**Government responses**

**to Coronavirus crisis** (COVID-19)

Updated AEDT 12:00pm Monday, 23 March 2020

**How does COVID-19 affect the economy?**

The Coronavirus (COVID-19) outbreak is not only a risk to the health of people and Australia’s health system, but also to the Australian and global economies.

The quarantine and isolation of a substantial portion of the global population means that Australian industries are facing an unprecedented reduction in demand for its products and services.

Businesses that do not have access to sufficient cash reserves and that exclusively rely on short-term income to service ongoing expenses such as wages and bank loans are the most vulnerable. This also means that in the event of job losses or forced unpaid leave, households that rely on weekly wages to cover mortgage repayments, rent, offspring, and many other things, will also be affected.

In response to these challenges, the federal and state governments of Australia are introducing a range of measures to help support the Australian economy. In addition, the Reserve Bank of Australia (RBA) is instituting monetary policy responses and retail banks are also announcing support measures.

Many of these measures may affect entitlements you and/or members of your household have access to, and potentially provide financial support to your employer to reduce the risk of job losses.

It’s important you are aware of the measures announced by government and consider whether your employer has access to entitlements.

**What has the Federal Government announced?**

The Federal government has announced a range of initiatives totaling $17.6 billion to help support businesses, households, and our health system.

Health expenditure

An additional $2.4 billion to support the health system.

A further commitment to cover 50 per cent of additional hospital costs incurred by states and territories related to the diagnosis and treatment of patients with, or suspected of having, the Coronavirus.

Small to medium business support

*General Salary support for small to medium business*

Up until the end of the financial year, businesses with under $50 million turnover will receive support to cover the costs of employee wages and salaries equal to 100 per cent of PAYG withheld for businesses that withhold tax. The minimum amount a business can receive is $10,000, and the maximum is $50,000.

Between July to October 2020, eligible entities will receive an additional payment equal to the total of all of the Boosting Cash Flow for Employers payments they have received. Eligible entities will receive at least $20,000 up to a total of $100,000 under both payments.

This means that if you are a part-time, full-time or casual worker, a small business will receive support to cover employee salaries and wages.

*Apprentice and trainee subsidy*

Apprentice and trainee support – businesses that employ less than 20 full-time employees will receive a wage subsidy of 50 per cent for any apprentice or trainee for nine months. The subsidy is available up to a maximum of $21,000.

*Tax benefits for investment*

The Government is expanding the instant asset write-off, which allows businesses to expense the entirety of a capital investment for tax purposes, by lifting the threshold from $30,000 to $150,000. It is also now available to businesses with a turnover of less than $500 million, up from $50 million. This threshold applies on a per asset basis, and so businesses that have already investment in capital can immediately write-off multiple assets.

This has the effect of reducing a business’s tax liability at the end of the financial year.

The Government has introduced a 15 month investment incentive (through to 30 June 2021) by accelerating depreciation deductions. Businesses with a turnover of less than $500 million will be able to deduct 50 per cent of the cost of an eligible asset on installation.

*Creditor relief for financially distressed businesses*

The Government is temporarily increasing the threshold at which creditors can issue a statutory demand on a company and to initiate bankrupt proceedings against an individual. The ATO will tailor solutions for owners or directors of business that are currently struggling due to the Coronavirus, including temporary reduction of payments or deferrals, or withholding enforcement actions including Director Penalty Notices and wind-ups.

*Loans for SMEs to cover costs*

The Government has provided a guarantee of 50 per cent to SME lenders to support new short-term unsecured loans to SMEs. The scheme guarantees up to $40 billion of new lending.

This will provide businesses with funding to meet cash flow needs by further enhancing lenders’ willingness and ability to provide credit.

Household support

*Income support for individuals*

The Government has expanded the eligibility to income support payments, establishing a new time-limited Coronavirus supplement to be paid at a rate of $550 per fortnight. This will be paid to both existing and new recipients of:

* Jobseeker Payment
* Youth Allowance Jobseeker
* Parenting Payment
* Farm Household Alloance and Special benefit.

