

# BusinessPlus+ Newsletter



## INDEX

JobKeeper Payment Scheme Passed!	1
Commercial Tenants Rental Waivers	1
Theft, Pilferage and Fraud	2
Research and Development Registration Date Extended	2
Energy Bill Problems?	2
Coronavirus Stimulus Packages for SMEs	2
COVID-19 Survival Plan	4

## Issue – April 2020

### JobKeeper Payment Scheme Passed!

The Australian parliament successfully passed the government's JobKeeper package at a special parliamentary session on 8 April 2020.

- Businesses have to qualify by substantiating that they have lost 30% of their turnover in a month-long period or a three-month period, depending on the duration of the Business Activity Statements being lodged by that business.
- Charities can qualify, if their turnover has decreased by 15%.
- The payments being made by the government to eligible businesses relate to persons employed by the business on 1 March 2020, will be \$1,500 per fortnight from 30 March 2020 for 6 months and relates to, full-time, part-time and casual staff who have worked with the business for more than 12 months.
- The legislation also applies to sole traders and self-employed workers.
- Workers, on temporary visas, are not included unless they are New Zealanders on special category (subclass 444) visas.
- Employers only have to pay superannuation on any top up amounts above the \$1,500.
- Employers can change their staff hours to whatever amount would bring their pro rata pay down to \$1,500 per fortnight.
- If you're renting your business premises and there is a likelihood that you might like to negotiate for a rental decrease, it is very advisable that you apply for the JobKeeper payment scheme registration even if you do not intend to apply for the wages' supplement payments because to gain the benefit of the "mandatory code of conduct for commercial leases", you must be an eligible business for the purpose of the JobKeeper program.

If you have any questions on any aspect of how the JobKeeper payment scheme applies to your business, please do not hesitate to contact the accountant in our organisation with whom you normally deal.

### Commercial Tenants Rental Waivers

After a meeting of the National Cabinet on 7 April 2020 the Prime Minister announced new rental waivers and deferrals for commercial tenants impacted by the COVID-19 Coronavirus.

Under the scheme, landlords will have to reduce lease rentals in proportion to the reduction in the tenant's business turnover due to the COVID-19 Coronavirus – up to 50%.

The Prime Minister indicated that the scheme will apply to any tenancies where the landlord or tenant are eligible for the JobKeeper Scheme (turnover of \$50 million or less).

What this means is that, even if your business is not looking to receive the wage subsidies under the JobKeeper Scheme, if you would like to be in the position to renegotiate your tenancy arrangements, you should apply for the JobKeeper Scheme so that you are able to negotiate with your landlord, if you wish, because only businesses that are eligible for the JobKeeper payments can negotiate under the mandatory code of conduct for the lease of your premises.

Landlords are required to offer tenants, at least, 50% of their rent relief as waivers "over the course of the pandemic period" and the remainder in deferrals.

Deferrals are required to be covered over the balance of the tenant's individual lease term, meaning for example, tenants with 3 years left on the lease will be able to gradually pay deferred rent over the course of their agreement.

Those with less time on their leases, for example 6 months, will have 2 years after the pandemic period is over to pay deferred rent. The arrangement will be overseen by binding mediation and a mandatory code will be rolled out in each State and Territory.

The Prime Minister said landlords were legally required to speak with tenants about rental arrangements and, if they refuse, they would *“forfeit their way out of the lease”*.

The Prime Minister also said that *“the code brings together a set of good faith leasing principles”* and that *“landlords must not terminate the lease or draw on a tenant’s security. Likewise, tenants must honour the lease”*.

In summary, landlords cannot refuse requests for rent relief to SME tenants who are eligible for the JobKeeper scheme. Waivers and deferrals will be negotiated individually, but must follow the terms of the mandatory code.

## **Theft, Pilferage and Fraud**

This is another major area of concern for a business, however it is of particular concern when the going is tough like it is at present for many businesses.

The Global Theft Barometer Report 2019 indicates the following losses for Australian retailers:

- Total cost of retail loss in Australia - \$7.5 billion
- Shoplifting - 39% of Australian Retail Loss
- Employee Theft - 25% of Australian Retail Loss
- Administrative/Non-Crime Loss - 23% of Australian Retail Loss
- Vendors/Suppliers Fraud - 13% of Australian Retail Loss

In periods of “difficult times”, it is important that management and all team members are very much aware of these high losses and that the team discusses strategies which could be developed to minimise the losses, especially during these “difficult times”.

## **Research and Development Registration Date Extended**

The Australian government has announced, that because of COVID-19 coronavirus and the bushfires in 2019/20, they are extending the registration date for applications in respect of the year 2018/19 until 30 September 2020. The normal registration date would have been 30 April 2020. You’re not required to request an extension of time during this period.

If you require our assistance relative to a research and development project, please do not hesitate to contact us.

