

COVID-19 & Business Interruption Insurance or Loss of Profits Insurance

A pandemic or the fear of a pandemic and the resulting controls enforced by the Government to prevent the spread of a disease, could result in an interruption to your business. Whether critical supplies from overseas become unavailable or your employees and/or customers become isolated, these are a few factors that can contribute to an interruption to your business.

Traditionally, business interruption insurance provides cover as the result of damage to 'insured property'. In example, your ability to trade following a fire, storm or burglary at your business premise. Over time, some business interruption covers have extended to include the closure of a business following Government order for business closure following an outbreak of a human infectious disease e.g. Measles or Legionnaires disease which can close down a building, shopping centre or small number of closely located businesses.

Outside of this limited cover, business interruption policies will most likely contain an exclusion for diseases which are notifiable under the relevant legislation. At the end of January 2020 Coronavirus was listed as a notifiable disease.

The Australian Government has announced an economic response totalling \$17.6 billion across the forward estimates to protect the economy by maintaining confidence, supporting investment and keeping people in jobs. Additional household income and business support will flow through to strengthen the wider community.

Please find below the Government fact sheets on;

- Assistance for Regions
- Support for Business Investment
- Assistance for Businesses
- Assistance for Households

If you have any queries regarding your own business interruption insurance policy, please contact Knightcorp on 1300 656 001 or email insurance@knightcorp.net.au to receive the required support and assistance.



Assistance for severely affected regions

The Government will set aside \$1 billion to support regions and communities most significantly affected by the Coronavirus. These funds will be available to assist during the next few months and over the year ahead to ensure these communities are well placed to recover.

SUPPORT FOR CORONAVIRUS-AFFECTED REGIONS AND COMMUNITIES

Summary

The Government has set aside an initial \$1 billion allocation to support those 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. The \$1 billion will be provided through existing or newly established Government programs.

This will include the waiver of the Environmental Management Charge for tourism businesses that operate in the Great Barrier Reef Marine Park and the waiver of entry fees for Commonwealth National Parks. It will also include additional assistance to help businesses identify alternative export markets or supply chains. Targeted measures will also be developed to further promote domestic tourism.

Eligibility

The Minister for Trade, Tourism and Investment will work with affected industries and communities to develop recovery plans and measures.

Timing

The \$1 billion will be available for distribution through existing or new mechanisms as soon as practicable.

Budget impact

This measure will be funded with an initial \$1 billion.

As an initial measure, the Government will waive the Environmental Management Charge (EMC) for tourism businesses that operate in the Great Barrier Reef Marine Park for the remainder of 2020. The Government will also waive park entry fees for the iconic Kakadu, Uluru, and Booderee National Parks for the remainder of 2020. This will provide much needed relief for the tourism industry and further encourage visitors to these amazing places. The Government will ensure there is no reduction in revenue that goes to the management of the Great Barrier Reef Marine Park and Commonwealth National Parks. Lease payments to Traditional Owners in relation to these National Parks will not be impacted.

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. 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 to make it easier for people to apply for relief, including 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 at ato.gov.au for further information.

FOR MORE INFORMATION

For more information on the Australian Government's Economic Response to Coronavirus visit treasury.gov.au/coronavirus.



Delivering support for business investment

The Government is backing businesses to invest to help the economy withstand and recover from the economic impact of Coronavirus. The two business investment measures in this package are designed to assist Australian businesses and economic growth in the short-term, and encourage a stronger economic recovery following the Coronavirus outbreak.

These measures will support over 3.5 million businesses (over 99 per cent of businesses) with aggregated annual turnover of less than \$500 million employing more than 9.7 million employees.

INCREASING THE INSTANT ASSET WRITE-OFF

Summary

The Government is increasing the instant asset write-off (IAWO) threshold from \$30,000 to \$150,000 and expanding access to include all businesses with aggregated annual turnover of less than \$500 million (up from \$50 million) until 30 June 2020. In 2017-18 there were more than 360,000 businesses that benefited from the current IAWO, claiming deductions to the value of over \$4 billion.

The IAWO threshold

The higher IAWO threshold provides cash flow benefits for businesses that will be able to immediately deduct purchases of eligible assets each costing less than \$150,000. The threshold applies on a per asset basis, so eligible businesses can immediately write-off multiple assets.