*Payments to support households*

The Government will provide two separate $750 payments to social security, veteran and other income support recipients and eligible concession card holders.

* First payment will be made from 31 March 2020
* Second payment will be made from 13 July 2020.

To be eligible, you must be residing in Australia and be receiving one of the following payments or hold one of the following concession cards on 12 March 2020:

* Age Pension
* Disability Support Pension
* Carer Payment
* Parenting Payment
* Wife Pension
* Widow B Pension
* ABSTUDY (Living Allowance)
* Austudy
* Bereavement Allowance
* Newstart Allowance
* Youth Allowance
* Partner Allowance
* Sickness Allowance
* Special Benefit
* Widow Allowance
* Family Tax Benefit, including Double Orphan Pension
* Carer Allowance
* Pensioner Concession Card holders
* Commonwealth Seniors Health Card holders
* Veteran Service Pension; Veteran Income Support Supplement; Veteran Compensation payments, including lump sum payments; War Widow(er) Pension; and Veteran Payment.
* Veteran Gold Card holders
* Farm Household Allowance

*Temporary early release of superannuation*

Individuals experiencing financial hardship by the Coronavirus – such as jobseekers and casuals – will be able to withdraw up to $20,000 from their superannuation accounts.

* First withdrawal is up to $10,000 before 1 July 2020.
* Second withdrawal is up to $10,000 between 1 July 2020 to 30 September 2020.

These funds will not be taxed.

*Temporarily reducing superannuation minimum drawdown rates*

The Government has temporarily reduced superannuation minimum drawdown requirements for account-based pensions and similar products by 50 per cent for 2019-20 and 2020-21.

*Reducing social security deeming rates*

The deeming rates – which determine a theoretical return for pensioner’s assets which affects their eligibility for the aged pension – has been reduced.

* The upper deeming rate will be 2.25 per cent
* The lower deeming rate will be 0.25 per cent

This means that, on average, pensioners will receive around $105 more of the Age Pension.

Assistance for severely affected regions

The Government has set aside an initial $1 billion allocation to support regions and communities that have been disproportionately affected by the economic impacts of the Coronavirus, including those heavily reliant on industries such as tourism, agriculture and education.

This will be managed by the Australian Taxation Office (ATO) on a case-by-case basis.

Announced examples for this package include:

* Government waiving the Environmental Management Charge (EMC) for tourism businesses that operate in the Great Barrier Reef Marine Park for 2020.
* Government waiving park entry fees for the iconic Kakadu, Uluru, and Booderee National Parks for the remainder of 2020.
* No reduction in revenue that goes to the management of the Great Barrier Reef Marine Park and Commonwealth National Parks.[[1]](#footnote-1)

Aviation package

The Aviation industry will receive a $715 million relief package, attributable mostly by the waiving of various fees such as the aviation fuel excise, Airservices charges on domestic operations and aviation security charges.

**What has the NSW Government announced?**

Health boost

An increase in funding for NSW Health by $700 million, which will assist in doubling ICU capacity, preparing for additional COVID-19 testing, and more.

Business support for jobs

Businesses will a total payroll expense of under $10 million will receive a waiving of their payroll tax liabilities for the remainder of the 2019-20 Financial year. This reduces the total tax liability for these businesses by 25 per cent, and will cost the state government $450 million.

Increasing the tax-free threshold for total payroll expenses from $900,000 to $1 million.

Cache of spending announcements

An announcement to spend $250 million to employ additional cleaners of public infrastructure such as transport assets, schools and other public buildings.

Bringing forward more then $250 million for maintenance on public assets including social housing and crown land fencing.

Bringing forward $500 million in forward estimates to spend on capital works and maintenance.

**What has the West Australian Government announced?**

Household support

Expected inflation increases to household fees and charges will be frozen until the beginning of the 2021-2020 financial year, including those relating to electricity, water, car licenses and registration.

No increase to public transport fares of the Emergency Services Levy paid in council rates.

A doubling of the Energy Assistance Payment (EAP) from $300 to $600 for financially insecure West Australians, including pensioners.

