

COVID-19 Management Plan

March 2020



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Economic Outlook

IBISWorld (a research provider) have undertaken an analysis of the impact the COVID-19 outbreak will have in Australia and New Zealand. The following comments are an extract from their Special Report dated 12 March 2020 which provides an overview of the impact the outbreak will have on the Australian economy.

The COVID-19 outbreak has worsened over the first quarter of 2020, which has had a significant and growing effect on international supply chains. Global imports from China were about 4% lower over the two months through February 2020, compared with the same time last year. Exports plummeted by 17.2% over the same period. Australia and New Zealand have significantly increased trade with China over the past decade. Consequently, both nations have experienced significant supply and demand disruptions.

The outbreak is anticipated to have a negative impact on the Australian and New Zealand economies, potentially leading to the lowest GDP growth in Australia since 1991-92. IBISWorld has evaluated the impact of COVID-19 on Australia and New Zealand at a subdivision level. While COVID-19 will have a negative effect on a variety of subdivisions, IBISWorld has classified the impact as low, moderate or high, depending on exposure to exports and imports, and the effects of business confidence and consumer sentiment.

COVID-19 is affecting these subdivisions through several different factors. These factors include demand for exports from key trading partners such as China and South Korea, port closures in some affected countries, global consumer demand, and supply chain disruptions caused by declines in manufacturing activity in countries such as China and South Korea. Australia and New Zealand have also endured secondary effects on consumer sentiment and business confidence. Demand for some Australian and New Zealand exports has been curtailed due to disruption across many global industries. Consumer spending and confidence overseas have been harmed by the outbreak, and quarantine restrictions are physically preventing economic activity and spending. Factory closures are curtailing demand for products imported from Australia. Additionally, Australia's reliance on imports from overseas manufacturers could potentially lead to shortages of products and parts across some subdivisions.

However, the COVID-19 outbreak has had some positive effects on the Australian and New Zealand economies. Demand has significantly increased for products supplied by operators across the food, beverage, sanitary and cleaning product supply chains, as consumers have been stockpiling supplies. Some industries that have been suffering direct negative effects may benefit from positive factors, positive offsets such as a rise in demand for repairs and maintenance services replacing new purchases.

The subdivisions most affected by the outbreak include Agriculture, Oil and Gas Extraction, Basic Material Wholesaling, Accommodation, and Air and Space Transport. China is now one the largest destinations for many goods exported from Australia and New Zealand and represents a key source of demand for many industries. Reduced spending activity and port closures caused by the COVID-19 outbreak have reduced demand for exports. Travel restrictions have severely affected international airlines and hotels, with both drawing significant revenue from Chinese tourists. Almost 1.5 million and 500,000 Chinese tourists visit Australia and New Zealand, respectively, each year.

COVID-19 is expected to moderately affect subdivisions across the mining, manufacturing and retail sectors. These industries do not typically heavily rely on direct exports to China. However, supply chain disruptions caused by the economic dislocation in mainland China will negatively affect these subdivisions.

Generally speaking, COVID-19 has only had a light effect on service-related subdivisions. Few of these subdivisions are directly exposed to international factors, such as export and travel. Demand could fall slightly for other services, such as those provided by the Hairdressing and Beauty Services industry, due to health concerns.

For some subdivisions, the impact of COVID-19 will be mixed or undetermined. Building construction is expected to be largely unaffected by the outbreak. The Reserve Bank of Australia's decision to lower interest rates could stimulate demand for construction services. However, disruptions in labour supply, and equipment and materials supply chains would likely delay projects. Similarly, subdued manufacturing activity is anticipated to limit demand for iron ore and nickel. However, gold miners will likely benefit from rising gold prices as investors hedge against uncertainty in global equity markets.

While the effects of COVID-19 have been generally negative, some subdivisions are expected to benefit. The Grocery, Liquor and Tobacco Wholesaling subdivision is expected to see a significantly positive impact. Although the outbreak has constrained consumer sentiment, many individuals are stockpiling goods such as pre-packaged food, soft drink and long-life milk. Wholesalers of other goods, such as pharmaceutical products, hand sanitiser and toilet paper, have also benefited from higher consumer demand.

Source – IBISWorld Covid-19 Economic Assessment [12th March 2020]



Impact on business and how we can help

These are stressful times and during this period of doom and gloom across Australia, we are here to stand by our clients in a time of need and assist your business where possible.