The IAWO is due to revert to \$1,000 for small businesses (turnover less than \$10 million) from 1 July 2020.

Eligibility

The Government is expanding access so that more businesses can take advantage of the IAWO. The annual turnover threshold for businesses is increasing from \$50 million to \$500 million. Expanding the threshold will mean an additional 5,300 businesses who employ around 1.9 million Australians will be able to access the IAWO for the first time.

Timing

This proposal applies from announcement until 30 June 2020, for new or second-hand assets first used or installed ready for use in this timeframe.

Budget impact

This measure is estimated to have a net cost of \$700 million over the forward estimates. It will support business investment and is estimated to lower taxes paid by Australian businesses by \$2.5 billion over the next two years.

Example 1 — Business benefits from increased asset threshold

Owen owns a company, ON Point Farms Pty Ltd, through which he operates a farming business in the Central Wheat Belt of Western Australia. ON Point Farms Pty Ltd has an aggregated annual turnover of \$25 million for the 2019-20 income year. On 1 May 2020, Owen purchases a second hand tractor for \$140,000, exclusive of GST, for use in his business.

Under existing tax arrangements, ON Point Farms Pty Ltd is not able to immediately deduct assets costing more than \$30,000 and instead would depreciate the tractor using an effective life of 12 years. Choosing to use the diminishing value method, ON Point Farms Pty Ltd would claim a tax deduction of \$3,899 for the 2019-20 income year.

Under the new \$150,000 instant asset write-off, ON Point Farms Pty Ltd would instead claim an immediate deduction of \$140,000 for the purchase of the tractor in the 2019-20 income year, \$136,101 more than under existing arrangements. At the company tax rate of 27.5 per cent, Owen will pay \$37,427.78 less tax in 2019-20.

This will improve ON Point Farms Pty Ltd's cash flow and help his business withstand and recover from the economic impact of the Coronavirus.

Example 2 — Business benefits from increased turnover threshold

Samantha owns a company, Sam's Specialty Roasters Pty Ltd, through which she operates a large food processing business in Brisbane. Sam's Specialty Roasters Pty Ltd has an aggregated annual turnover of \$150 million for the 2019-20 income year. On 1 May 2020, Samantha purchases five new conveyor belts for her production facility for \$40,000 each, exclusive of GST, for use in her business.

Under existing tax arrangements, Sam's Specialty Roasters Pty Ltd is not eligible for the instant asset write-off and instead would depreciate the conveyor belts using an effective life of 15 years. Choosing to use the diminishing value method, Sam's Specialty Roasters Pty Ltd would claim a total tax deduction of \$4,456 for the 2019-20 income year.

Under the new \$150,000 instant asset write-off, Sam's Specialty Roasters Pty Ltd would instead claim an immediate deduction of \$200,000 for the purchase of the conveyor belts (i.e. \$40,000 for each conveyor) in the 2019-20 income year, \$195,544 more than under existing arrangements. At the company tax rate of 30 per cent, Samantha will pay \$58,663.20 less tax in 2019-20.

This will improve Sam's Specialty Roasters Pty Ltd's cash flow and help her business withstand and recover from the economic impact of the Coronavirus.

BACKING BUSINESS INVESTMENT (BBI)

Summary

The Government is introducing a time limited 15 month investment incentive to support business investment and economic growth over the short-term, by accelerating depreciation deductions.

The key features of the incentive are:

- *benefit* — deduction of 50 per cent of the cost of an eligible asset on installation, with existing depreciation rules applying to the balance of the asset's cost;
- *eligible businesses* — businesses with aggregated turnover below \$500 million; and
- *eligible assets* — new assets that can be depreciated under Division 40 of the *Income Tax Assessment Act 1997* (i.e. plant, equipment and specified intangible assets, such as patents) acquired after announcement and first used or installed by 30 June 2021. Does not apply to second-hand Division 40 assets, or buildings and other capital works depreciable under Division 43.

Eligibility

Businesses with aggregated turnover below \$500 million, purchasing certain new depreciable assets.

Timing

Applies to eligible assets acquired after announcement and first used or installed by 30 June 2021.