## **Energy Bill Problems?**

The Australian government has released some commentary on options available if a business is struggling to pay energy bills because of the impacts of the COVID-19 coronavirus. The commentary advises as follows:

If you cannot pay your bill on time and you have received a disconnection notice contact your retailer to find out how they can help. The retailer may be able to:

- delay payment
- allow you to pay your bill off in smaller amounts
- avoid disconnection

If you’re not satisfied after speaking to your retailer, contact the Energy Ombudsman in your State or Territory. The Ombudsman is a free and independent dispute resolution service.

## **Coronavirus Stimulus Packages for SMEs**

In the last term 2½ weeks there has been 2 coronavirus stimulus packages introduced by the Australian government. Stimulus package number 3 was passed by the Australian Parliament on 8 April 2020. These 3 packages have committed expenditure of approximately \$300 billion of which a substantial amount is targeted at small and medium-sized enterprises.

A summary of the key features of the Australian government’s stimulus packages targeted at small and medium-sized businesses is as follows:

- Tax-free boost of up to \$100,000 to help pay wages.  
Businesses with turnovers up to \$50 million per annum will receive a tax free cashflow boost worth up to \$100,000 (in stimulus package number 1 this amount was \$25,000) designed to help pay wages. The calculation is now based on 100% of PAYG tax deduction from employees' salaries and wages up to a maximum of \$50,000 for the three-month period of January, February, March 2020, which will be assessed on the Business Activity Statement to be lodged on 28 April, with a further 50% of amount withheld being payable on 28 July and 28 October.
- Eligible businesses which pay salaries and wages, but are not required to withhold tax, will receive a minimum payment of \$20,000 (originally this was \$2,000). The credit to be processed on 28 April will be \$10,000 with a further 50% (\$5,000) being payable on 28 July and 28 October.
- Businesses with less than 20 full-time employees which have apprentices/trainees employed at 1 March 2020, will be able to apply for a subsidy of 50% of the individual apprentices/trainees' wages for the nine-month period 1 January to 30 September, up to a maximum of \$21,000 (there has been no change in this announcement).

- **Coronavirus supplement.**  
A coronavirus supplement has been introduced at \$550 per fortnight, which will be payable to new and existing eligible income support recipients. Eligible recipients will receive the coronavirus supplement from 27 April 2020 along with their usual payment. Eligibility for the coronavirus supplement includes sole traders and self-employed persons.
- **Access to superannuation.**  
Recipients of the coronavirus supplement are eligible to access money from their superannuation funds. This directly relates to a sole trader where the business has been suspended or there is a reduction in turnover of 20% or more. The superannuation drawdown has to be processed through myGov and an eligible person can access up to \$10,000 of their superannuation before 1 July 2020. They will also be able to access up to a further \$10,000 from 1 July 2020 for approximately 3 months.
- **JobSeeker payment scheme.**  
The government will pay \$1500 per fortnight based on employees of a business at 1 March 2020 classified as:
  - full-time
  - part-time
  - casual – as long as they have been employed on a regular basis for 12 months prior to 1 March 2020

The time period for the JobKeeper payment scheme commenced on 30 March 2020.

The eligibility is the business must have reduced its turnover by, at least, 30% relative to a comparative period a year ago and this turnover reduction is attributed to COVID-19 coronavirus. This is to be calculated based on the time period for the business' Business Activity Statement – 3 monthly or monthly. Therefore, the comparison will be to the three-months of January, February, March or March, where a comparison is made to the turnover achieved in the 2019 time period and 2020.

The Australian government has issued a facts sheet relative to the calculation of the change in turnover and has indicated *"where a business was not in operation a year earlier, or where their turnover a year earlier was not representative of the usual or average turnover, (because there was a large interim acquisition, they were newly established or their turnover is typically highly variable), the Tax Commissioner will have discretion to consider additional information that the business can provide to establish that they have been adversely affected by the impacts of the coronavirus. The Tax Commissioner will also have discretion to set out alternative tests that would establish eligibility in specific circumstances."*

*There will be some tolerance where employers, in good faith, estimate a greater than 30% fall in turnover, but actually experience a slightly smaller fall".* Businesses have to register with the Australian Taxation Office if it wishes to utilise the JobKeeper payment system.

If you're renting your business premises – retail, office, industrial, it is desirable that you investigate whether your turnover has reduced by the required 30% because, if you wish to be able to utilise the mandatory code of conduct approved by the National Cabinet for *"SME commercial leasing principles during COVID-19"*, your business has to have been eligible for the JobKeeper program even though you may have made a decision that you didn't wish to claim the \$1,500 per fortnight per employee.

The payments will be made at least a month in arrears with the first payment scheduled to be made by the Australian Taxation Office in the first week of May 2020. You'll need to factor this payment schedule into your cashflow forecast.

- **Coronavirus SME Guarantee Scheme.** The government has indicated that it is aware that many SMEs will be facing severe cashflow problems because of COVID-19. The government and the Reserve Bank of Australia have implemented the "Coronavirus SME Guarantee Scheme".

