

Government Stimulus Measure: Guaranteeing Small Business Loans

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What is the stimulus/relief?

The Federal Government will provide a guarantee of 50% to Small to Medium Business (SME) lenders for new unsecured loans of up to \$250,000 to be used for working capital.

What is aimed to do?

To provide financial support to SMEs and meet their financial obligations and assist in the flow of credit.

Who is eligible?

SMEs with a turnover of up to \$50 million.

How do I get it?

The scheme will commence the day after royal assent until 30 September 2020 and will be provided through participating lenders. The guarantee will apply to loans under the following terms;

- Maximum loan of \$250,000 per borrower
- For a period of up to 3 years, with an initial 6 month repayment holiday
- The loans will be unsecured

Who should use this stimulus/other considerations?

Any SMEs requiring a working capital injection. All loans will still be subject to the participating lenders usual credit assessment processes but the Government expects lenders to sensibly take into account the current economic conditions. The Government is also encouraging lenders to provide draw down loans so interest is only paid when funds are utilised.

The guarantee is to apply to new loans, but loans made after the Government announcement but before the commencement date (early April 2020) may also be covered.

More Info

www.business.gov.au/risk-management/emergency-management/coronavirus-information-and-support-for-business/coronavirus-sme-guarantee-scheme

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.