Budget impact

This measure is estimated to have a cost of \$3.2 billion over the forward estimates. It will support business investment and is estimated to lower taxes paid by Australian businesses by \$6.7 billion over the next two years.

Example 3 — Middle-sized business benefits from the BBI

J Construction Solutions Pty Ltd has an aggregated annual turnover of \$200 million for the 2020-21 income year. On 1 July 2020, J Construction Solutions Pty Ltd installs a \$1 million truck mounted concrete pump for use in the business.

Under existing tax arrangements, J Construction Solutions Pty Ltd could claim 30 per cent depreciation in the first year (based on the asset's effective life of 6 $\frac{2}{3}$ years).

Under the new *BBI*, J Construction Solutions Pty Ltd can claim a depreciation deduction of \$650,000 in the 2020-21 income year. This consists of 50 per cent of the concrete pump's value under the new *BBI* (\$500,000) plus 30 per cent of the remaining \$500,000 under existing depreciation rules (\$150,000). This is \$350,000 more than under existing tax arrangements.

At the company tax rate of 30 per cent, J Construction Solutions Pty Ltd will pay \$105,000 less tax in the 2020-21 income year (30 per cent of \$350,000). This extra tax benefit is worth \$14,000 to J Construction Pty Ltd over the asset's life (at an interest rate of 5 per cent).

This will improve J Construction Solutions Pty Ltd's cash flow and lower the after tax cost of the concrete pump to the business.

Example 4 — Small business benefits from the BBI

Joan and Bruce own a company, NC Transport Solutions Pty Ltd, through which they operate a haulage business on the North Coast of New South Wales. NC Transport Solutions Pty Ltd has an aggregated annual turnover of \$8 million for the 2019-20 income year. On 1 May 2020, Joan and Bruce purchase a new truck for \$260,000, exclusive of GST, for use in their business.

Under existing tax arrangements, NC Transport Solutions Pty Ltd would depreciate the truck using their small business simplified depreciation pool. Under the pooling rules, NC Transport Solutions Pty Ltd

would deduct 15 per cent of the asset's value upon entry to the pool, leading to a tax deduction of \$39,000 for the 2019-20 income year.

Under the new *BBI*, NC Transport Solutions Pty Ltd would instead claim an up-front deduction of 50 per cent of the truck's value (\$130,000) before placing the asset in their small business simplified depreciation pool. Joan and Bruce would then claim a further 15 per cent deduction on the depreciated value of the truck (\$19,500). As a result of the two deductions, Joan and Bruce are able to claim a deduction totalling \$149,500 in the 2019-20 income year, \$110,500 more than under existing arrangements. At the company tax rate of 27.5 per cent, Joan and Bruce will pay \$30,387.50 less tax in the 2019-20 income year.

This will improve NC Transport Solutions Pty Ltd's cash flow and help Joan and Bruce's business withstand and recover from the economic impact of the Coronavirus.

FURTHER INFORMATION

For more information on the Australian Government's Economic Response to the Coronavirus visit treasury.gov.au/coronavirus.



Cash flow assistance for businesses

This assistance will support businesses to manage cash flow challenges and help businesses retain their employees. These two measures are designed to support employing small and medium enterprises and to improve business confidence. In addition, the wage subsidy for apprentices and trainees will help to ensure the continued development of the skilled workforce that employers need.

BOOSTING CASH FLOW FOR EMPLOYERS

Summary

The Boosting Cash Flow for Employers measure will provide up to \$25,000 back to business, with a minimum payment of \$2,000 for eligible businesses. The payment will provide temporary cash flow support to small and medium businesses that employ staff. The payment will be tax free.

Eligibility

Small and medium business entities 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 Australian Taxation Office (ATO) as a credit in the activity statement system from 28 April 2020 upon businesses lodging eligible upcoming activity statements.
- Eligible businesses that withhold tax to the ATO on their employees' salary and wages will receive a payment equal to 50 per cent of the amount withheld, up to a maximum payment of \$25,000.
- Eligible businesses that pay salary and wages will receive a minimum payment of \$2,000, even if they are not required to withhold tax.

This measure will benefit around 690,000 businesses employing around 7.8 million people.

Timing

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

Type of lodger	Eligible period	Lodgment 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 lodgments. To provide a similar treatment to quarterly lodgers, the payment for monthly lodgers will be calculated at three times the rate (150 per cent) in the March 2020 activity statement.

