



Coronavirus (COVID-19) Second Economic Stimulus Package

The Federal Government yesterday released details of a second set of economic responses which, combined with the previous response, will provide support to affected workers, businesses and the broader community.

The Government's second economic response targets three areas:

SUPPORTING INDIVIDUALS AND HOUSEHOLDS

The Australian Government is providing financial assistance to Australians. This assistance includes income support payments, payments to support households and temporary early releases of superannuation.

- ◆ Income support for individuals
- ◆ Payments to support households
- ◆ Temporary early release of superannuation
- ◆ Temporarily reducing superannuation minimum drawdown rates
- ◆ Reducing social security deeming rates

SUPPORT FOR BUSINESSES

The Australian Government is supporting Australian businesses to manage cash flow challenges and retain employees. Assistance includes cash flow support to businesses and temporary measures to provide relief for financially distressed businesses.

- ◆ Boosting cash flow for employers
- ◆ Temporary relief for financially distressed businesses
- ◆ Increasing the instant asset write-off
- ◆ Backing business investment
- ◆ Supporting apprentices and trainees

SUPPORTING THE FLOW OF CREDIT

The Government, the Reserve Bank of Australia and the Australian Prudential Regulation Authority have taken coordinated action to ensure the flow of credit in the Australian economy. Timely access to credit is vital for businesses to manage the impacts of the Coronavirus.

RESOURCES

Further information on how the Australian Government's economic response could support you can be found on [The Treasury](https://www.treasury.gov.au) website.

SUPPORTING INDIVIDUALS & HOUSEHOLDS

INCREASED AND ACCELERATED INCOME SUPPORT

Summary

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. These changes will apply for the next six months.

Eligibility

Payment categories

The income support payment categories eligible to receive the Coronavirus supplement are:

- ◆ Jobseeker Payment(*) (and all payments progressively transitioning to JobSeeker Payment; those currently receiving Partner Allowance, Widow Allowance, Sickness Allowance and Wife Pension)
- ◆ Youth Allowance Jobseeker
- ◆ Parenting Payment (Partnered and Single)
- ◆ Farm Household Allowance
- ◆ Special Benefit recipients

Anyone who is eligible for the Coronavirus supplement will receive the full rate of the supplement of \$550 per fortnight.

Expanded access

For the period of the Coronavirus supplement, there will be expanded access to the income support payments listed above.

- ◆ **Expanded access:** Jobseeker Payment and Youth Allowance Jobseeker criteria will provide payment access for permanent employees who are stood down or lose their employment; sole traders; the self-employed; casual workers; and contract workers who meet the income tests as a result of the economic downturn due to the Coronavirus. This could also include a person required to care for someone who is affected by the Coronavirus.
- ◆ **Reduced means testing:** Asset testing for JobSeeker Payment, Youth Allowance Jobseeker and Parenting Payment will be waived for the period of the Coronavirus supplement. Income testing will still apply to the person's other payments, consistent with current arrangements.
- ◆ **Reduced waiting times:**
 - * The one week Ordinary Waiting Period has already been waived.
 - * To further accelerate access to payments, the Liquid Asset test Waiting Period (LAWP) and the Seasonal Work Preclusion Period (SWPP) will also be waived for recipients eligible for the Coronavirus supplement.
 - People currently serving a LAWP will no longer need to serve that waiting period.
 - * The Newly Arrived Residents Waiting Period (NARWP) will be temporarily waived for recipients eligible for the Coronavirus supplement. When the Coronavirus supplement ceases, those people that were serving a NARWP will continue to serve the remainder of their waiting period, though the time the person was receiving the Coronavirus supplement will count towards their NARWP. Residency requirements still apply.
 - * Income Maintenance Periods and Compensation Preclusion Periods will continue to apply, as payments under these arrangements are treated as income.

People will not be permitted, and will need to declare that they are not, accessing employer entitlements (such as annual leave and/or sick leave) or Income Protection Insurance, at the same time as receiving Jobseeker Payment and Youth Allowance Jobseeker under these arrangements.