The Reserve Bank has advised banks that it has a facility of \$90 billion that it will lend to the banks (big 4 banks and a wide range of other banks and financial organisations) these funds from 23 March 2020 to 30 September 2020. Any money not lent out by the banks at 30 September 2020 is to be returned to the Reserve Bank. The interest rate being charged by the Reserve Bank to the banking industry is 0.25% – a very low rate!

The Commonwealth government has indicated that it will issue a 50% guarantee to the banks for each loan approved by them with these funds.

The lending condition imposed by the Reserve Bank and the government is that loans are to be made available to SMEs with turnovers up to \$50 million per annum. The maximum loan is \$250,000 on an unsecured basis for a term of 3 years. There can be an initial 6 month repayment holiday.

The Commonwealth Bank indicated in a press release on 6 April that it has lent \$150 million of these funds since the 23 March to 1,850 businesses with 70% of these businesses from New South Wales. The Commonwealth Bank has indicated that hospitality operators accounted for 15% of the businesses receiving loans followed by construction 13%, professional services 12% and retail 11%. Banks will require their normal credit application form is to be completed and lodged with them.

If you would like to discuss with us the preparation of a loan application for up to \$250,000 of this funding for working capital purposes, please do not hesitate to contact the person in our organisation with whom you normally deal.

## COVID-19 Survival Plan

Now that the Federal government's legislation for the three stimulus packages has been passed by Parliament there is some certainty as to what the laws. Individual businesses need to make decisions as to whether you're going to submit applications for access to those components of the stimulus packages that you have to apply for if you are interested in those items including:

- Apprentices/Trainee Subsidy
- JobKeeper Payment Scheme
- Loan applications in conjunction with the Coronavirus SME Guarantee Scheme
- Temporary early access to superannuation (if you qualify)
- Instant Asset Write Off

You do not have to apply for the "Boosting Cashflow for Employers" which will be automatically processed by the Australian Taxation Office when you lodge your Business Activity Statement for the month or 3 months ending 31 March 2020 which is due for lodgement by 28 April 2020.

Each of the State and Territory governments have also released stimulus packages and it is advisable to review those to determine whether you wish to submit an application for any of the programs offered by those governments. If you suffered any losses or damage from any of the natural disasters that occurred in Australia in 2019/20 you may be able to apply for loans/grants to assist you in the recovery progress from those disasters.

The problems being caused by COVID-19 will not last forever and it is appropriate that you start the process on the development of your COVID-19 Survival Plan so as to ensure your business gives itself the best opportunity of surviving this crisis and being ready to "come out of hibernation and get right back into the game when the crisis ends".

Your COVID-19 Survival Plan will assist in restoring confidence in your organisation and building your business for the challenges of the future.

Where do you start? Our suggestions are as follows:

- If you've not already done so, prepare an estimate of your expected sales revenue on a weekly basis for the next 6 months.
- Review your team relative to your income projections and decide whether any of your team members are surplus to your requirements.
- Give consideration to the JobKeeper payment scheme (if you consider that you'll be eligible and you wish to apply for it) which could provide \$1,500 per fortnight per employee but the government's subsidy payment is being paid one month in arrears – how will this affect your cashflow?
- Consult your resources consultant on the strategies that you should adopt with your team members.
- What is your supply line situation – are you going to be able to receive the quantities of product that you require to meet your sales expectation?
- Communicate with your suppliers – try and negotiate lower costs and longer payment periods.
- Communicate with your landlord for a reduction in rent – if your turnover has reduced by 30% you're eligible to apply for the JobKeeper program. You'll then fall under the eligibility requirements for the "Mandatory Code of Conduct for SME Commercial Leases" which has been approved by the National Cabinet and is to be implemented by the State/Territory governments around Australia.
- Review debtors and immediately contact any customers who are taking longer to pay you than your stated payment terms and try and get them to make some extra payments so that they fall within your stated payment terms.
- Review stock, identify old or hard to sell stock and organise a "sale promotion" to try to convert that "dead stock" investment into cash.
- Review the businesses assets – do you have assets that are not being used on a regular basis? Could they be sold to generate cash for the business?
- Whilst the supermarkets are encouraging people not to pay with "cash" and to use credit cards the concept of "cash" within a business sense of generating money into your business that you might not have been going to receive is still a very worthwhile process to be undertaking.
- Prepare a Budget and revise Cashflow Forecasts and, if your forecasts show that you'll need additional funds for working capital purposes, give consideration to the submission of a loan application to your bank for a loan of up to \$250,000 under the Coronavirus SME Guarantee Scheme that will be for 3 years at a low interest rate with 50% of the debt guaranteed by the Australian government.
- Review costs – what savings could be instigated.
- Create a COVID-19 coronavirus disaster team which would meet daily to consider issues, government announcements and review the implementation of strategies.

If you would like to have a discussion with us relative to the preparation of the required applications for any of the government stimulus packages for COVID-19 or the natural disasters – droughts, bushfires, floods or cyclones, please don't hesitate to contact us.

### An Important Message

*While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.*

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