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

The ATO offers a range of support services to small and medium businesses experiencing hardship — visit ato.gov.au to find out more.

Budget impact

This measure is estimated to cost \$6.7 billion over the forward estimates period.

Example

Sarah's Construction Business

Sarah owns and runs a building business in South Australia and employs 8 construction workers on average full-time weekly earnings who each earn \$89,730 per year. In the months of March, April and June for the 2019-20 income year, Sarah reports withholding of \$15,008 for her employees on each Business Activity Statement (BAS).

Under the Government's changes, Sarah will be eligible to receive the payment on lodgment of each of her BAS. Sarah's business receives:

- A payment of \$22,512 for the March period, equal to 150 per cent of her total withholding.
- A payment of \$2,488 for the April period, before she reaches the \$25,000 cap.
- No payment for the May period, as she has now reached the \$25,000 cap.
- No payment for the June period, as she has now reached the \$25,000 cap.

Sean's Hairdresser Salon

Sean owns a hairdresser's salon on the Gold Coast. He employs one apprentice who earns \$37,970 per year and two stylists who both earn \$44,260 per year. In the March and June 2020 quarterly BAS, Sean reports withholding of \$4,570 for his employees.

Under the Government's changes, Sean will be eligible to receive the payment on lodgment of his BAS.

Sean's business will receive:

- A payment of \$2,285 for the March quarter, equal to 50 per cent of his total withholding.
- A payment of \$2,285 for the June quarter, equal to 50 per cent of his total withholding.

Sean's business will receive a total payment of \$4,570.

Sean may also benefit from the assistance for existing apprentices and trainees measure.

Tim's Courier Run

Tim owns and runs a small paper delivery business in Melbourne, and employs two casual employees who each earn \$10,000 per year. In the March and June 2020 quarterly BAS, Tim reports withholding of \$0 for his employees as they are under the tax-free threshold.

Under the Government's changes, Tim will be eligible to receive the payment on lodgment of his BAS.

Tim's business will receive:

- A payment of \$2,000 for the March quarter, as he pays salary and wages but is not required to withhold tax.
- No payment for the June quarter, as he has already received the minimum payment and he has no withholding obligation.

If Tim begins withholding tax for the June quarter, he would need to withhold more than \$4,000 before he receives any additional payment.

SUPPORTING APPRENTICES AND TRAINEES

Summary

The Government is supporting small business to retain their apprentices and trainees. Eligible employers can apply for a wage subsidy of 50 per cent of the apprentice's or trainee's wage paid during the 9 months from 1 January 2020 to 30 September 2020. Where a small business is not able to retain an apprentice, the subsidy will be available to a new employer.

Employers will be reimbursed up to a maximum of \$21,000 per eligible apprentice or trainee (\$7,000 per quarter).

Support will also be provided to the National Apprentice Employment Network, the peak national body representing Group Training Organisations, to co-ordinate the re-employment of displaced apprentices and trainees throughout their network of host employers across Australia.

Eligibility

The subsidy will be available to small businesses employing fewer than 20 full-time employees who retain an apprentice or trainee. The apprentice or trainee must have been in training with a small business as at 1 March 2020.

Employers of any size and Group Training Organisations that re-engage an eligible out-of-trade apprentice or trainee will be eligible for the subsidy.

Employers will be able to access the subsidy after an eligibility assessment is undertaken by an Australian Apprenticeship Support Network (AASN) provider.

This measure will support up to 70,000 small businesses, employing around 117,000 apprentices.

Timing

Employers can register for the subsidy from early-April 2020. Final claims for payment must be lodged by 31 December 2020.

Further information is available at:

- The Department of Education, Skills and Employment website at: www.dese.gov.au
- Australian Apprenticeships website at: www.australianapprenticeships.gov.au

For further information on how to apply for the subsidy, including information on eligibility, contact an Australian Apprenticeship Support Network (AASN) provider.

Budget impact

This measure is expected to cost \$1.3 billion across 2019-20 and 2020-21.

Example

David's Plumbing is a small business that employs 10 people, including two full-time Australian Apprentices.

