



Boosting cash flow for employers

This assistance will support businesses to manage cashflow challenges and help businesses retain their employees. This measure is designed to support small and medium sized businesses and to improve business confidence. This measure also supports the activities of not-for-profits (including charities) at a time when they are facing increased demand for services.

Summary

The Government is providing temporary cash flow support to small and medium businesses and not-for-profit organisations that employ staff during the economic downturn associated with COVID-19 (novel coronavirus). This will be done through two sets of cash flow boosts delivered from 28 April 2020 to support employers to retain employees.

The Government will provide tax-free cash flow boosts of between \$20,000 and \$100,000 to eligible businesses, delivered through credits in the activity statement system, when eligible businesses lodge their activity statements.

Eligible businesses do not need to apply with a separate form. Upon lodgment of their activity statement, the first amount will automatically be credited to the business' account, but no earlier than 28 April 2020. A business that lodges early will not receive the cash flow boost before this date.

Eligible businesses, including not-for-profit organisations, must have held an Australian Business Number on 12 March 2020 and lodge their activity statement to receive the credit. Charities registered with the Australian Charities and Not-for-profits Commission are eligible, regardless of when they were registered, if they meet the other eligibility requirements.

Eligibility — *Boosting Cash Flow for Employers payments*

Businesses will be eligible to receive the cash flow boost provided they are a small or medium business entity, including not-for-profit organisations, sole traders, partnerships, companies or trusts, that:

- held an ABN on 12 March 2020 and continues to be active;
- has an aggregated annual turnover under \$50 million (generally based on prior year turnover); and
- made eligible payments that the business is required to withhold from (even if the amount required to be withheld is zero).

Eligible payments include:

- salary and wages
- director fees
- eligible retirement or termination payments
- compensation payments
- voluntary withholding from payments to contractors.

In addition, the business must also have either:

- derived business income in the 2018–19 income year and lodged its 2019 tax return on or before 12 March 2020; or
- made GST taxable, GST-free or input-taxed sales in a previous tax period (since 1 July 2018) and lodged the relevant activity statement on or before 12 March 2020.

The most recent income tax assessment for a prior year will generally determine whether a business is a small or medium business entity. However, in the absence of any income tax assessments for prior years, businesses may still be eligible if the Australian Taxation Office (ATO) can use other information it holds on the business to determine that it is a business and would have an aggregated annual turnover under \$50 million.

The ATO may also give a business further time to provide notice that business income or supplies were made. This will generally be the case where the business has a lodgment deferral in place. If the business did not have a lodgment deferral in place, it will not become eligible if the business lodges or amends returns for those periods now.

Eligibility — *Not for profit organisations including charities*

To be eligible, not-for-profit organisations (excluding charities) must have:

- held an active ABN on 12 March 2020;
- have an aggregate annual turnover of less than \$50 million; and
- made payments to employees.

Charities registered with the Australian Charities and Not-for-profits Commission are eligible, regardless of when they were registered, if they meet the other eligibility requirements.

Aggregated annual turnover in the most recent previous year's tax return will be used to determine eligibility.

If a not-for-profit organisation or charity is not required to lodge a tax return, they may still be eligible if the ATO can use other information it holds to determine that their aggregated annual turnover is under \$50 million.

Eligibility — *Additional payment*

All eligible entities that received initial cash flow boosts may be entitled to additional cash flow boosts.

Timing — *Initial cash flow boost*

The initial cash flow boosts will be delivered as credits in the activity statement system from 28 April 2020. If a business lodges early, it will not receive the cash flow boost before this date.

If the business lodges:

- quarterly, it will be eligible to receive the credit for:
 - quarter 3, March 2020 (lodgment due date 28 April 2020)
 - quarter 4, June 2020 (lodgment due date 28 July 2020).
- monthly, it will be eligible to receive the credit for the lodgment periods of:
 - March 2020 (lodgment due date 21 April 2020)
 - April 2020 (lodgment due date 21 May 2020)
 - May 2020 (lodgment due date 21 June 2020)
 - June 2020 (lodgment due date 21 July 2020).

Lodgment deferrals

As the cash flow boost is generated on lodgment of an eligible activity statement, if a lodgment deferral has been granted by the ATO, the cash flow boost will generally be made at the time of the deferred lodgment. This ensures that eligible entities that have received deferrals, for example, due to recent natural disasters, do not miss out on the payment or have to forgo their extended time to lodge to qualify.

However, businesses may choose to lodge before the deferred due date (but only on or after 28 April 2020) in order to access the cash flow boost earlier, for example, if the business is expecting GST refunds.

To be entitled to the cash flow boost, eligible entities need to lodge the relevant activity statements within two years of when the activity statements were due to be lodged. This ensures that the Boosting Cash Flow for Employers measure is targeted at helping employers during the period affected by COVID-19.

Timing — Additional payment

Eligible entities who received initial cash flow boosts will receive additional cash flow boosts, for the periods June to September 2020, equal to the total amount of initial cash flow boosts received. This will be delivered in either two or four instalments depending on the reporting period.

Calculating the cash flow boost — initial cash flow boost

The initial cash flow boost is based on the amount of a business' PAYG withholding.

Eligible businesses that withhold tax on their employees' salary and wages will receive a credit equal to 100% of the amount withheld, up to a maximum of \$50,000. The minimum credit will be \$10,000, even if the amount required to be withheld is zero. However, businesses will not be eligible to receive any more cash flow boosts until their PAYG withholding exceeds \$10,000 over the relevant periods

Monthly lodgers will receive a credit that is calculated at three times the rate (300 per cent) in the March 2020 activity statement to align with quarterly lodgers.

