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Coronavirus - Stimulus Package for Business

Please click the link below for three key areas of the stimulus package that relate to businesses released by the Australian Government today following the impact of COVID19.

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Should you wish to discuss any of this information, please contact our office on 97 544499.



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\$17.6 billion stimulus package following impact of COVID19 on businesses - effective from 12 March 2020

The **3 key areas** of the stimulus package are: an extension of the instant asset write-offs, cash boosts for small businesses as well as wage subsidies.

1. Instant Asset Write-Off: \$700 million will be used to significantly expand the instant asset write-off scheme, which will operate from today until July 1. Currently under the scheme, businesses with turnovers of up to \$50 million can instantly write off assets valued at up to \$30,000. The asset value will now rise \$150,000 and will be for eligible businesses who have a turnover of up to \$500 million. This will cover 3.5 million businesses.

"Increasing the instant asset write off will bring forward tax deductions for the cost of depreciating assets. This will certainly encourage spending by profitable businesses on additional equipment, however, as it is an additional tax deduction, it provides no immediate support to loss making businesses."

2. PAYG Withholding: Businesses with a turnover of less than \$50 million will be eligible for payments of up to \$25,000 when they pay the PAYG-withholding taken from employees' salaries. Eligible businesses that pay salary and wages but are not required to withhold tax will receive a minimum payment of \$2,000. The government anticipates the measure will benefit around 690,000 businesses employing around 7.8 million people.

- a) These payments will be benchmarked to 50 per cent of the amount withheld on employees' salary and wages, up to a maximum payment of \$25,000.
- b) Eligible businesses that pay salary and wages will receive a minimum payment of \$2,000, even if they are not required to withhold tax
- c) The measure is expected to cost \$6.7 billion and will be delivered by the ATO as a credit in the activity statement system from 28 April 2020 upon businesses lodging eligible upcoming activity statements.
- d) Employers who lodge their BAS on a monthly basis will be eligible to receive the payment for the March 2020, April 2020, May 2020 and June 2020 lodgments, while quarterly lodgers will be eligible to receive the payment for the quarters ending March 2020 and June 2020.

"This will provide an immediate cash boost to eligible employers, irrespective of whether they are profitable or not. The design of this measure will be critical. It will not be sensible if the business has to pay their full amount of PAYG withholding and then wait some weeks for the government to pay out. It will be much better if the boost is able to be offset against the PAYG payable on the business activity statement."

3. Wage Subsidies - \$1.3 billion over this and the next financial year to wage subsidies for employers to save the jobs of 120,000 apprentices at risk of lay-off. The package will offer up to \$7000 each quarter in wage assistance for each apprentice so small businesses can retain existing apprentices and trainees, or re-employ apprentices and trainees who lose their positions from a small business because of the coronavirus downturn.

Where a small business can't afford to hold on to an apprentice, the subsidy will be available to a new employer.

"This cash boost to small business will be welcomed. It shows a good balance between handing out cash and incentivising behaviour that the government wants to see in the economy."

The ATO has also now signalled a flexible approach in the way it will handle taxpayers' affairs over the coming months including:

- a) up to a 4 month deferral of the payment date of amounts due through the business activity statement, including PAYG instalments, income tax assessments, fringe benefits tax assessments and excise.
- b) the ATO will also allow quarterly GST reporting businesses to opt into monthly GST reporting in order to get quicker access to GST refunds they may be entitled to.
- c) businesses will be allowed to vary Pay As You Go (PAYG) instalment amounts to zero for the April 2020 quarter.

- d) Businesses that vary their PAYG instalment to zero will also be allowed to claim a refund for any instalments made for the September 2019 and December 2019 quarters.
- e) The ATO will also look to remit any interest and penalties, incurred on or after 23 January 2020, that have been applied to tax liabilities, and allow affected business to pay their existing and ongoing tax liabilities by allowing them to enter into low-interest payment plans.
- f) businesses and their advisers will be required to contact the ATO on its 1800 806 218 Emergency Support Infoline to discuss their situation. The above assistance measure will not be automatically implemented.

There are more measures in the overall package not listed above. Should you wish to discuss any of the above, please contact our office on 9754 4499.



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