From 20 March 2020, Sickness Allowance was closed to new entrants and was replaced by the JobSeeker Payment. This does not mean that people who previously may have been eligible for Sickness Allowance are

now unable to access income support. JobSeeker Payment better accommodates individual circumstances, including assisting people who are sick or bereaved.

Faster claim process

Accelerated claim process: To ensure timely access to payments, new applicants are encouraged to claim through on-line and mobile channels. If applicants do not have internet access, they can claim over the phone.

- ◆ From April 2020, Services Australia will allow new applicants to call to verify their identity to reduce the need to visit a Services Australia office.
- ◆ To claim online, people who do not already deal with Services Australia will need to set up their myGov account, call to verify their identity, and get a link to their Centrelink online account.
- ◆ Applicants for Jobseeker Payment and Youth Allowance Jobseeker will:
 - * Make an initial declaration about their identity, residency status, income and that they have been made redundant, or had their hours reduced (including to zero) as a result of the economic downturn due to Coronavirus.
 - * In the case of sole traders and the self-employed, applicants will make a declaration that their business has been suspended or had turnover reduced significantly.
- ◆ Applicants may also declare the amount of rent they pay in this declaration to qualify for Rent Assistance.
- ◆ Services Australia has effective measures in place to detect those seeking to defraud the social security system. Anyone fraudulently claiming a payment will need to pay the money back and may face imprisonment.

Streamlined application process: A number of simplified arrangements will be put in place to make it easier to claim, including removing the requirements for:

- ◆ Employment Separation Certificates, proof of rental arrangements and verification of relationship status;
- ◆ Job Seeker Classification Instrument assessment for those people who have recently left jobs, recognising they are job ready; and
- ◆ Job seekers to make an appointment with an employment service provider before they can be paid.

Flexible jobseeking arrangements

Those receiving Jobseeker Payment have an obligation to actively look for work or build their skills, but the Government is making sure this can be done **flexibly and safely**.

- ◆ Jobseekers who have caring responsibilities, or who need to self-isolate, are able to seek an exemption from their mutual obligation requirements without the need for medical evidence.
- ◆ Activities can be rescheduled if the job seeker is unable to attend as a result of the Coronavirus. Job Plans will be adjusted to a default requirement of four job searches a month (or one a week) to reflect softening labour market conditions.

Mutual obligations can be tailored for each individual to suit not only their needs but also the needs of the community. In some circumstances, job seekers can undertake training or volunteer within their community to meet their mutual obligation requirements.

Sole traders that become eligible for the Jobseeker Payment will automatically meet their mutual obligation requirements during this period by continuing to develop and sustain their business.

Job seekers are encouraged to stay job ready, connected to their employment services provider and up to date on potential job opportunities in their local area.

These changes ensure that job seekers can reliably access income support, safely look for work, fill critical vacancies as they emerge, develop their skills and job preparedness, contribute to their community and help the economy to bounce back stronger.

Timing

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

* Under changes announced in the 2017-18 Budget, from 20 March 2020, JobSeeker Payment replaces Newstart Allowance as the main income support payment for recipients aged between 22 years to Age Pension qualification age who have capacity to work.

SUPPORT PAYMENTS

Summary

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. These payments will support households to manage the economic impact of the Coronavirus.

- ◆ 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.

A person can be eligible to receive both a first and second support payment. However, they can only receive one \$750 payment in each round of payments, even if they qualify in each round of the payments in multiple ways.

The payment will be exempt from taxation and will not count as income for the purposes of Social Security, Farm Household Allowance and Veteran payments.

