

Ensuring your Business success beyond COVID-19

Accountants & Advisors

matthewssteer.com.au

About Matthews Steer



30 years of operating and supporting clients in Melbourne's North West



6 Partners and a team of 50 staff to assist



Dealing with businesses of all sizes; start ups through to large corporations focusing on:

- ▶ Business strategy & protection
- ▶ Wealth creation
- ▶ Accounting & Tax

Federal Government Initiatives

JobKeeper Payment



Payment to support businesses to retain employees



Eligible Employers:

- ▶ <\$1 Billion in Turnover and >30% reduction in Australian sales
(Month to Month/Quarter to Quarter comparison to previous year)
- ▶ Had employees at 1 March 2020



Eligible Employees:

- ▶ Full-time, Part-time, Casuals (> 12 months), 16 years and older, Australian Citizens, Permanent Residents and other types of visa holders
- ▶ Employed (including stood down) at 1 March 2020



Amount is \$1,500 per fortnight (before tax) per eligible employee up to 6 months from 30 March 2020

- ▶ Employee usually earns less – employee receives full \$1,500
- ▶ Employee usually earns more – employee receives normal pay (\$1,500 is subsidised)



Sole Traders and other entities

- ▶ An individual not employed but is actively engaged in the business at 1 March 2020
- ▶ Includes the Sole Trader, a Partner in a partnership, an Adult Beneficiary of a trust or a Shareholder or Director of a company



Eligible Businesses:

- ▶ Initial tests have been met
- ▶ Additional tests:
 - Had an ABN on 12 March 2020
 - Lodged by 12 March 2020 either the 2019 Tax Return or a BAS from 1 July 2018 to 12 March 2020



Issues:

- ▶ Payments are made monthly in arrears – First payment received in 1st week of May for previous month (bank have offered support)
- ▶ Backdating payments to employees can only occur for the month of April 2020
- ▶ PAYG Withholding – needs to be withheld from the payments made to employees
- ▶ Other Costs:
 - Super – payable on normal salary amount
 - Payroll Tax, Workcover, Leave entitlements (still accrue)
- ▶ Turnover assessment – 30% reduction can be assessed:
 - Later for a Future month or quarter
 - Now based on Projected Turnover for a relevant month or quarter
- ▶ Apprentice Wage subsidy – if eligible, JobKeeper payment will take over from 1 April 2020
- ▶ Integrity Measures - Preventing exploitation by way of contrived schemes – severe Penalties can apply

JobKeeper Payment – Application Process

Date	Action	Details
NOW	Employer Eligibility Assessment	<ul style="list-style-type: none"> • Review ATO requirements for business • Review ATO requirements for Employees • Review ATO requirements for Business Participation Entitlements • Document the fall in Turnover calculations in case of future Audit
NOW	Identify Eligible Employees	<ul style="list-style-type: none"> • Prepare list of eligible of employees • Prepare JobKeeper employee nomination notices – not to be sent to the ATO (https://www.ato.gov.au/Forms/JobKeeper-payment---employee-nomination-notice/)

JobKeeper Payment – Application Process

Date	Action	Details
NOW	Make Correct Wage Payments to Eligible Employees	<ul style="list-style-type: none">• Ensure your payroll software is setup correctly to record the JobKeeper top-up payments to employees• Pay the minimum \$1,500 p/f (plus any top-ups) to all eligible employees by end of April 2020 (if you are claiming JobKeeper payment for the month of April 2020)• Continue to pay all eligible employees the minimum \$1,500 p/f until 27 September 2020 (13 fortnights)

JobKeeper Payment – Application Process

Date	Action	Details
From 20 April 2020 to 31 May 2020	Enrolment for JobKeeper	<ul style="list-style-type: none">• Using ATO online services (MyGov, Tax/BAS Agent)• Provide eligibility information:<ul style="list-style-type: none">○ Y/N questions on Turnover test○ Only have to nominate month/quarter of when Turnover test is met○ Provide the number of employees eligible for the two fortnights in April 2020○ Confirm if there is a business participant entitlement also○ Business bank account details for payment

