



# PAYG STIMULUS (FEDERAL)

COVID-19 RESPONSE



FEDERAL

## GENERAL INFORMATION

### Boosting Cash Flow for Employers

Under the latest announcement on 22 March 2020, small and medium-sized businesses and now Not For Profits will receive a temporary cash flow boost known as "Boosting Cash Flow for Employers measure" - with an automatic payment or credit to be applied on forthcoming activity statement obligations of at least \$20,000 and up to \$100,000 for those businesses which have aggregated turnover of less than \$50 million and that have employees. The cash flow amounts have increased since they were first announced for small and medium sized business employers under the initial stimulus package announced on 12 March 2020.

This tax-free cash flow boost is to be delivered automatically through the tax system as a credit applied upon businesses lodging their next activity statement, i.e. for the relevant March 2020 activity statement.

### Timing - Initial Cash Flow Boost

The initial cash flow boosts will be delivered as credits in the activity statement system from 28 April 2020. If a business lodges early, it will not receive the cash flow boost before this date.

If the business lodges:

- ▶ Quarterly, it will be eligible to receive the credit for:
  - Quarter 3, March 2020 (lodgment due date 28 April 2020)
  - Quarter 4, June 2020 (lodgment due date 28 July 2020)
- ▶ Monthly, it will be eligible to receive the credit for the lodgment periods of:
  - March 2020 (lodgment due date 21 April 2020)
  - April 2020 (lodgment due date 21 May 2020)
  - May 2020 (lodgment due date 21 June 2020)
  - June 2020 (lodgment due date 21 July 2020)

### Lodgment Deferrals

As the cash flow boost is generated on lodgment of an eligible activity statement, if a lodgment deferral has been granted by the ATO, the cash flow boost will generally be made at the time of the deferred lodgment. This ensures that eligible entities that have received deferrals, for example, due to recent natural disasters, do not miss out on the payment or have to forgo their extended time to lodge to qualify.



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However, businesses may choose to lodge before the deferred due date (but only on or after 28 April 2020) in order to access the cash flow boost earlier, for example, if the business is expecting GST refunds.

To be entitled to the cash flow boost, eligible entities need to lodge the relevant activity statements within two years of when the activity statements were due to be lodged. This ensures that the Boosting Cash Flow for Employers measure is targeted at helping employers during the period affected by COVID-19.

### Eligibility - Boosting Cash Flow for Employer Payments

Businesses will be eligible to receive the cash flow boost provided they are a small or medium business entity, including not-for-profit organisations, sole traders, partnerships, companies or trusts, that:

- ▶ Held an ABN on 12 March 2020 and continues to be active.  
has an aggregated annual turnover under \$50 million (generally based on prior year turnover); and
- ▶ Made eligible payments that the business is required to withhold from (even if the Amount required to be withheld is zero).

Eligible payments include:

- ▶ Salary and wages
- ▶ Director fees
- ▶ Eligible retirement or termination payments
- ▶ Compensation payments
- ▶ Voluntary withholding from payments to contractors.

In addition, the business must also have either:

- ▶ Derived business income in the 2018–19 income year and lodged its 2019 tax return on or before 12 March 2020; or
- ▶ Made GST taxable, GST-free or input-taxed sales in a previous tax period (since 1 July 2018) and lodged the relevant activity statement on or before 12 March 2020.

The most recent income tax assessment for a prior year will generally determine whether a business is a small or medium business entity. However, in the absence of any income tax assessments for prior years, businesses may still be eligible if the Australian Taxation Office (ATO) can use other information it holds on the business to determine that it is a business and would have an aggregated annual turnover under \$50 million.



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The ATO may also give a business further time to provide notice that business income or supplies were made. This will generally be the case where the business has a lodgment deferral in place. If the business did not have a lodgment deferral in place, it will not become eligible if the business lodges or amends returns for those periods now.

### Calculating the Cash Flow Boost - Initial Cash Flow Boost

The initial cash flow boost is based on the amount of a business' PAYG withholding.

Eligible businesses that withhold tax on their employees' salary and wages will receive a credit equal to 100% of the amount withheld, up to a maximum of \$50,000. The minimum credit will be \$10,000, even if the amount required to be withheld is zero. However, businesses will not be eligible to receive any more cash flow boosts until their PAYG withholding exceeds \$10,000 over the relevant periods

Monthly lodgers will receive a credit that is calculated at three times the rate (300 per cent) in the March 2020 activity statement to align with quarterly lodgers.

The total of all initial cash flow boosts across all of the relevant periods cannot exceed the maximum limit of \$50,000.

### Timing - Additional Payment

Eligible entities who received initial cash flow boosts will receive additional cash flow boosts, for the periods June to September 2020, equal to the total amount of initial cash flow boosts received. This will be delivered in either two or four instalments depending on the reporting period.

### Calculating the Cash Flow Boost - Additional Cash Flow Boost

The amount of additional cash flow boosts that a business is entitled to is based on the value of initial cash flow boosts the business received.

If the business lodges quarterly business activity statements it will receive 50% of its total initial cash flow boosts for each activity statement.

If the business lodges monthly business activity statements it will receive 25% of its total initial cash flow boosts for each activity statement.



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## Tax Consequences

All cash flow boosts are tax free (non-assessable non-exempt income) and are not required to be paid back when the business' cash flow improves. However, if the business has been paid more cash flow boosts than it is entitled to, it will be required to repay the excess.

The boost is not subject to GST as the business is not making or agreeing to make a supply for the payment.

The business will still be entitled to a deduction for PAYG withholding paid.

There is no effect on tax paid by employees in respect of their salary and wages.

## HOW TO APPLY

Businesses do not need to apply for the cash flow boosts. The cash flow boosts will be automatically applied to the accounts of eligible businesses when they lodge their activity statement for the relevant periods.

To access the cash flow boost, businesses must lodge their activity statement. If a business does not need to lodge an activity statement in respect of PAYG withholding, the ATO is working through a solution and will update their website with more information on what businesses need to do.

The cash flow boosts will be applied to reduce liabilities arising from the same activity statement. This will result in eligible entities being required to pay less to the ATO.

Generally where a credit exceeds a business' other tax liabilities, the business will be refunded the excess amount.

A business may also receive a refund if it overpays its activity statement because the business' system was unable to take the cash flow boost into consideration when working out how much was payable.

If a business is placed in a refund position, it will generally receive the refund within 14 days.



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## FAQ

### What is the importance of timing your lodgement?

If you lodge before the due date of your March 2020 quarterly or monthly activity statement:

- ▶ The cash flow boost will not be applied to your account until after the due date (and not until 28 April)
- ▶ Any excess credits you are entitled to (GST credits) may still be applied against any outstanding debts with other Australian Government agencies.

### What is the importance of timing your lodgement?

You do not need to pay tax on the amount of the cash flow boost. However, if you distribute the cash flow boost from the business to another entity (for example, making a trust distribution or paying a dividend to shareholders) there may be tax consequences for the recipient.

The amounts do not need to be paid back when your cash flow improves. However, if you have been paid more cash flow boosts than you are entitled to you will need to repay the excess.

The boost is not subject to GST as you are not making or agreeing to make a supply for the payment.

You will still be entitled to a deduction for PAYG withholding paid.

There is no effect on tax paid by employees in respect of their salary and wages.



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