Tax-Free Payments up to $100,000 for Employers

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Date	• March 2020 – June 2020 • July 2020 – September 2020
Applies to	• Businesses with aggregated turnover less than $50m in the previous financial year; or • Not-for-profits, including charities, with aggregated turnover less than $50m • And, make payments to staff between 1 January 2020 – 30 June 2020

The cashflow boost is triggered when eligible businesses lodge their Activity Statement – no separate application form needs to be submitted. The boost will generally reduce any liability on your activity statement (meaning you pay less to the ATO). Where the cashflow boost exceeds the liabilities owed to the ATO, you should generally receive a refund of the excess within 14 days.

Eligibility

Cash flow support is available to businesses (including not-for-profits and charities) with:

• Aggregated turnover less than $50 million in the previous financial year, that
• Employ staff and make payments to them between 1 January 2020 – 30 June 2020.

In order for a business to qualify for this support it must have held an ABN on 12 March 2020. It must also have derived some business income in the 2018-19 income year and lodged the 2019 tax return by 12 March 2020 or made a supply of goods or services connected with Australia at some point from 1 July 2018 but before 12 March 2020 and lodged a relevant activity statement by 12 March 2020. The Commissioner has some limited discretion to extend the deadline for lodging a 2019 tax return or activity statement in connection with this measure.

For charities and NFPs, the rules are more flexible as the Government recognises that new charities might be established in response to the pandemic. These groups must be a not-for-profit body and have aggregated turnover of less than $50m in the previous financial year or the Commissioner must be reasonably satisfied that turnover for the current year would be less than $50m.

The legislation includes integrity rules to prevent artificial or contrived arrangements or schemes being used to access the funding.

How the support is calculated
The support will be provided in two tranches.

Under the first tranche the support is calculated based on the amounts actually withheld from payments to employees, directors and certain contractors. If the entity is a quarterly lodger, then the support is equal to 100% of the amounts withheld from payments to staff during the March 2020 and June 2020 quarters. If the entity is a monthly lodger then the support is equal to 300% of the amounts withheld from payments to staff in March 2020 plus 100% of the amounts withheld from payments in April 2020, May 2020 and June 2020.

The first tranche support amounts are subject to a cap of $50,000. However, a minimum amount of $10,000 will apply to all eligible entities and this will be provided in the first period they are eligible. This could be relevant to entities that have employees, but the withholding amount is nil or a relatively low amount.

Under the second tranche, entities that were eligible to support amounts in the first tranche will receive the same total amount again even if their circumstances have changed. However, the support payments will be spread out. Quarterly lodgers will receive 50% of the first tranche amount for each of the June 2020 and September 2020 quarters. Monthly lodgers will receive 25% of the first tranche amount for each of the June 2020, July 2020, August 2020 and September 2020 periods.

Here's how the cash flow stimulus looks for quarterly and monthly lodgements.

Quartly activity statement lodgement		
Tranche 1	March 2020	100% of PAYG withholding up to a maximum of $50,000
	June 2020	Where the March quarter did not reach the $50,000 maximum, any remaining amount up to 100% of the PAYG withholding amount
Tranche 2	June 2020	100% of the Tranche 1 amount (i.e., up to a maximum of $50,000) provided in two equal amounts
	September 2020	

Monthly activity statement lodgement		
Tranche 1	March 2020	300% of PAYG withholding up to a maximum of $50,000
	April 2020	Where March 2020 did not reach the $50,000 maximum, any remaining amount up to 100% of the PAYG withholding amount
	May 2020	
	June 2020	
Tranche 2	June 2020	100% of the Tranche 1 amount (i.e., up to a maximum of $50,000) provided in four equal amounts
	July 2020	
	August 2020	
	September 2020	

How the support is provided

The business or non-profit entity will generally need to lodge its activity statement for the relevant period to trigger the cash flow support. Special rules are in place for large withholders that pay amounts twice weekly. In these circumstances, payments are due at the time the entity pays or is paid their GST net amount for the tax period most closely corresponding to the period for which payment is made.

As a starting point, all eligible entities will receive between $10,000 and $50,000 following the lodgement of the March activity statement.

The Commissioner has some discretion on how the cash flow support is provided to eligible entities. For example, the ATO could decide to allocate the support amount to the entity's running balance account or could decide to apply it against other tax debts. In practice it is expected that the support amounts will generally be applied against liabilities arising from the same activity statement, reducing the net amount that needs to be paid to the ATO for that month or quarter.

Where the support amount exceeds any tax liabilities that are owed by the entity, then the excess amount will be paid as a cash refund. The Commissioner also has the discretion to provide cash refunds to entities rather than applying the amounts against tax liabilities.

Example

Sarah owns and runs a building business in South Australia and employs eight full time construction workers who each earn $89,730 per year. Sarah reports withholding of $15,008 for her employees on each of her monthly Business Activity Statements (BAS).

Sarah will be eligible to receive the cash flow assistance payment on lodgement of her BAS. The business receives:

Activity statement period	Credit amount	
March	$45,024	300% of total withholding
April	$4,976	Remainder up to $50,000 cap
May	$0	
June	$12,500	25% of Tranche 1 amount
July	$12,500	25% of Tranche 1 amount
August	$12,500	25% of Tranche 1 amount
September	$12,500	25% of Tranche 1 amount

The business will receive a total of $100,000 under this measure.

Adapted from fact sheet: Cash flow assistance for businesses.

We will continue to update this document and links as announcements are made. Please see our website.

Please **contact us** to discuss how these initiatives can support you and your business.