Eligibility for the first payment

To be eligible for the first payment, you must be residing in Australia and be receiving one of the following payments, or hold one of the following concession cards, at any time from 12 March 2020 to 13 April 2020, inclusive:

- | | |
|------------------------------|---|
| ✓ Age Pension | ✓ Widow Allowance |
| ✓ Disability Support Pension | ✓ Family Tax Benefit, including Double Orphan Pension |
| ✓ Carer Payment | ✓ Carer Allowance |
| ✓ Parenting Payment | ✓ Pensioner Concession Card (PCC) holders |
| ✓ Wife Pension | ✓ Commonwealth Seniors Health Card holders |
| ✓ Widow B Pension | ✓ Veteran Service Pension; Veteran Income Support Supplement; Veteran Compensation payments, including lump sum payments; War Widow(er) Pension; and Veteran Payment. |
| ✓ ABSTUDY (Living Allowance) | ✓ DVA PCC holders; DVA Education Scheme recipients; Disability Pensioners at the temporary special rate; DVA Income support pensioners at \$0 rate. |
| ✓ Austudy | ✓ Veteran Gold Card holders |
| ✓ Bereavement Allowance | ✓ Farm Household Allowance |
| ✓ Newstart Allowance | |
| ✓ JobSeeker Payment | |
| ✓ Youth Allowance | |
| ✓ Partner Allowance | |
| ✓ Sickness Allowance | |
| ✓ Special Benefit | |

Where someone has lodged a claim for one of the eligible payments or concession cards at any time from 12 March to 13 April 2020 inclusive, and the claim is subsequently granted, they will also receive the payment.

The first payment will be made to approximately 6.6 million social security, veteran and other income support recipients and eligible concession card holders. Around half of those that benefit are pensioners.

Eligibility for the second payment

To be eligible for the second payment, you must be residing in Australia and be receiving one of the payments or holding one of the concession cards that were eligible for the first payment, except for those who are receiving an income support payment that is eligible to receive the Coronavirus supplement.

Income support recipients that are eligible to receive the Coronavirus supplement are:

- ✓ JobSeeker Payment (and payments progressively transitioning into JobSeeker Payment)
- ✓ Youth Allowance Jobseeker
- ✓ Parenting Payment (Partnered and Single)

- ✓ Farm Household Allowance
- ✓ Special Benefit

The second payment is expected to be made 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.

Timing

- ◆ **First Payment** Paid automatically from 31 March 2020
- ◆ **Second Payment** Paid automatically from 13 July 2020

Payments will be made by Services Australia or the Department of Veterans' Affairs.

If you are a holder of a Veteran Gold Card, you will be contacted to confirm your account details so the payment can be made as soon as possible.

EARLY ACCESS TO SUPERANNUATION

Summary

While superannuation helps people save for retirement, the Government recognises that for those significantly financially affected by the Coronavirus, accessing some of their superannuation today may outweigh the benefits of maintaining those savings until retirement.

Eligible individuals will be able to apply online through myGov to access 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 approximately three months (exact timing will depend on the passage of the relevant legislation).

Eligibility

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.

How to apply

If you are eligible for this new ground of early release, you can apply directly to the ATO through the myGov website: www.my.gov.au. You will need to certify that you meet the above eligibility criteria.

After the ATO has processed your application, they will issue you with a determination. The ATO will also provide a copy of this determination to your superannuation fund, which will advise them to release your superannuation payment. Your fund will then make the payment to you, without you needing to apply to them directly. However, to ensure you receive your payment as soon as possible, you should contact your fund to check that they have your correct details, including your current bank account details and proof of identity documents.

Separate arrangements will apply if you are a member of a self-managed superannuation fund (SMSF). Further guidance will be available on the ATO website: www.ato.gov.au.

Timing

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

PROVIDING SUPPORT FOR RETIREES

Summary

The Government is temporarily reducing superannuation minimum drawdown requirements for account-based pensions and similar products by 50 per cent for the 2019-20 and 2020-21 income years.

The Government is also reducing both the upper and lower social security deeming rates by a further 0.25 percentage points in addition to the 0.5 percentage point reduction to both rates announced on 12 March 2020.

Temporary Reduction in Superannuation Minimum Drawdown Requirements

This measure will benefit retirees with account-based pensions and similar products by reducing the need to sell investment assets to fund minimum drawdown requirements. The reduction applies for the 2019-20 and 2020-21 income years.

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

Changes to 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. This measure is expected to have a cost of \$876 million over the forward estimates.

SUPPORT FOR BUSINESSES

BOOSTING CASH FLOW FOR EMPLOYERS

Summary

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.