JobKeeper Payment – Application Process

Date	Action	Details
From 4 May 2020	Identify and Maintain your Eligible Employees each Month going forward	<ul style="list-style-type: none"> • If using STP reporting: <ul style="list-style-type: none"> ○ Directly with the software provider if they have updated JobKeeper functionality (e.g. Xero or MYOB) ○ On ATO Online Services if software provider has not updated their functionality (process depends on whether you have more or less than 200 employees) • If not using STP reporting – through ATO Online Services (process depends whether you have more or less than 40 employees)

JobKeeper Payment – Application Process

Date	Action	Details
By the 7 th of each Month starting with May	Make a Business Monthly Declaration	<p>Using ATO Online Services Monthly JobKeeper Declaration report, provide the following:</p> <ul style="list-style-type: none">• Reconfirm your reported eligible employees have not changed• Notify if any of the eligible employees have changed or left your employment• Provide your <u>Current</u> and <u>Projected</u> GST turnover (this is not a retest of your eligibility, but rather an indication of how your business is progressing under the JobKeeper Payment scheme)

<https://www.ato.gov.au/General/JobKeeper-Payment/Employers/Enrol-for-the-JobKeeper-payment/>

Cash Flow Boost for Employers



Tax-Free payments of up to \$100,000 for eligible small & medium businesses based on their PAYG withholding obligations



Eligibility:

- ▶ Less than \$50m turnover based on prior year
- ▶ Held ABN and had employees at 12 March 2020
- ▶ Made payments that you are required to withheld from March to June 2020
- ▶ Special Condition – 2019 Tax Return lodgement or BAS lodgement (1 July 2018 – 12 March 2020)



Payment delivered by the ATO as a credit upon lodgement of your March 2020 BAS from 28 April 2020

- ▶ March 2020 BAS – pay net of cashflow boost payment
- ▶ Existing ATO debt – the credit will offset other debts



Multiple entities within a group could be individually eligible

ATO Support for Affected Entities



Support provided to those directly affected by COVID-19



PAYG Tax Instalments (DEFERRAL):

- ▶ Variation of March and June 2020 quarter instalments to nil
- ▶ Refund of September 2019 and December 2019 quarter instalments already paid



Payment DEFERRALS:

- ▶ Up to 6 months for amounts due through your BAS, Income Tax (2019) and FBT



Remission of Interest and Penalties incurred on or after 23 January 2020



Payment Plans:

- ▶ Low interest (or interest free for certain businesses) payment plans on outstanding ATO liabilities

WARNING: Build your cash reserves for the period November 2020 to May 2021









If you take advantage of the ATO's support for payment deferrals and PAYG Tax Instalment variations, you could have a concentration of payments to be made at a later time.

** If you take advantage of the bank deferrals, you could potentially start repaying loans again in November 2020*

*** Risk of deferrals based on business performance not being affected by COVID-19. Potentially accumulated tax debts due in May 2021.*









Liability	New Payment Date
2019 Income Tax	November 2020*
September 2019 Tax Instalment	May 2021**
December 2019 Tax Instalment	May 2021**
March 2020 Tax Instalment	May 2021**
June 2020 Tax Instalment	May 2021**
September 2020 BAS	October 2020
December 2020 BAS	February 2021
March 2021 BAS	April 2021

Instant Asset Write Off (Expiry 30 June 2020)

-  Instant Asset write-off threshold has been increased to \$150K (excluding GST)
-  For businesses with an aggregated turnover of <\$500M
-  Applies to NEW and USED Assets
-  Purchased the asset from:
 -  12 May 2015 - Small-sized business (Turnover less than \$10m)
 -  2 April 2019 - Medium-sized business (Turnover less than \$50m)
-  Installed and ready for use from 12 March 2020 to 30 June 2020
-  SBE General Pool balance is <\$150K at 30 June 2020 – you can fully deduct balance – **Discuss with your advisor**







Backing business investment – accelerated depreciation (Expiry 30 June 2021)



-  Operate to accelerate certain depreciation deductions
-  This will allow an immediate deduction of 50% of the cost of an eligible asset on installation (excluding GST)
-  The **remaining balance** of the cost to be depreciated as normal
 -  Starting from the date installed ready for use
-  For businesses with an aggregated turnover of <\$500M
-  Only applies to NEW assets first used
-  Purchased after 12 March 2020
-  Installed and **ready for use** from 12 March 2020 to 30 June 2021