The purpose of this document is to provide you with a summary of some key issues your business will continue to deal with over the coming months.

Cashflow

Cash is king and it is extremely important you consider the impact of reduced business operations or scaling back of staff will have on your business. Our preference is always to have a thorough cash flow forecast giving you a clearer picture on how a change in a variable (e.g. delays in supply chain) will have an impact on your business. We have listed some direct cash flow savings opportunities below which may be relevant to your business.

Cash Inflow - \$100,000 PAYG refund

On 22 March 2020, the Government announced its second stimulus package which includes an incentive to boost cash flow for employers whose aggregated turnover is less than \$50 million. Businesses will receive a payment equal to 100% (increased from 50%) of the amount withheld from your employees' wages up to a maximum of \$100,000 (increased from \$25,000).

Under the enhanced scheme, employers will receive a payment equal to 100% of the PAYG withheld from their employees' wages up to a payment limit of \$50,000. An additional payment will be introduced during the July – October 2020 period and employers will receive an additional payment equal to the amount already received in equal proportions across the relevant BAS periods.

The first payment will be delivered by the ATO as a credit in your activity statement from 28 April 2020 and depending on the activity statement lodgment cycle of your business, you will receive the credits for the following months:

- Quarterly – March 2020 and June 2020
- Monthly – March 2020, April 2020, May 2020 and June 2020

If you are a monthly lodger, the payment will be calculated at six times the rate (300 %) in the March activity statement up to a maximum payment of \$50,000.

Certain businesses which are registered for PAYG but are not required to withhold from their employees' salaries can receive a minimum payment of \$20,000 (increased from \$2,000).

<https://treasury.gov.au/coronavirus/businesses>

The following example provides a summary of the amount and timing of the two payments.

Sarah's Construction Business 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.

Sarah reports withholding of \$15,008 for her employees on each of her monthly Business Activity Statements (BAS).

Under the Government's changes, Sarah will be eligible to receive the payment on lodgment of her BAS. Sarah's business receives:

- *A credit of \$45,024 for the March period, equal to 300 per cent of her total withholding quarterly – March 2020 and June 2020*
- *A credit of \$4,976 for the April period, before she reaches the \$50,000 cap.*
- *No payment for the May period, as she has now reached the \$50,000 cap.*
- *An additional payment of \$12,500 for the June period, equal to 25% of her total Boosting Cash Flow for Employers payments.*
- *An additional payment of \$12,500 for the July period, equal to 25% of her total Boosting Cash Flow for Employers payments.*
- *An additional payment of \$12,500 for the August period, equal to 25% of her total Boosting Cash Flow for Employers payments.*
- *An additional payment of \$12,500 for the September period, equal to 25% of her total Boosting Cash Flow for Employers payments.*

Under the previously announced Boosting Cash Flow for Employers measure, Sarah's business would have received a maximum payment of \$25,000. Under the Government's enhanced Boosting Cash Flow for Employers measure, Sarah's business will receive \$100,000. This is an additional \$75,000 to support her business and help her retain her staff.

Certain businesses which are registered for PAYG but are not required to withhold from their employees' salaries can receive a minimum payment of \$20,000 (increased from \$2,000).

https://treasury.gov.au/sites/default/files/2020-03/Fact_sheet-Cash_flow_assistance_for_businesses_0.pdf

Cash Inflow - Wage Subsidies for Apprentices and Trainees

Eligible employers with fewer than 20 full-time employees who retain an apprentice or trainee can apply for a wage subsidy of 50% of the apprentice's or trainee's wage paid during the 9-month period from 1 January 2020 to 30 September 2020. Where a small business is not able to retain an apprentice, the subsidy will be available to a new employer.

Employers will be reimbursed up to a maximum of \$21,000 **per eligible apprentice or trainee** (\$7,000 per quarter) and they must have been in training with a small business as at 1 March 2020.

https://treasury.gov.au/sites/default/files/2020-03/Fact_sheet-Assistance_for_businesses.pdf

Cash Inflow – refund of PAYG Instalments - ATO

If you are a quarterly pay as you go (PAYG) instalments payer, you can vary your PAYG instalments on your activity statement for the March 2020 quarter. A revised activity statement needs to be lodged before your instalment is due and before you lodge your tax return for the year. Businesses that vary their PAYG instalment rate or amount can also claim a refund for any instalments made for the September 2019 and December 2019 quarters. Therefore, if you have paid PAYG instalments during the first half of the year, you may be able to claim a refund for those instalments to boost your cash flows for the coming months.