On 12 March 2020, the Government announced the *Boosting Cash Flow for Employers* measure. The measure initially provided up to \$25,000 to business, with a minimum payment of \$2,000 for eligible businesses. Small and medium sized business entities with aggregated annual turnover under \$50 million and that employ workers are eligible.

The Government has enhanced this measure as part of the second economic response package. Not-for-profit entities (NFPs), including charities, with aggregated annual turnover under \$50 million and that employ workers will now also be eligible. This will support employment activities at a time where NFPs are facing increasing demand for services.

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. In addition, the minimum payment is being increased from \$2,000 to \$10,000.

An additional payment is also being 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. This means that eligible entities will receive at least \$20,000 up to a total of \$100,000 under both payments. This additional payment continues cash flow support over a longer period, increasing confidence, helping employers to retain staff and helping entities to keep operating.

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.

Eligibility - *Boosting Cash Flow for Employers* payments

Small and medium sized business entities and NFPs with aggregated annual turnover under \$50 million and that employ workers will be eligible. Eligibility will generally be based on prior year turnover.

- ◆ The payment will be delivered by the ATO as an automatic credit in the activity statement system from 28 April 2020 upon employers lodging eligible upcoming activity statements.
- ◆ Eligible employers that withhold tax to the ATO on their employees' salary and wages will receive a payment equal to 100 per cent of the amount withheld, up to a maximum payment of \$50,000.
- ◆ Eligible employers that pay salary and wages will receive a minimum payment of \$10,000, even if they are not required to withhold tax.
- ◆ The payments will only be available to active eligible employers established prior to 12 March 2020. However, charities which are registered with the Australian Charities and Not-for-profits Commission will be eligible regardless of when they were registered, subject to meeting other eligibility requirements. This recognises that new charities may be established in response to the Coronavirus pandemic.

Eligibility - Additional payment

To qualify for the additional payment, the entity must continue to be active.

For monthly activity statement lodgers, the additional payments will be delivered as an automatic credit in the activity statement system. This will be equal to a quarter of their total initial *Boosting Cash Flow for Employers* payment following the lodgment of their June 2020, July 2020, August 2020 and September 2020 activity statements (up to a total of \$50,000).

For quarterly activity statement lodgers the additional payments will be delivered as an automatic credit in the activity statement system. This will be equal to half of their total initial *Boosting Cash Flow for Employers* payment following the lodgment of their June 2020 and September 2020 activity statements (up to a total of \$50,000).

Timing - Boosting Cash Flow for Employers payments

The *Boosting Cash Flow for Employers* payment will be applied to a limited number of activity statement lodgements. The ATO will deliver the payment as a credit to the entity upon lodgment of their activity statements. Where this places the entity in a refund position, the ATO will deliver the refund within 14 days.

Type of lodger	Eligible period	Lodgement due date
Quarterly	Quarter 3 (January, February and March 2020)	28 April 2020
	Quarter 4 (April, May and June 2020)	28 July 2020
Monthly	March 2020	21 April 2020
	April 2020	21 May 2020
	May 2020	22 June 2020
	June 2020	21 July 2020

Quarterly lodgers will be eligible to receive the payment for the quarters ending March 2020 and June 2020.

Monthly lodgers will be eligible to receive the payment for the March 2020, April 2020, May 2020 and June 2020 lodgements. To provide a similar treatment to quarterly lodgers, the payment for monthly lodgers will be calculated at three times the rate (300 per cent) in the March 2020 activity statement.

The minimum payment will be applied to the entities' first lodgment.

Timing - Additional payment

The additional payment will be applied to a limited number of activity statement lodgements. The ATO will deliver the payment as a credit to the entity upon lodgment of their activity statements. Where this places the entity in a refund position, the ATO will deliver the refund within 14 days.

Type of lodger	Eligible period	Lodgement due date
Quarterly	Quarter 4 (April, May and June 2020)	28 July 2020
	Quarter 1 (July, August and September 2020)	28 October 2020
Monthly	June 2020	21 July 2020
	July 2020	21 August 2020
	August 2020	21 September 2020
	September 2020	21 October 2020

Quarterly lodgers will be eligible to receive the additional payment for the quarters ending June 2020 and September 2020. Each additional payment will be equal to half of their total initial *Boosting Cash Flow for Employers* payment (up to a total of \$50,000).