Small business support

Businesses with a payroll of between $1 million and $4 million will receive a one-off grant of $17,500.

Payroll tax exemption will increase from $950,000 to $1 million on 1 July, 2020.

Small and medium sized businesses affected by COVID-19 can apply to defer payment of their 2019-20 payroll tax until July 21, 2020, several weeks later than its due.

Support for public sector workers

The Government has introduced 20 days paid COVID-19 leave for all public sector workers, including casual workers. This is in additional to sick leave, and includes workers who:

* Have contracted the virus themselves
* Need to self-isolate because of the virus
* Need to care for family due to school or childcare closures, or
* Are otherwise unable to attend work due to the virus.

**What has the Queensland Government announced?**

Businesses with a total wage bill of up to $6.5 million and that have been directly or indirectly affected by the COVID-19 outbreak will be eligible to defer their payroll tax until 31 July 2020.

Small businesses can apply for access to a government-funded $500 million loan facility, offering low-interest loans of up to $250,000.The loan will be interest-free for the first 12 months.

Launched a $500,000 grants package for small businesses in agriculture, food and fish exporting industries, as well as supply chain partners, to help them diversify their business and access new markets. These grants will be offered between $2,500 and $50,000 and will be issued to help businesses conduct market evaluation studies, to visit potential new markets, or to purchase new equipment required for diversification.

The government is waiving various fees relating to small business in the state, including for some variations of liquor licences, registration for inbound tour operators, commercial activity permits, marina charges and tourism rental payments.

**What has the Northern Territory Government announced?**

Home Improvement Scheme

Residential and investment property holders will receive a $6000 grant for renovations if they contribute $2000 of their own money. Alternatively, owners will also be able to receive $4000 if they spend $1000.

Business Improvement Scheme

Eligible businesses will receive $10,000. If the business invests a further $10,000, the NT Government will provide that business with an additional $10,000. This creates a total grant of $30,000 (which an employer would subsidise one-third of).

Freezing fees

Expected inflation increases to household fees and charges will be frozen until the beginning of the 2021-2020 financial year, including those relating to electricity, water, car licenses and registration.

Business Structural Adjustment package

Businesses that need to physically adjust their premises to comply with the 100 person rule or to establish or upgrade their online presence to adjust to changing behaviours of consumption will be eligible for a small grant.

**What has the South Australian Government announced?**

A $350 million stimulus package that will include current infrastructure projects being brought forward, as well as new projects around road maintenance, housing, tourism and health.

Further details have not yet been made available.

**What has the Tasmanian Government announced?**

No support measures are yet announced.

**What has the Victorian Government announced?**

No support measures are yet announced.

**What has the ACT Government announced?**

No support measures are yet announced.

**What has the Reserve Bank of Australia announced?**

Interest rate cuts

The RBA has cut the cash rate twice in the previous month.

* 3 March 2020 – the RBA cut the cash rate by 25 basis points to 0.50 per cent.
* 19 March 2020 – the RBA cut the cash rate by 25 basis points to 0.25 per cent.

Australian Government Bond purchasing

The RBA will purchase Australian government bonds to increase the price of bonds so that the rate of return for a 3-year Australian government bond is approximately 0.25 per cent.

Term Funding Facility for the banking system

The RBA will provide a three-year funding facility to banks at a fixed rate of 0.25 per cent. They will have access to additional funding if they increase lending to business, especially to small and medium-sized businesses.

Exchange settlement concession

Exchange settlement balances at the Reserve Bank will be remunerated at 10 basis points, rather than zero as would have been the case under the previous arrangements.

**What has the Banking industry announced?**

Small business loan deferrals

The Australian Banking Association (ABA) announced that all small businesses hit by the coronavirus pandemic will be able to access a six-month deferral of loan repayments. This will apply to more than $100 billion in small business loans.

1. <https://treasury.gov.au/sites/default/files/2020-03/Fact_sheet-Assistance_for_regions.pdf> [↑](#footnote-ref-1)