If you are a monthly payer and have income of \$500 million or less, the variation can only be done on the phone for previous instalments paid.

Cash Inflow – remission of interest and penalties - ATO

If you have paid any interest and penalties after 23 January 2020, the ATO may consider remitting these for affected businesses.

Cash Inflow/Deferrals- payroll tax concessions

The following concessions/ exemptions have been announced in each state:

- New South Wales - NSW have waived payroll tax for businesses with payrolls up to \$10 million for three months.
- Queensland - Businesses, registered for payroll tax in Queensland, can defer the remainder of their 2019/20 financial year payment obligations for payroll tax until 31 July 2020.
- Western Australia - Small businesses (payroll between \$1 million and \$4 million) that pay payroll tax will receive a one-off grant of \$17,500.
- Victoria - The Government will provide payroll tax refunds for the 2019-20 financial year in full to small and medium-sized businesses with payroll of less than \$3 million.
- Australian Capital Territory - The Government have announced a six month waiver on payroll tax for businesses in the hospitality, creative arts and entertainment industries.

Cash Deferral - payment of certain tax debt – ATO

The ATO can defer some payments and vary instalments such as income tax, activity statement (including PAYG instalments), fringe benefits tax (FBT) and excise payments by up to four months. It is important to note that this is not automatic, and the deferral has to be agreed with the ATO.

Cash Deferral – ongoing tax debt – ATO

If your business has been affected by COVID-19, the ATO are now entering into low-interest payment plans.

Cash outflow – Increasing instant asset write off

The Government has announced an increase to the instant asset write off threshold amount from \$30,000 - \$150,000 for businesses with a turnover of less than \$500 million until 30 June 2020. Whilst the benefit of this may be substantial for businesses with planned investment in capital expenditure or cash reserves, the incentive does not provide much relief to businesses with limited cash reserves.

For example, if a company spends \$150,000 on a new item of machinery and can claim a tax deduction for it, you will get a benefit of the 27.5% (or 30%) savings in tax from the ATO assuming you have made a profit for the year. However, it's basically spending \$1 to save 27.5c or 30c. Furthermore, you would only get the cash flow benefit of it once you lodge the tax return (which may be months away).

Lastly, important to remember that this is not a new deduction they are allowing, and the Government is basically just bringing forward the timing of the deduction. For instance, even if the law had not changed and you spent \$150,000 on a new piece of machinery, you would be entitled to a deduction over the life of the asset as opposed to in the year purchased (it's not a use it or lose it!).

This write off would only benefit business assets. If you wish to purchase private use assets (motor vehicles, boats etc.), whilst there may be a deduction available, you would need to consider other income tax, FBT and Division 7A issues.

Tip: Our recommendation would be to only take advantage of this if you have sufficient cash flows or had planned capital expenditure in the immediate future.

Cash outflow – Increasing depreciation deductions for businesses

Businesses with aggregated annual turnover of less than \$500 million can deduct 50% of the cost of a new asset on installation (eligible for depreciation under Division 40) acquired after 12th March 2020 and that are first used or installed for use by 30 June 2021. The remaining 50% of the cost of the asset would be subject to the normal depreciation rules.

The increased depreciation deductions do not apply to assets on which you have claimed a full deduction under the instant asset write off provisions.

For example, ABC Pty Ltd (ABC) has an aggregated annual turnover of \$7.6 million for the 2019-20 income year. On 1 May 2020, ABC purchases a new truck for \$260,000, exclusive of GST, for use in their business.

Under existing tax arrangements, ABC can depreciate the truck using their small business simplified depreciation pool. Under the pooling rules

- *ABC would deduct 15% of the asset's value upon entry to the pool, leading to a tax deduction of \$39,000 for the 2019-20 income year.*
- *Under the new rules, ABC would instead claim an up-front deduction of 50% of the truck's value (\$130,000) before placing the asset in their small business simplified depreciation pool. ABC would then claim a further 15% deduction on the depreciated value of the truck (\$19,500).*

As a result of the two deductions, ABC are able to claim a deduction totaling \$149,500 in the 2019-20 income year, \$110,500 more than under existing arrangements. At the company tax rate of 27.5%, ABC will pay \$30,387.50 less tax in the 2019-20 income year.

