

Government Stimulus Measure: Boosting Cash Flow for Employers

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What is the stimulus measure?

Tax-free payments up to \$100,000 for small and medium-sized businesses and not-for-profit employers, based on their Pay-As-You-Go (PAYG) tax withheld on wages paid to employees.

Employers will be eligible to claim a cash flow boost, by way of a refundable credit to their activity statement account, calculated as follows:

First Cash Flow Boost – CAPPED AT \$50,000 PER ELIGIBLE ENTITY

Monthly (and large) PAYGW Payers

Period	Amount	Paid When
March	300% of tax withheld for March*	28 April
April	100% of tax withheld for April	28 May
May	100% of tax withheld for April	28 June
June	100% of tax withheld for April	28 July

Quarterly PAYGW Payers

Period	Amount	Paid When
March	100% of tax withheld for Jan-March*	28 April
June	100% of tax withheld for Apr-Jun	28 July

** if calculated payment is < \$10,000, the payment will be adjusted upwards to \$10,000 and later payments under the first cash flow boost will be reduced accordingly.*

Second Cash Flow Boost – CAPPED AT \$50,000 PER ELIGIBLE ENTITY

Monthly (and large) PAYGW Payers

Period	Amount	Paid When
June	25% of total first cash flow boost	28 July
July	25% of total first cash flow boost	28 August
August	25% of total first cash flow boost	28 September
September	25% of total first cash flow boost	28 October

Quarterly PAYGW Payers

Period	Amount	Paid When
June	50% of total first cash flow boost	28 July
September	50% of total first cash flow boost	28 October

What is the aim of this initiative?

Assist businesses and not-for-profits to manage cash flow challenges and help retain their employees. This measure is designed to support employing small and medium sized businesses and to improve business confidence.

Who is eligible?

Small and medium businesses, and not-for-profits, with employees that meet both of the following requirements:

1. You have group business turnover of less than \$50 million in any of the following income years:
 - a. The year that immediately precedes the most recently lodged tax return for the entity;
 - b. The income year of the most recently lodged tax return for the entity;
 - c. The 2019 tax year;
 - d. The 2020 tax year (based on reasonable assumptions acceptable to the Commissioner).
2. On the 12th of March 2020, the entity must have held an active ABN, and must have either:
 - a. Already lodged the entity's 2019 tax return and disclosed business income therein; or
 - b. Lodged a BAS for any period declaring a GST taxable sale that was made after 1 July 2018.

The second requirement does not apply to registered charities, meaning the measures can apply to new charities established after 12 March 2020.

How do I get it?

- Upon lodgement of your business activity statement (BAS), the ATO will assess your eligibility and deliver this payment as an automatic credit to your account.
- If the credit to your account results in you being in a refund position, you can claim the cash back as a refund from the ATO.
- Eligible businesses that pay wages but withhold less than \$10,000 PAYG withholding will still receive a minimum \$10,000 under each of the first and second cash flow boost payments.
- The first and second cash flow boost payments are each capped at \$50,000. So, if you are an eligible monthly withholder and have \$17,000 of wages withheld in the month of March, you will receive your full \$50,000 under the first cash flow boost by 28 April.
- To qualify for the additional payments from June to September 2020, the entity must continue to be pay taxable wages throughout that period.

Other considerations and planning points

- The 300% of PAYG withheld cash flow boost for monthly payers presents a planning opportunity for March 2020 payroll.
- The \$100,000 limit can be claimed multiple times for multiple employers within a group of entities, subject to meeting the above requirements (including \$50 million turnover on a group basis).
- Eligibility for the above payments is subject to a specific integrity rule that is designed to stamp out artificial or contrived arrangements that are implemented for the sole or dominant purpose of obtaining access to this measure. Examples of such schemes could involve shifting employees to a related company where there is otherwise no commercial explanation for doing so, even after having regard to the current and extraordinary economic climate that we are in. If you are unsure how this applies to you, please contact our office. We expect the ATO to monitor and investigate any sudden increases in wages and ask for commercial justification. However, the anti-avoidance rules should not in my view apply to straightforward ordinary commercial dealings that are otherwise explainable, objectively, with reference to the commercial outcomes of the arrangement.
- For businesses that have group turnover levels very close to the \$50 million threshold, you should consider taking advice before arranging lodgement of your income tax returns as the time at which your most recent tax return is lodged may change the test period that determined the \$50 million turnover threshold.

More Info

Treasury website - [Cash flow assistance for businesses](#)

Closing comment

The government is moving quickly and things are changing daily with regards to the response to COVID-19. Should you have any queries regarding this measure or any Government measure announced in relation to COVID-19, please contact your Brentnalls Tax Specialist.