Monthly lodgers will be eligible to receive the additional payment for the June 2020, July 2020, August 2020 and September 2020 lodgements. Each additional payment will be equal to a quarter of their total initial *Boosting Cash Flow for Employers* payment (up to a total of \$50,000).

SUPPORTING APPRENTICES AND TRAINEES

This measure was part of the first stimulus package and remains unchanged.

TEMPORARY RELIEF FOR FINANCIALLY DISTRESSED BUSINESSES

Summary

The elements of the package are:

- ◆ A temporary increase in 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;
- ◆ A temporary increase in the threshold for a creditor to initiate bankruptcy proceedings, an increase in the time period for debtors to respond to a bankruptcy notice, and extending the period of protection a debtor receives after making a declaration of intention to present a debtor's petition;
- ◆ Temporary relief for directors from any personal liability for trading while insolvent; and
- ◆ Providing temporary flexibility in the Corporations Act 2001 to provide targeted relief for companies

from provisions of the Act to deal with unforeseen events that arise as a result of the Coronavirus health crisis.

For owners or directors of a business that are currently struggling due to the Coronavirus, the ATO will tailor solutions for their circumstances, including temporary reduction of payments or deferrals, or withholding enforcement actions including Director Penalty Notices and wind-ups.

Temporary Higher Thresholds and More Time to Respond to Demands from Creditors

A creditor issuing a statutory demand on a company is a common way for a company to enter liquidation. The Government is temporarily increasing the current minimum threshold for creditors issuing a statutory demand on a company under the Corporations Act 2001 from \$2,000 to \$20,000. This will apply for six months.

Not responding to a demand within the specified time creates a presumption that the company is insolvent. The statutory timeframe for a company to respond to a statutory demand will be extended temporarily from 21 days to six months. This will apply for six months.

To assist individuals, the Government will make a number of changes to the personal insolvency system regulated by the Bankruptcy Act 1966. The threshold for the minimum amount of debt required for a creditor to initiate bankruptcy proceedings against a debtor will temporarily increase from its current level of \$5,000 to \$20,000. This will apply for six months.

Failure to respond to a bankruptcy notice is the most common act of bankruptcy. The time a debtor has to respond to a bankruptcy notice will be temporarily increased from 21 days to six months. The extension will give a debtor more time to consider repayment arrangements before they could be forced into bankruptcy. This will apply for six months.

When a debtor declares an intention to enter voluntary bankruptcy by making a declaration of intention to present a debtor's petition there is a period of protection when unsecured creditors cannot take further action to recover debts. This period will be temporarily extended from 21 days to six months. This will give debtors more time to consider the options that are best for them. This will apply for six months.

Creditors, many of whom are themselves small businesses, will still have the right to enforce debt against companies or individuals through the courts.

Temporary Relief from Directors' Personal Liability for Trading While Insolvent

Directors are personally liable if a company trades while insolvent. This can lead to boards of directors feeling under pressure to make quick decisions to enter into an insolvency process if there is any risk that the company will experience periods where it will be trading while insolvent.

To make sure that companies have confidence to continue to trade through the Coronavirus health crisis with the aim of returning to viability when the crisis has passed, directors will be temporarily relieved of their duty to prevent insolvent trading with respect to any debts incurred in the ordinary course of the company's business. This will relieve the director of personal liability that would otherwise be associated with the insolvent trading. It will apply for six months.

Temporary relief from personal liability for insolvent trading will apply with respect to debts incurred in the ordinary course of the company's business. Egregious cases of dishonesty and fraud will still be subject to criminal penalties. Any debts incurred by the company will still be payable by the company.

Providing the Treasurer an Instrument-Making Power under the Corporations Act

The impact of the Coronavirus and the health measures in place to limit its spread, in particular social distancing, is giving rise to unprecedented issues for businesses' ability to comply with the provisions of the Corporations Act.