Our recommendation would be to only take advantage of this if you have sufficient cash flows or had planned capital expenditure in the immediate future.



Bank loan repayment deferral

The Australian Banking Association (ABA) announced that Australian banks will defer small business (those with debts under \$3 million) loan repayments for up to six months, in addition to implementing a fast track approval process so business customers receive support as soon as possible.

The ABA said that banks will consider cases of mortgage hardship and we have seen the Big 4 banks have announced they will allow eligible mortgage customers thrown into difficulty because of COVID-19 to defer their mortgage repayments for up to six months.

Banks are also supporting business with debt over \$3 million on a case by case, as needed basis and if you have not been contacted by your bank yet, it would be prudent to speak to them and check whether your loan facilities are eligible for the deferral.

Loan Guarantees

The Government will guarantee 50% of new unsecured loans for businesses with turnover under \$50 million. The Government will provide eligible lenders with a guarantee for loans with the following terms:

- A maximum total size of loans of \$250,000 per borrower.
- The loans will be up to three years, with an initial six month repayment holiday.
- The loans will be in the form of unsecured finance, meaning that borrowers will not have to provide an asset as security for the loan.

In addition to the above, the Government is providing an exemption from responsible lending obligations for lenders providing credit to existing small business customers. This exemption is for six months, and applies to any credit for business purposes, including new credit, credit limit increases and credit variations and restructures.

https://treasury.gov.au/sites/default/files/2020-03/Fact_sheet-Supporting_the_flow_of_credit_1.pdf



Business as usual

Other than the concessions afforded by the ATO above, it is important to remember that it should be business as usual otherwise. The ATO have stated there are no concessions for superannuation guarantee (SG) obligations or lodgment obligations and it is therefore essential you stay upto date with these obligations as historically, the ATO have been more "generous" with payment plans and interest remissions where the organization makes a sincere effort in managing their tax obligations correctly.

State and territory based support

The states have introduced measures for individuals and businesses in each state and we have listed some of the key measures announced below.

QUEENSLAND

Payroll tax

Eligible businesses may be able to apply for a relief package to defer payroll tax returns until 31 July 2020. This application can be made online by completing the payroll tax deferral application form.

<https://www.business.qld.gov.au/running-business/employing/payroll-tax/lodging/coronavirus-tax-relief>

Jobs support loans

The Queensland Government has announced a new \$500 million loan facility to provide businesses impacted by COVID-19 low interest loans up to \$250,000. The initial 12 months of the loan will be interest free and will assist businesses in retaining their employees and maintaining their operations. The Queensland Rural and Industry Development Authority (QRIDA) is responsible for the administration of these loans and is currently taking expressions of interest with the intention of rolling the loans out as soon as possible.

<http://www.qrida.qld.gov.au/current-programs/covid-19-business-support/queensland-covid19-jobs-support-scheme>

Market diversification and resilience grants

The Market Diversification and Resilience Grants (MDRG) program will benefit agriculture, food and fishing exporters and their critical supply chain partners, as well as industry organisations working with exporters to build resilience by diversifying into new markets (international or interstate). The program consists of two components:

1. Equipment purchases – Grants of up to \$7,500 (excl. GST) are available on the purchase of new equipment up to a maximum cost of \$10,000 (excl. GST). Applicants for the grant must contribute 25% of the total cost and the program will fund the remaining 75% to purchase the equipment. Applications can be made by completing the equipment purchase grant application form.
2. Projects - Grants of up to \$50,000 (excl. GST) will be provided to support project activities including (but not limited to) market evaluation studies, staff training and market visits. Applicants must invest 50% of the total cost of their project activities and will be required to evidence their contributions both in-kind (e.g. reasonable salary costs for key personnel, freight costs) and cash. Cash contributions must be at least 25% of total project costs.

<https://www.business.qld.gov.au/industries/farms-fishing-forestry/agriculture/agribusiness/market-diversification-resilience-grants>

WESTERN AUSTRALIA

Payroll tax

Certain businesses (payroll between \$1 million and \$4 million) will receive a one-off grant of \$17,500 to assist them to manage the impacts of COVID-19. In addition to this, businesses can apply to defer their payroll tax payments until 21 July 2020. The payroll tax threshold will increase to \$1 million (from \$950,000) from 1 July 2020.

