

# The SMSF Association's COVID-19 summary

***Last updated on 25 March 2020***

Over the past two weeks the Government has announced two economic stimulus packages to cushion the economic impact of the Coronavirus.

A total of \$189 billion is being injected into the economy by all arms of Government in order to keep Australians in work and businesses in business.

This includes \$17.6 billion for the Government's first economic stimulus package, \$90 billion from the RBA and \$15 billion from the Government to deliver easier access to finance, and \$66.1 billion in the recently announced economic support package.

## Key superannuation measures

### Temporarily reduce superannuation minimum drawdown rates

The Government is temporarily reducing superannuation minimum drawdown requirements for account based pensions and similar products by 50 per cent for 2019-20 and 2020-21. This measure will benefit retirees by providing them with more flexibility as to how they manage their superannuation assets.

Age	Default minimum drawdown rates (%)	Reduced rates by 50 per cent for the 2019-20 and 2020-21 income years (%)
<b>Under 65</b>	4	2
<b>65-74</b>	5	2.5
<b>75-79</b>	6	3
<b>80-84</b>	7	3.5
<b>85-89</b>	9	4.5
<b>90-94</b>	11	5.5
<b>95 or more</b>	14	7

**Individuals who have already taken their minimum pension amount for the 2019/20 financial year will not be able to put that money back into their superannuation account under these changes.**

This measure will also apply to other superannuation products such as market linked pensions.

[Click here for the fact sheet.](#)

## Early release of superannuation

The Government will allow individuals in financial stress as a result of the Coronavirus to access up to \$10,000 of their superannuation in 2019-20 and a further \$10,000 in 2020-21.

Eligible individuals will be able to apply online through myGov for access of up to \$10,000 of their superannuation before 1 July 2020. They will also be able to access up to a further \$10,000 from 1 July 2020 for another three months. They will not need to pay tax on amounts released and the money they withdraw will not affect Centrelink or Veterans' Affairs payments.

To apply for early release you must satisfy any one or more of the following requirements:

- you are unemployed; or
- you are eligible to receive a job seeker payment, youth allowance for jobseekers, parenting payment (which includes the single and partnered payments), special benefit or farm household allowance; or
- on or after 1 January 2020:
  - you were made redundant; or
  - your working hours were reduced by 20 per cent or more; or
  - if you are a sole trader — your business was suspended or there was a reduction in your turnover of 20 per cent or more.

People accessing their superannuation will not need to pay tax on amounts released and the money they withdraw will not affect Centrelink or Veterans' Affairs payments.

Separate processing arrangements will apply for SMSFs. We are awaiting on those details.

Individuals will be able to apply for early release of your superannuation from mid-April 2020.

[Click here for the fact sheet.](#)

## Reducing social security deeming rates

As of 1 May 2020, the upper deeming rate will be 2.25 per cent and the lower deeming rate will be 0.25 per cent. The reductions reflect the low interest rate environment and its impact on the income from savings.

The change will benefit around 900,000 income support recipients, including around 565,000 people on the Age Pension who will, on average, receive around \$105 more from the Age Pension in the first full year that the reduced rates apply.

The changes will be effective from 1 May 2020.

[Click here for the fact sheet.](#)

## Business measures

### **Boosting cash flow for employers**

The Government is enhancing the Boosting Cash Flow for Employers measure it announced on 12 March 2020. The Government is providing up to \$100,000 to eligible small and medium-sized businesses, and not-for-profits (NFPs) that employ people, with a minimum payment of \$20,000.

These payments will help businesses and NFPs with their cash flow so they can keep operating, pay their rent, electricity and other bills and retain staff. This measure will benefit around 690,000 businesses employing around 7.8 million people, and around 30,000 NFPs (including charities).

Employers will receive a payment equal to 100 per cent of their salary and wages withheld (up from 50 per cent), with the maximum payment being increased from \$25,000 to \$50,000.

An additional payment will be introduced in the July – October 2020 period. Eligible entities will receive an additional payment equal to the total of all of the Boosting Cash Flow for Employers payments they have received.

