

Saturday, 14 March 2020

Dear Valued Clients,

RE: Your Business and COVID-19

In the current times of high uncertainty and anxiety in local and global markets due to the increasing impact of the Covid-19, it's very difficult to work out what to do first to ensure the continuity of businesses and livelihoods.

The potential closures of business premises and the prospect of periods of imposed quarantine for large numbers of people/staff are beginning to cause great concern amongst business owners. Every business out there (including our own!) is trying to work out what impact there might be from Covid-19 and plan for it.

GOVERNMENT ECONOMIC STIMULUS PACKAGE

We are fielding an increasing number of enquiries from clients regarding the Governments economic stimulus package.

Please see below the **Key Tax Measures** (From NTAA <https://ntaa.com.au/media/news>):

- From Thursday **12 March 2020**, the **instant asset write-off threshold** has been increased from \$30,000 (for businesses with an aggregated turnover of less than \$50 million) to **\$150,000** (for businesses with an aggregated turnover of less than **\$500 million**) until **30 June 2020**.
- A time-limited **15-month investment incentive (through to 30 June 2021)** which will operate to accelerate certain depreciation deductions.

This measure will also be available to businesses with a turnover of less than \$500 million, which will be able to immediately deduct 50% of the cost of an eligible asset on installation, with existing depreciation rules applying to the balance of the asset's cost.

As announced, this measure is proposed to only apply to **new** depreciating assets first used, or installed ready for use, by 30 June 2021.

- **Tax-free payments** of up to **\$25,000** for eligible small and medium businesses (i.e., with a turnover of less than \$50 million that employ staff) based on their PAYG withholding obligations.
- **Tax-free payments** of **\$750** to social security, veteran and other income support recipients and eligible concession card holders. It is estimated that around half of those who will benefit will be pensioners. These payments will commence to be automatically made from 31 March 2020.

- **Administrative relief from the ATO** for some tax obligations for people affected by the Coronavirus outbreak, on a case-by-case basis. Additionally, the ATO is setting up a temporary shop front in Cairns within the next few weeks with dedicated staff specialising in assisting small business and is currently considering further temporary 'shop fronts' and face-to-face options.

In addition to these key tax measures, the Government has also announced additional economic stimulus measures including:

- **Wage subsidies to support the retention of apprentices and trainees** – Employers with less than 20 full-time employees may be entitled to apply for Government funded wage subsidies amounting to 50% of an apprentice's or trainee's wage for up to nine months from 1 January 2020 to 30 September 2020. The maximum subsidy for each apprentice/trainee is \$21,000.

Importantly, where an employer is not able to retain an apprentice, the subsidy will be available to a **new employer** that employs that apprentice. It is proposed that employers will be able to register for the subsidy from early-April 2020.

- **Assistance to severely affected regions** – The Government has also committed to set aside \$1 billion to support regions and communities that have been disproportionately affected by the economic impacts of the Coronavirus, including those heavily reliant on industries such as tourism, agriculture and education. This will include:
 - The waiver of fees and charges for tourism businesses that operate in the Great Barrier Reef Marine Park and the waiver of entry fees for Commonwealth National Parks.
 - The provision of additional assistance to help businesses identify alternative export markets or supply chains.
 - Further targeted measures to further promote domestic tourism.

WHAT WE'RE DOING

MDS is putting in place its own continuity plan that will allow all staff to work remotely if our office is required to close. There will be no disruption to clients if a closure is effected, with all staff available via email and phone on a business-as-usual basis.

We will be available to assist with any queries or administration regarding the Governments stimulus package as well as any cash flow issues or concerns.

In the interim, we believe there are numerous ways you can navigate the coming weeks and months to try and manage and lessen the potential impact on your business;

1. **Have a disaster scenario plan** – ensure you go through a scenario planning process as soon as possible to highlight what could happen in low (already there for many businesses), medium and high severity disaster scenarios, the market trigger points and strategies to implement in these scenarios.

2. **Be alert but not alarmed** – panic will not help you, your team, your customers or your business. While decisive actions need to be taken, taking them too early or too late can have negative consequences.
3. **Stay informed and think outside the box** - Speak to your accountant and insurance broker, discuss supply chain options, adapt cash-flow projections, review policies and procedures, check if future meetings can be taken remotely, explore unnecessary travel reduction options to certain destinations, check the ability with your IT team to allow your team to work from home if required. Staying alert, listening to trusted media commentators and government bodies will guide thinking and be ready to make those tough decisions when and if required quickly.

The Coronavirus is a serious issue impacting the world and there is no doubt it will have a negative impact on many globally. However as always there are clever people working quickly on a solution that we would hope within 3-6 months will see communities and businesses start to return to business as usual as vaccines are developed (and distributed to those with a critical need) and people / businesses continue to take measures to reduce risks such as covered here: <https://www.health.gov.au/health-topics/novel-coronavirus-2019-ncov>

As always, please get in touch with your Accountant or support team at MDS should you require further information or assistance.

Yours faithfully,

MDS ACCOUNTING & FINANCIAL SERVICES