<https://www.mediastatements.wa.gov.au/Pages/McGowan/2020/03/COVID-19-economic-response-Relief-for-businesses-and-households.aspx>

Other

The WA stimulus packages includes freezing household fees and charges including electricity, water, motor vehicle charges, the emergency services levy and public transport fares. The Premier also announced that the state government is developing policies to prevent evictions of small businesses and ease pressure on commercial tenants.

<https://smallbusiness.wa.gov.au/blog/wa-coronavirus-relief-package>

NEW SOUTH WALES

Payroll tax

A waiver of payroll tax for certain businesses for the rest of the 2019-2020 year. In addition to this, the payroll tax threshold will be raised to \$1 million (from \$900,000) in the 2020-21 year.

[\[https://www.nsw.gov.au/news-and-events/news/health-boost-and-economic-stimulus/\]](https://www.nsw.gov.au/news-and-events/news/health-boost-and-economic-stimulus/)

Other

The NSW government have announced their intention to waive a range of fees and charges for small businesses including bars, cafes, restaurants and tradespersons.

NORTHERN TERRITORY

The NT Government is delivering a \$65 million Jobs Rescue and Recovery Package to help stimulate the economy and keep Territorians in jobs.

Payroll tax

The payroll tax exemption for hiring Territory employees has been extended to 30 June 2021.

[\[https://treasury.nt.gov.au/dtf/territory-revenue-office/payroll-tax\]](https://treasury.nt.gov.au/dtf/territory-revenue-office/payroll-tax)

Home Improvement Scheme - \$30 million

The scheme will help fast track around 5,000 screwdriver-ready projects in Territory homes. This means that projects are physical improvements to land and / or buildings, and repairs and maintenance services.

The scheme operates on a voucher system, with home owners receiving either:

- a voucher worth up to \$4,000 if they contribute at least \$1,000 of their own money, or
- a voucher worth up to \$6,000 if they contribute at least \$2,000 of their own money.

Business Improvement Grant - \$20 million

All Territory businesses will be able to access a \$10,000 grant, followed by an additional \$10,000 grant if they contribute \$10,000 of their own.

Each business is only eligible to receive one grant, and it can be used to complete one or two different jobs on their premises. The grant can be used to purchase goods and services to make permanent physical improvements to a business (land and / or building) that help improve its efficiency and customer experience.

Immediate Work Grant - \$5 million

Grants of up to \$100,000 will be given to not-for-profit and community organisations to engage local businesses to do repairs, renovations and upgrades to their property and facilities. The first \$50,000 will be paid as a grant, and the NT Government will also match any renovation costs that exceed \$50,000 on a dollar-for-dollar basis up to a maximum of \$100,000 total.

Structural adjustment package- \$5 million

This program will provide direct support for cafes, restaurants and other venues who serve the public. The program will help businesses to install partitioning to meet the new requirements for gatherings of less than 100 people indoors, and to help develop online ways of doing business.

[\[https://business.nt.gov.au/recovery\]](https://business.nt.gov.au/recovery)

SOUTH AUSTRALIA

Investing \$350 million on a range of measures – from major road and hospital upgrades to significant tourism infrastructure and increased funding for the state's Economic and Business Growth Fund to support industry sectors. Projects eligible for funding under the Government's economic stimulus package must meet certain criteria.

[\[https://www.premier.sa.gov.au/news/media-releases/news/unprecedented-response-and-economic-stimulus-to-drive-sa-jobs,-economy-in-wake-of-bushfires,-coronavirus2\]](https://www.premier.sa.gov.au/news/media-releases/news/unprecedented-response-and-economic-stimulus-to-drive-sa-jobs,-economy-in-wake-of-bushfires,-coronavirus2)

VICTORIA

Payroll tax

The Government will provide payroll tax refunds for the 2019-20 financial year in full to small and medium-sized businesses with payroll of less than \$3 million. In addition, the same businesses will also be able to defer any payroll tax for the first three months of the 2020/21 financial year until 1 January 2021.

<https://www.premier.vic.gov.au/economic-survival-package-to-support-businesses-and-jobs/>

Rental relief

Commercial tenants in government buildings can apply for rent relief.