The cash flow boost provides a tax free payment to employers and is automatically calculated by the Australian Taxation Office (ATO). There are no new forms required.

The Government has budgeted \$32 billion for this measure and many of our members would be eligible to receive up to \$100,000.

[Click here for the fact sheet.](#)

### **Temporary relief for financial distressed businesses**

The Government is temporarily increasing threshold at which creditors can issue a statutory demand on a company and the time companies have to respond to these demands. There will also be temporary relief for directors from any personal liability for trading while insolvent.

[Click here for the fact sheet.](#)

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### **Increasing the instant asset write-off**

The Government is increasing the instant asset write-off from \$30,000 to \$150,000. The write-off has also been expanded to include businesses with aggregated annual turnover of less than \$500 million, previously this threshold for \$50 million. This write-off applies until 30 June 2020.

[Click here for the fact sheet.](#)

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### **Backing business investment**

The Government is permitting businesses with a turnover of less than \$500 million to deduct 50 per cent of an eligible asset or installation up until 30 June 2021. From 2021, normal depreciation rates will continue to apply to the balance of the asset's cost.

[Click here for the fact sheet.](#)

## Household measures

### One-off payments

The Government is providing two separate \$750 payments to social security, veteran and other income support recipients and eligible concession card holders. Around half of those that benefit are pensioners

The first payment (announced on 12 March 2020) will be available to people who are eligible payment recipients and concession card holders at any time from 12 March 2020 to 13 April 2020 inclusive.

The second payment will be available to people who are eligible payment recipients and concession card holders on 10 July 2020.

[Click here for the fact sheet.](#)

### Coronavirus supplement

The Government is temporarily expanding eligibility to income support payments and establishing a new, time-limited Coronavirus supplement to be paid at a rate of \$550 per fortnight.

This supplement will be paid to both existing and new recipients of the eligible payment categories.

The Coronavirus Supplement and expanded access for payments will commence from 27 April 2020.

[Click here for the fact sheet.](#)

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## Supporting flow of credit measures

### SMEs immediate cash flow needs

The Coronavirus SME Guarantee Scheme, the Government will act as guarantor for 50 per cent to SME lenders for new short-term unsecured loans to SMEs. This will assist viable SMEs to meet existing obligations due to disrupted cash flow during this turbulent time.

Terms of these loans include:

- Maximum loan amount of \$250,000 per borrower
- Loan term up to three years, with initial six month repayment holiday
- Unsecured finance, borrowers will not have to provide asset(s) as security.

[Click here for the fact sheet.](#)

### Quick and efficient access to credit for small business

The Government is allowing an exemption from responsible lending obligations for six months. This applies to any new credit, increasing of existing limits, variations and restructures to existing small business customers.

This will enable small businesses to gain access to credit quickly and efficiently.

[Click here for the fact sheet.](#)

## Australian Taxation Office

The Australian Taxation Office is working with small businesses in regards to their specific circumstances as a result of Coronavirus.

- Deferring by up to six months the payment date of amounts due through the business activity statement (including PAYG instalments), income tax assessments, fringe benefits tax assessments and excise.
- Allow businesses on a quarterly reporting cycle to opt into monthly GST reporting in order to get quicker access to GST refunds they may be entitled to.
- Allowing businesses to vary Pay As You Go (PAYG) instalment amounts to zero for the March 2020 quarter. Businesses that vary their PAYG instalment to zero can also claim a refund for any instalments made for the September 2019 and December 2019 quarters.
- Remitting any interest and penalties, incurred on or after 23 January 2020, that have been applied to tax liabilities.
- Working with affected businesses to help them pay their existing and ongoing tax liabilities by allowing them to enter into low interest payment plans.

The ATO's FAQ webpage is updated regularly with information and resources to assist small businesses during this time. [Visit the ATO's website here.](#)

**Remain up to date with the SMSF Association's COVID-19 response webpages which are regularly updated as more information and resources come to light.**

**For SMSF professionals, visit:**

<https://www.smsfassociation.com/the-smsf-associations-covid-19-response/>

**For SMSF trustees, visit:**

<https://smsfconnect.com/news/the-smsf-associations-covid-19-response>