The Australian Securities and Investment Commission (ASIC) has the power to offer relief from some provisions or to take no action for not complying with some provisions. But this can require companies to make individual requests to ASIC, which takes time. Importantly, it can still leave companies open to legal action from others, such as shareholders or creditors.

Companies are needing to make very quick decisions in the context of very uncertain trading conditions. To encourage business to make the hard decisions, it is important that the Government can provide regulatory certainty and provide it as quickly as possible. And the unprecedented nature of the Coronavirus health crisis makes it difficult to predict what regulatory issues will arise.

To deliver regulatory certainty at a time when Parliamentary sittings will also be disrupted, the Treasurer

will be given a temporary instrument-making power in the Corporations Act 2001 to temporarily amend provisions of the Act to provide relief from specific obligations or to modify obligations to enable compliance with legal requirements during the crisis. The instrument-making power will apply for six months. Any instrument made under this power will apply for up to six months from the date it is made.

INCREASING THE INSTANT ASSET WRITE OFF AND BACKING BUSINESS INVESTMENT

These measures were part of the first stimulus package and remain unchanged.

SUPPORT FOR AUSTRALIAN AIRLINES AND AIRPORTS

Summary

The Government will provide initial support to our airline industry through an estimated \$715 million package of relief from a range of taxes and Government charges. This package will support our aviation sector through an unprecedented period of disruption to international and domestic air travel.

Reimburse aviation fuel taxes

The Government will provide commercial and aeromedical aircraft operators with relief from aviation fuel tax (excise and equivalent customs duty) from 1 February 2020 for a period of 8 months. Currently, aviation fuel excise (and the equivalent customs duty) of 3.556 cents per litre is applied to all aviation fuel consumed for domestic aviation operations.

Relief from Airservices Australia charges

The Government will provide our domestic aviation industry with relief from Airservices Australia charges from 1 February 2020 for a period of 8 months.

Airservices Australia provide a range of services to domestic and international aircraft, for which it charges fees to airlines. These charges are generally linked to the size of aircraft by weight and include amounts for Terminal Navigation, Enroute Services, Rescue and Firefighting and Meteorological Services.

Provide a rebate for Domestic Aviation Security

The Government will provide commercial and aeromedical aircraft operators with relief from domestic aviation security costs from 1 February 2020 for a period of 8 months.

The Government sets standards for security screening services that are generally provided by airports to airlines. Charges for these services are determined by commercial negotiations between airlines and airports. The Government will provide a rebate for these costs.

Fund Regional Aviation Security

The Government will provide additional funding to cover the implementation costs associated with enhanced regional airport security requirements and temporary funding for operational costs associated with these requirements.

This will provide regional airports and regional airlines relief from the costs associated with these enhanced measures.

Eligibility

Support will be available to businesses conducting commercial and aeromedical aircraft operations that are subject to the taxes, fees, charges and costs covered by the package.

Timing

The aviation sector will be supported through relief from a range of taxes and Government charges between 1 February and 30 September 2020.

ATO ADMINISTRATIVE RELIEF

Summary

The Australian Tax Office (ATO) will provide administrative relief for certain tax obligations (similar to relief provided following the bushfires) for taxpayers affected by the Coronavirus outbreak, on a case-by-case basis. This includes the ability to defer payment of certain taxes up to six months, and allowing businesses to vary pay as you go instalment amounts to zero for the March 2020 quarter. Business that vary to zero can claim a refund for any instalments made for the September 2019 and December 2019 quarters. The ATO will set up a temporary shop front in Cairns within the next few weeks with dedicated staff specialising in assisting small business. In addition, the ATO will consider ways to enhance its presence in other significantly affected regions, making it easier for people to apply for relief. The ATO is considering further temporary shop fronts and face-to-face options.

Eligibility

All taxpayers affected by the Coronavirus outbreak can contact the ATO for assistance. Taxpayers can contact the ATO on 1800 806 218 or visit the ATO website for further information at: www.ato.gov.au.

SUPPORTING THE FLOW OF CREDIT

CORONAVIRUS SME GUARANTEE SCHEME

Across the economy, many otherwise viable small and medium sized businesses are facing significant challenges due to disrupted cash flow. At the same time, businesses retain fixed obligations including rent, utilities, and employee expenses.