Land tax

2020 land tax payments will be deferred for eligible small businesses.

Business support fund

The Victorian government will provide \$500 million to establish a Business Support Fund. The fund will support the hardest hit sectors, including hospitality, tourism, accommodation, arts and entertainment, and retail.

Working for Victoria fund

The Government will set up a \$500 million Working for Victoria Fund. The fund will help workers who have lost their jobs find new opportunities, including work cleaning public infrastructure or delivering food.

<https://www.premier.vic.gov.au/economic-survival-package-to-support-businesses-and-jobs/>

TASMANIA

Payroll tax

Payroll tax will be waived for the last four months of this financial year for hospitality, tourism and seafood industry businesses during 2020. Certain other business [payroll of up to \$5 million] will be able to apply based on the immediate impact of the virus on their businesses to waive their payroll tax payments for the remaining three months from March to June 2020.

http://www.premier.tas.gov.au/releases/ministerial_statement_covid-19_response_measures

Small business loans

Small business (turnover of less than \$5 million) can apply for interest free loans if they are in the hospitality, tourism, seafood and exports sectors. The purpose of these loans would be for purchasing equipment or restructuring business operations and will be interest free for a period of up to three years.

Emergency relief payments

One-off emergency relief payments of \$250 for individuals and up to \$1000 for families who are required to self-isolate by public health as a result of coronavirus. This will be available to casual workers and those on low incomes.

AUSTRALIAN CAPITAL TERRITORY

Payroll tax

There will be a six month waiver on payroll tax for hospitality, creative arts and entertainment industries. Furthermore, businesses will be able access interest free deferrals of payroll tax commencing 1 July 2020 for all businesses up to a payroll threshold of \$10 million to ease the cashflow pressures for medium sized businesses.

Fees and charges

The package includes rebates of \$150 on residential rates to help ease cashflow pressures for Canberra households, as well as a freeze on a number of ACT Government fees and charges, including the fire and emergency services levy, public transport, vehicle registration and parking fees.

Public housing tenants

The ACT Government will provide rental support of \$250 for all public housing tenants in the coming months, as well as a one-off rebate for residential utility concession holders of \$200 to help with power bills.

https://www.cmtded.act.gov.au/open_government/inform/act_government_media_releases/barr/2020/initial-economic-survival-package-to-support-territory-economy



Employees

Each organisation's needs are different and organisations are dealing with the outbreak differently. Whilst the methods may be different, the key features in maintaining business continuity include:

- Ensure policies are in place to keep staff safe at work

This could include simple steps such as ways to maintain hygiene in the workplace and ensuring staff are notified of any developments.

- If staff are coming to work, ensure risk is minimized by distancing key staff

As more organisations grapple with the idea of employees working from home (WFM), some businesses are introducing teams (blue vs white teams) where each team comes to the office on alternate weeks to ensure business continuity and in case one of the teams is exposed to the virus, the other can continue working.

- With WFM increasing over the next few months, do you have adequate policies in place for employees who choose this option and furthermore, consider ways for you to measure productivity.
- More importantly, ensure the IT systems you have in place are able to cope with employees working remotely. Make use of online tools such as Skype, Zoom or GoToMeeting to interact with your employees.

Downsizing

Whilst downsizing is your last option, we understand labour costs are generally the highest costs for any business in Australia. Tough decisions may be required to be made but it is always important to remember that you need to comply with the National Employment Standards (as a minimum) or any other award your employee may be covered under.

Therefore, it is imperative to know the employees' entitlements in situations such as redundancies and to ensure you have complied with your contractual obligations. In addition to this, employees may be entitled to redundancy pay which increase the overall cost to your business.

Furthermore, the FairWork Ombudsman has released information on their website in relation to COVID-19 and Australian Workplace laws. We have attached a copy of this (last updated on 19 March 2020) in the Appendix and suggest you review communication from FairWork as things unfold.

<https://www.fairwork.gov.au/about-us/news-and-media-releases/website-news/coronavirus-and-australian-workplace-laws>



Estate Planning and Business Succession

An effective estate plan not only has the potential to save a good deal of money but also, and perhaps more importantly, it can avoid unnecessary hardship and trauma for the people left behind.

There are three key components to any effective estate plan are:

1. Establishing the estate assets
2. Ensuring ownership or control passes appropriately
3. Timing it right

Getting a clear understanding on what makes your estate and getting a clear understanding of where you would want your assets positioned is crucial.

