3. Superannuation & retirees

#### 3.1 Temporary reduction in superannuation minimum drawdown requirements

The Government is temporarily reducing superannuation minimum drawdown requirements for account-based pensions and similar products 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

#### 3.2 Changes to social security deeming rates

The Government is also reducing both the upper and lower social security deeming rates by a further 0.25% points in addition to the 0.5% point reduction to both rates announced on 12 March 2020.

As of 1 May 2020, the upper deeming rate will be 2.25 per cent and the lower deeming rate will be 0.25%. The reductions reflect the low interest rate environment and its impact on the income from savings.

### 4. Our practice

Our practice will remain open and available to assist you with your ongoing tax, audit and financial matters.

The government has NOT provided any exemption from the filing of tax documents (i.e. returns, BAS etc) or exempt companies from their audit or ASX lodgement requirements.

Our practice uses secure cloud based software which allows our staff to operate from home.

We worked through the GFC with our clients and will do so again this time.



Corporate Solutions - Individually Tailored

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Please feel free to share this with your colleagues, family and friends and should they need any help with their tax or business matters they are welcome to continue us.

Kind regards

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