The total of all initial cash flow boosts across all of the relevant periods cannot exceed the maximum limit of \$50,000.

Budget impact

This measure is estimated to cost \$31.9 billion over the forward estimates period.

Sarah's Construction Business — Total cash flow boosts reaches maximum limit of \$50,000

Sarah owns and runs a building business in South Australia and employs 8 construction workers on average full-time weekly earnings who each earn \$89,730 per year. In the months of March, April, May and June for the 2019–20 income year, Sarah reports withholding of \$15,008 for her employees on each activity statement.

For March 2020, Sarah's initial cash flow boost is three times her withholding. This equates to \$45,024 ($\$15,008 \times 3$). As this amount is greater than \$10,000, Sarah will receive a cash flow boost of \$45,024.

For April 2020, Sarah's withholding is \$15,008, however there is only \$4,976 of initial cash flow boosts remaining before she reaches the \$50,000 limit. She will receive a further initial cash flow boost of \$4,976.

Sarah will not receive any further initial cash flow boosts after she has reached the \$50,000 limit.

Tim's Courier Run — PAYG Withholding is less than \$10,000 in first period

Tim owns and runs a small paper delivery business in Melbourne, and employs two casual employees who each earn \$10,000 per year. In the March 2020 quarterly activity statement, Tim reports withholding of \$0 for his employees as they are under the tax-free threshold.

The March 2020 quarter is the first period Tim is eligible for an initial cash flow boost. His withholding of \$0 is less than \$10,000 so Tim's initial cash flow boost will be the minimum amount \$10,000.

Tim will not receive any further initial cash flow boosts unless his withholding in the June 2020 quarter is greater than \$10,000.

Calculating the cash flow boost — additional cash flow boost

The amount of additional cash flow boosts that a business is entitled to is based on the value of initial cash flow boosts the business received.

If the business lodges quarterly business activity statements it will receive 50% of its total initial cash flow boosts for each activity statement.

If the business lodges monthly business activity statements it will receive 25% of its total initial cash flow boosts for each activity statement.

Sarah's Construction Business — monthly activity statement

Sarah received the maximum initial cash flow boosts of \$50,000. When Sarah lodges her June to September 2020 business activity statements she will receive additional cash flow boosts as follows:

- June 2020, \$12,500
- July 2020, \$12,500
- August 2020, \$12,500
- September 2020, \$12,500.

Tim's Courier Run — quarterly activity statement

Tim received initial cash flow boosts of \$10,000. When Tim lodges his June and September 2020 quarterly business activity statements he will receive additional cash flow boosts as follows:

- \$5,000 for quarter ended June 2020
- \$5,000 for quarter ended September 2020.

Accessing the cash flow boost

Businesses do not need to apply for the cash flow boosts. The cash flow boosts will be automatically applied to the accounts of eligible businesses when they lodge their activity statement for the relevant periods.

To access the cash flow boost, businesses must lodge their activity statement. If a business does not need to lodge an activity statement in respect of PAYG withholding, the ATO is working through a solution and will update their website with more information on what businesses need to do.

The cash flow boosts will be applied to reduce liabilities arising from the same activity statement. This will result in eligible entities being required to pay less to the ATO.

Generally where a credit exceeds a business' other tax liabilities, the business will be refunded the excess amount.

A business may also receive a refund if it overpays its activity statement because the business' system was unable to take the cash flow boost into consideration when working out how much was payable.

If a business is placed in a refund position, it will generally receive the refund within 14 days.

Example — overpaying activity statement

A business' software calculates that its liability for the quarterly March 2020 activity statement is \$12,500 (without taking into account any initial cash flow boost it may be entitled to), which the business pays immediately. The ATO calculates that the business is entitled to an initial cash flow boost of \$10,000 meaning the business overpaid the March 2020 quarterly activity statement by \$10,000. Generally the overpayment of \$10,000 will be refunded to you.

Tax consequences

All cash flow boosts are tax free (non-assessable non-exempt income) and are not required to be paid back when the business' cash flow improves. However, if the business has been paid more cash flow boosts than it is entitled to, it will be required to repay the excess.

The boost is not subject to GST as the business is not making or agreeing to make a supply for the payment.

The business will still be entitled to a deduction for PAYG withholding paid.

There is no effect on tax paid by employees in respect of their salary and wages.

Schemes

A business will not be eligible for cash flow boosts if it (or a representative of the business) has entered into or carried out a scheme for the purpose of:

- becoming entitled to cash flow boosts when it would otherwise not be entitled; or
- increasing the amount of the cash flow boosts.

This may include restructuring the business or the way workers are paid to fall within the eligibility criteria, as well as increasing wages paid in a particular month to maximise the cash flow boost amount.

Any sudden changes to the characterisation of payments made may cause the ATO to investigate whether the payments are in fact wages. If the payments are wages, the ATO may consider the characterisation of past payments, including whether they should have been subject to PAYG withholding and whether super guarantee contributions should have been made. The business may also have FBT obligations that have not yet been met.

FOR MORE INFORMATION

For more information on the Australian Government's Economic Response to the Coronavirus visit treasury.gov.au/coronavirus.

Businesses can visit business.gov.au to find out more about how the Economic Response complements the range of support available to small and medium businesses.