



*The Australian Government's Economic Response to Coronavirus**

On 12 March 2020, the government announced a package of measures to help the economy withstand and recover from the economic impact of coronavirus. The following measures will be administered by the ATO.

The government intends to introduce legislation in late March 2020 to implement its Economic Response to Coronavirus.

Enhancing the instant asset write-off

The government is increasing the instant asset write-off (IAWO) threshold from \$30,000 to \$150,000 and expanding access to include businesses with aggregated annual turnover of less than \$500 million (up from \$50 million).

Timing

This proposal applies from 12 March 2020 until 30 June 2020, for new or second-hand assets first used, or installed ready for use in this timeframe.

Enhancing the IAWO will require legislative changes before it can take effect.

Backing business incentive

The government is introducing a time limited 15-month investment incentive to support business investment and economic growth over the short-term, by accelerating depreciation deductions.

A deduction of 50% of the cost of an eligible asset on installation will apply, with existing depreciation rules applying to the balance of the asset's cost.

Eligibility

Eligible businesses – businesses with aggregated turnover below \$500 million.

Eligible assets – new assets that can be depreciated under Division 40 of the Income Tax Assessment Act 1997 (that is, plant, equipment and specified intangible assets, such as patents). Does not apply to second-hand Division 40 assets, or buildings and other capital works depreciable under Division 43.

Timing

Assets acquired after announcement and first used or installed by 30 June 2021.

Boosting Cash Flow for Employers

The Boosting Cash Flow for Employers measure will provide up to \$25,000 back to business, with a minimum payment of \$2,000 for eligible businesses. The payment will provide temporary cash flow support to small and medium businesses that employ staff during the economic downturn associated with coronavirus. The payment will be tax free.

Eligibility

Small and medium business entities with aggregated annual turnover under \$50 million and that employ

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workers will be eligible. Eligibility will generally be based on prior year turnover.

The payment will be delivered by the ATO as a credit in the activity statement system from 28 April 2020 when eligible businesses lodge (see below) upcoming activity statements.

Eligible businesses that withhold tax to the ATO on their employees' salary and wages will receive a payment equal to 50% of the amount withheld, up to a maximum payment of \$25,000.

Eligible businesses that pay salary and wages will receive a minimum payment of \$2,000, even if they are not required to withhold tax.

This measure will benefit around 690,000 businesses employing around 7.8 million people.

Timing

The Boosting Cash Flow will be applied for a limited number of activity statement lodgments. The ATO will deliver the payment as a credit to the business upon lodgment of their activity statements. Where this places the business in a refund position, the ATO will deliver the refund within 14 days.

Quarterly lodgers will be eligible to receive the payment for the quarters ending March 2020 and June 2020.

Monthly lodgers will be eligible to receive the payment for the lodgment months of March 2020, April 2020, May 2020 and June 2020. To provide a similar treatment to quarterly lodgers, the payment will be calculated at three times the rate (150%) in the March 2020 activity statement.

The minimum payment will be applied to the business' first lodgment.

If you need help understanding or implementing any of the recent announcements, our consultants will be able to provide assistance.

ITP The Income Tax Professionals will continue to monitor the Department of Health alerts and provide any important updates to our customers and employees as soon as they are available. For additional information, please visit <https://www.health.gov.au/>

Thank you for your continued support of ITP The Income Tax Professionals. It is our commitment to provide a service to ensure our customers safety, as well as offer continued tax and financial advice with changes to the Australian economic environment.

*Source: The Australian Taxation Office website 12th March 2020

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