

ECONOMIC RESPONSE TO THE CORONAVIRUS

The Australian Government has released the second stage of its economic plan to cushion the economic impact of the Coronavirus.

Support for workers and households

Coronavirus supplement

The Government is temporarily expanding eligibility for income support payments and establishing a new, time-limited Coronavirus supplement to be paid at a rate of \$550 per fortnight. This will be paid to both new and existing recipients of the JobSeeker Payment, Youth Allowance jobseeker, Parenting Payment, Farm Household Allowance, Special Benefit, Youth Allowance, Austudy and Abstudy.

The Coronavirus supplement will be paid for the next six months. Eligible income support recipients will receive the full amount of the \$550 Coronavirus supplement on top of their payment each fortnight.

An increase of up to 5,000 staff for Services Australia will assist to support delivery of new Government measures.

Payments to support households

In addition to the \$750 stimulus payment announced on 12 March 2020, the Government will provide a further \$750 payment to social security and veteran income support recipients and eligible concession card holders, except for those who are receiving an income support payment that is eligible to receive the Coronavirus supplement.

This second payment will be made automatically from 13 July 2020 to around 5 million social security, veteran and other income support recipients and eligible concession card holders. Around half of those that benefit are pensioners.

The first payment will be made from 31 March 2020 to people who will have been on one of the eligible payments any time between 12 March 2020 and 13 April 2020.

Early release of superannuation

The Government will allow individuals in financial stress as a result of the Coronavirus to access up to \$20,000 of their superannuation over the next six months.

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.

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.

Reducing social security deeming rates

On top of the deeming rate changes made at the time of the first package, the Government is reducing the deeming rates by a further 0.25 percentage points to reflect the latest rate reductions by the Reserve Bank of Australia.

As of 1 May 2020, the lower deeming rate will be 0.25 per cent and the upper deeming rate will be 2.25 per cent.

The change will benefit around 900,000 income support recipients, including Age Pensioners.

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Assistance to business to keep people in a job

The Government is providing up to \$100,000 to eligible small and medium-sized businesses, and not-for-profits (including charities) that employ people, with a minimum payment of \$20,000. These payments will help businesses' and not-for-profits' cash flow so they can keep operating, pay their rent, electricity and other bills and retain staff.

Under the enhanced scheme, 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.

The minimum payment will increase from \$2,000 to \$10,000 and be available from 28 April 2020.

By linking the payments to business to staff wage tax withholdings, businesses will be incentivised to hold on to more of their workers.

The payments are tax free, there will be no new forms and payments will flow automatically.

This measure will benefit around 690,000 businesses employing around 7.8 million people, and around 30,000 not-for-profits (including charities).

Small and medium business entities with aggregated annual turnover under \$50 million and that employ workers are eligible. NFP entities, including charities, with aggregated annual turnover under \$50 million and that employ workers will now also be eligible.

An additional payment is also being made from 28 July 2020. Eligible entities will receive an additional payment equal to the total of all of the Boosting Cash Flow for Employers payments received.

Regulatory protection and financial support for businesses to stay in business

The Government will establish the Coronavirus SME Guarantee Scheme which will support small and medium enterprises (SMEs) and guarantee 50% of new loans issued by eligible lenders to SMEs.

The Government's support will enhance lenders' willingness and ability to provide credit to SMEs. The Scheme will support \$40 billion of lending to SMEs and complements the Government's work to allow them to get access to credit faster.

This builds on the investment the Government is making to enable smaller lenders to continue supporting Australian consumers and small businesses, through providing the AOFM an investment capacity of \$15 billion to invest in wholesale funding markets used by small authorised deposit-taking institutions (ADI) and non-ADI lenders.

It further supports the Reserve Bank of Australia's announcement of a \$90 billion term funding facility for ADIs that will reduce the cost of lending, with incentives to lend to small and medium enterprises.

A total of \$189 billion is being injected in to the economy to support Australians to get through the impact of the coronavirus.

Providing temporary relief for financially distressed businesses

The Government is temporarily increasing the threshold at which creditors can issue a statutory demand on a company and the time companies have to respond to statutory demands they receive. The package also includes temporary relief for directors from any personal liability for trading while insolvent. The *Corporations Act 2001* will be amended to provide temporary and targeted relief for companies to deal with unforeseen events that arise as a result of the Coronavirus.

This builds on the support for business investment provided in our first economic support package, which included:

- increasing the instant asset write-off;
- backing business investment by providing accelerated depreciation deductions;
- supporting apprentices and trainees; and
- targeted support for Coronavirus-affected regions and communities.

For more information please visit australia.gov.au