The Coronavirus SME Guarantee Scheme will provide support for these businesses. Under the Scheme, the Government will provide a guarantee of 50 per cent to SME lenders for new unsecured loans to be used for working capital. This will enhance these lenders' willingness and ability to provide credit, which will result in SMEs being able to access additional funding to help support them through the upcoming months.

SMEs with a turnover of up to \$50 million will be eligible to receive these loans.

The Government will provide eligible lenders with a guarantee for loans with the following terms:

- ◆ Maximum total size of loans of \$250,000 per borrower.
- ◆ The loans will be up to three years, with an initial six month repayment holiday.
- ◆ The loans will be in the form of unsecured finance, meaning that borrowers will not have to provide an asset as security for the loan.

Loans will be subject to lenders' credit assessment processes with the expectation that lenders will look through the cycle to sensibly take into account the uncertainty of the current economic conditions.

As part of the loan products available, the Government will encourage lenders to provide facilities to SMEs that only have to be drawn if needed by the SME. This will mean that the SME will only incur interest on the amount they draw down. If they do not draw down any funds from the facility, no interest will be charged, but they will retain the flexibility to draw down in the future should they need to.

The Scheme will commence by early April 2020 and be available for new loans made by participating lenders until 30 September 2020.

QUICK AND EFFICIENT ACCESS TO CREDIT FOR SMALL BUSINESSES

The Government is providing an exemption from responsible lending obligations for lenders providing credit to existing small business customers. This exemption is for six months, and applies to any credit for business purposes, including new credit, credit limit increases and credit variations and restructures. Responsible lending obligations do not currently apply to lending which is predominantly for a business purpose, but it can take time and effort for lenders to be satisfied that the money borrowed meets this test. By providing a temporary exemption from responsible lending obligations, this reform will help small businesses get access to credit quickly and efficiently.

SUPPORTING THE FLOW AND REDUCING THE COST OF CREDIT – RESERVE BANK OF AUSTRALIA

The Reserve Bank of Australia (RBA) announced a package on 19 March 2020 that will put downward pressure on borrowing costs for households and businesses. This will help mitigate the adverse consequences of the Coronavirus on businesses and support their day-to-day trading operations. The RBA is supporting small businesses as a particular priority.

The RBA has announced a term funding facility for the banking system. Banks will have access to at least \$90 billion in funding at a fixed interest rate of 0.25 per cent. This will reinforce the benefits of a low cash rate by reducing funding costs for banks, which in turn will help reduce interest rates for borrowers. To encourage lending to businesses, the facility offers additional low-cost funding to banks if they expand their business lending, with particular incentives applying to new loans to SMEs.

In addition, the RBA announced a further easing in monetary policy by reducing the cash rate to 0.25 per cent. It is also extending and complementing the interest rate cut by taking active steps to target a 0.25 per cent yield on 3-year Australian Government Securities.

SUPPORTING NON-ADI AND SMALLER ADI LENDERS IN THE SECURITISATION MARKET

The Government is providing the Australian Office of Financial Management (AOFM) with \$15 billion to invest in structured finance markets used by smaller lenders, including non-Authorised Deposit-Taking Institutions (Non-ADI) and smaller Authorised Deposit-Taking Institutions (ADI). This support will be provided by making direct investments in primary market securitisations by these lenders and in warehouse facilities.

AOFM's investment will not be limited to residential mortgage backed securities. AOFM will also be purchasing assets that support small business (unsecured and secured loans) and consumer lending (including credit cards, automobiles and personal loans).

This program will assist smaller lenders, who will not benefit from the RBA's term funding facility, to maintain access to funding and support competition in the lending market. This in turn will help keep mortgages and other borrowing costs for businesses low.

ENSURING BANKS ARE WELL PLACED TO LEND – AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

The Australian Prudential Regulation Authority (APRA) has announced temporary changes to its expectations regarding bank capital ratios. The changes will support banks' lending to customers, particularly if they wish to take advantage of the new facility being offered by the RBA.