The reason we bring this up is as business owners, there should be a clear line of succession which determines who takes over in a situation where the primary decision makers are out of action.

These are some of the issues we can consider along with any business planning opportunities.

Insurances

Certain policies may cover businesses for situations like this and before things escalate, your insurance provider should be able to confirm the situations where the provider will pay out. Furthermore, other insurances (such as keyman) should be considered.

Irrespective of business insurance, you should review any personal life, income protection insurance covers to establish your position in case you are affected by COVID-19.



Temporary relief for financial distressed business

The stimulus package announced on 22 March 2020 includes the following to protect businesses as a result of the economic downturn:

- A temporary increase in the threshold at which creditors can issue a statutory demand on a company and the time companies have to respond to statutory demands they receive;
- A temporary increase in the threshold for a creditor to initiate bankruptcy proceedings, an increase in the time period for debtors to respond to a bankruptcy notice, and extending the period of protection a debtor receives after making a declaration of intention to present a debtor's petition;
- A temporary relief for directors from any personal liability for trading while insolvent, and
- Providing temporary flexibility in the Corporations Act 2001 to provide targeted relief for companies from provisions of the Act to deal with unforeseen events that arise as a result of the Coronavirus health crisis. For owners or directors of a business that are currently struggling due to the Coronavirus, the ATO will tailor solutions for their circumstances, including temporary reduction of payments or deferrals, or withholding enforcement actions including Director Penalty Notices and wind-ups

For example, Steph, Mon and David own a small company that operates a chain of yoga studios in Sydney. Social distancing measures require the participants in the yoga class to be significantly reduced. As a result, their company incurs more debt, to the point where it cannot meet its debts as and when they become due and payable. Under the provisions of the Corporations Act, the three owners would be personally liable if the business took on further debt without entering an insolvency procedure like voluntary administration or liquidation. However, during the six month period in which the temporary relief is offered, their business can continue to open their yoga studios so that they can maintain their customers and quickly resume normal operations when the crisis has passed, and continue to incur debt. When economic conditions improve, the company can pay back the debt incurred.

https://treasury.gov.au/sites/default/files/2020-03/Fact_sheet-Providing_temporary_relief_for_financially_distressed_businesses.pdf



Action Plan

BUSINESS		Person Responsible
1	Prepare or update cash flow forecast and budget for the next 12 months Liaise with your Moore Stephens advisors to assist with this to ensure you have considered all the variables.	
2	Review debtors and ensure up-to date Consider engaging third party debt collection agencies if necessary (however, consider any impact on your image from a customer experience point of view). Alternatively, offering discounts for early payments may also assist in cash flows.	
3	Review stimulus/ATO measures and consider whether they apply	
4	Ensure employee obligations paid by due date As a director, you may be personally liable for SG and PAYG obligations. If you are currently paying SG on a quarterly basis, it may be appropriate to shift to monthly (mainly to ensure you do not use employees' entitlements as an emergency fund to draw down upon). Furthermore, if SG is paid late, you may lose an entitlement to a tax deduction and become liable for interest and penalties.	
5	Consider banking needs and whether emergency funds required Consider any additional banking facilities or alternate funding arrangements from other sources. The banking sector has introduced deferrals for certain business loan arrangements.	
6	Supplier terms Try to extend your payment terms if possible or requesting discounts for early payments if possible.	
7	Fiscal responsibility and cut out the non-essential expenditure	
8	Business insurances and considering the "fine print"	
9	HR issues Consider policies in place and your risk mitigation plan for employees (work from home etc.). Form a clear picture of their entitlements and the sick and annual leave policy for employees who may have to self-quarantine or have to take time off sick for an extended period of time.	
10	Landlord Support Contact your landlord regarding if a rent deferral or reduction is available.	

PERSONAL		Person Responsible
1	Wills and estate planning - ensure wills and estate plans have been considered Liaise with your Moore Stephens advisor to ensure you have considered all the necessary estate planning issues.	
2	Consider personal insurances in place - life, income protection etc.	
3	Consider your asset protection strategies in place	

Appendix 1 - Coronavirus and Australian workplace laws

<https://www.fairwork.gov.au/about-us/news-and-media-releases/website-news/coronavirus-and-australian-workplace-laws>

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