Taylor is a first year Australian Apprentice, aged 20, undertaking a Certificate III qualification. She commenced her apprenticeship with David's Plumbing on 6 February 2020. Taylor receives a weekly wage of \$532.89.

Lisa is a third year Australian Apprentice, aged 29, undertaking a Certificate IV qualification. She commenced her apprenticeship with David's Plumbing on 18 November 2017. She receives a weekly wage of \$772.71.

David's Plumbing are eligible for *Supporting Apprentices and Trainees* which pays 50 per cent of the apprentices' wages that have been paid by David's Plumbing since 1 January 2020.

David's Plumbing will receive:

- \$9,059 subsidy for employing Taylor for 6 February 2020 to 30 September 2020; and
- \$15,068 subsidy for employing Lisa for 1 January 2020 to 30 September 2020.

FOR MORE INFORMATION

For more information on the Australian Government's Economic Response to Coronavirus visit treasury.gov.au/coronavirus.

Businesses can visit business.gov.au to find out more about how the Economic Response complements the range of support available to small and medium businesses.



Stimulus payments to households to support growth

This measure will assist around 6.5 million lower income Australians, including pensioners, other social security and veteran income support recipients and eligible concession card holders. Assistance for these households will support confidence and domestic demand in the economy.

STIMULUS PAYMENTS

Summary

The Government will provide a one-off \$750 payment to around 6.5 million social security, veteran and other income support recipients and eligible concession card holders. Around half of those that benefit are pensioners. This payment will help to support confidence and domestic demand in the economy.

There will be one payment per eligible recipient. That is, if a person qualifies for the one-off payment in multiple ways, they will only receive one payment.

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

Eligibility

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

Where someone has lodged a claim for one of the eligible payments or concession cards by 12 March 2020, and the claim is subsequently granted, they will also receive the one-off payment.

If you are a holder of a Commonwealth Seniors Health Card or Veteran Gold Card, we will contact you to confirm your account details, so the one-off payment can be made as soon as possible.

Timing

The one-off payment will be paid automatically from 31 March 2020 by Services Australia or the Department of Veterans' Affairs. Over 90 per cent of payments will be made by mid-April 2020.

Budget impact

This measure is expected to cost the Government \$4.8 billion in 2019-20.

Example

Emma receives both Newstart Allowance and Family Tax Benefit as at 12 March 2020. As part of the Government's economic response to Coronavirus, Emma is eligible for a single payment of \$750. Emma does not need to do anything, and this one-off payment will be made to her automatically from 31 March 2020 (subject to the passage of legislation).

Example

Kate and Angus are a couple and are both Age Pension recipients as at 12 March 2020. As part of the Government's economic response to Coronavirus, Kate and Angus will each receive \$750, so their household will receive \$1,500 in total. Payments to Kate and Angus will be made automatically from 31 March 2020 (subject to the passage of legislation).

The social security system has a number of existing features to assist people who are unable to support themselves in the context of Coronavirus.

Current income support recipients who cannot meet mutual obligation requirements due to isolation should call Services Australia and can be granted a Major Personal Crisis exemption for 14 days, without having to provide evidence such as a medical certificate (however, any requests to extend the 14 days will require evidence, such as a medical certificate).

At present, people who are aged 22 or over and under Age Pension qualification age, who are unable to attend work because they have been diagnosed with the Coronavirus or who are in isolation, may qualify for Sickness Allowance if they do not have any employer leave entitlements, such as sick leave, and they meet general eligibility requirements in respect of residency and income and asset tests.

From 20 March 2020, Sickness Allowance will close to new entrants and be 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 will better accommodate individual circumstances, including assisting people who are sick or bereaved.

Young people under the age of 22 who are unable to attend work because they have been diagnosed with the Coronavirus or who are in isolation may qualify for Youth Allowance if they do not have any employer leave entitlements, such as sick leave, and they meet general eligibility requirements in respect of residency and income and assets tests.

Students receiving Youth Allowance (student) or other study related payments who are in Australia but unable to attend studies due to the Coronavirus would be taken to have a reasonable excuse for not meeting study activity requirements for their payments. Individuals in this situation must contact Services Australia to advise them of the circumstances.

FOR MORE INFORMATION

For more information on the Australian Government's Economic Response to Coronavirus visit treasury.gov.au/coronavirus.