Wage Subsidy for Apprentices/Trainees



-  To support the retention of apprentices and trainees
-  Employers with < 20 full-time employees who have an apprentice or trainee as at 1 March 2020 and retain them
-  Entitled to apply for government funded wage subsidy amounting to 50% of an apprentice or trainees wage for up to 9 months from 1 January 2020 to 30 September 2020
-  Maximum subsidy of \$21,000 per apprentice/trainee
-  Funds will be paid directly to the employer each quarter up to a maximum of \$7,000 per apprentice/trainee
-  Applications made through your local Australian Apprenticeship Support Network (AASN) from 2 April 2020

Tenancy Code of Conduct



The purpose of the Code is:

- ▶ To set good faith leasing principles between the parties to assist with cashflow for SME businesses that have been impacted by COVID-19



The Code will apply to business tenants eligible for the Government's JobKeeper payment with an annual turnover <\$50M



The Code will be agreed between the parties and tailored for the unique circumstances of the tenancy arrangement



Under the Code, based on the reduction of turnover, a portion of rent can be Deferred or Waived



No termination of Leases - Landlords must not terminate leases for non-payment of rent



Discuss with lawyers for legal intervention

Financially Distressed Businesses



Providing temporary relief for directors from any personal liability from trading whilst insolvent

- ▶ For 6 months from 25 March 2020



Increasing the threshold for creditors issuing a statutory demand to \$20K where previously:

- ▶ Companies were \$2,000
- ▶ Individual were \$5,000



Increased time of 6 months (up from 21 days) to respond to:

- ▶ Statutory Demands for companies
- ▶ Bankruptcy Notices for individuals

Victorian Government Initiatives



Payroll tax waived/refunded:

- ▶ For the 2019/20 financial year for eligible businesses with Victorian taxable wages < \$3M
- ▶ Per employer – not grouped



These businesses will also be able to defer payroll tax for the first 3 months of 2020/2021 financial year until 1 January 2021



Application Process:

- ▶ Apply for the refund of payments already made on SRO website for quicker returns
- ▶ Otherwise the SRO will contact all eligible employers

Business Support Fund



Fund to support the hardest hit industries such as hospitality, tourism, accommodation, arts & entertainment, and retail



Grant of up to \$10K and needs to be used for a particular purpose



Small businesses eligible:

- ▶ Have been subject to closure or are highly impacted by Victoria's shutdown restrictions announced to date
- ▶ Employs staff in 2019/20 and have Payroll <\$650K
- ▶ Turnover >\$75K



Think about the best businesses:

- ▶ How they operate
- ▶ How you can emulate them



Update your financial projections:

- Know your break-even point
- Understand your daily Cash burn
- Stimulus Package planning



Estimate financial impacts:

- Plan for different scenarios:
 - Drop in sales
 - Delayed debtor collection
 - Difficulty in obtaining stock
 - Availability of workforce



Understand your employee entitlements:

- ▶ What will it cost you?



Act now to improve your cashflow:

- ▶ Contact your debtors
- ▶ Talk to your suppliers
- ▶ Talk to your landlord



Protecting the business cash:

- ▶ Credit checks on debtors & new customers



Protect your personal assets:

- ▶ Understand your personal obligations as a director
- ▶ Undertake a review of what directors guarantees you have provided
- ▶ Secure the money you have lent to your business



Next phase of Business & protecting the brand:

- ▶ 3-Way Forecasting
- ▶ Sensitivity Reporting
- ▶ Data Integrity



Government support for future planning for businesses:

- ▶ AusIndustry EP grant

Disclaimer

This presentation has been prepared by Matthews Steer Pty Ltd (ABN 69 006 726 736) 'Matthews Steer' based on information provided to us and our understanding of your current situation. Every effort has been made to ensure that it is accurate, however it is not intended to be a complete description of the matters described. Where necessary we have made certain assumptions and we have clearly indicated what these assumptions are in the relevant sections. All the references made in this presentation relate to the Income Tax Assessment Act 1997 unless otherwise stated.

Matthews Steer OFFER

We are offering a 1 hour **free** consultation to discuss your business and these measures.

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THANK YOU

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