

Where you want to be.



Coronavirus: Business Survival Guide

27 March 2020

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➤ Advisors

➤ Accountants

➤ Auditors

We have all been surprised by the swift and potentially devastating impact the COVID-19 pandemic shutdowns are having on the welfare of our clients, their staff and their businesses.

We are doing everything we can to ensure everyone comes out the other side of this in good shape.

There are some important things to consider before you make your next move. We are here to help. We can work right alongside you now to guide you to make the best decision for long term recovery.

All businesses are being affected differently. Some can only cease, some will be able to continue at reduced capacity and some will even thrive.

- You need to keep in mind that the pandemic wont last forever.
- Your business must be prepared to continue and scale up as demand increases on the other side.
- Decisions you make now could have a permanent impact on the business.

What should I do?

The following steps are things for you to work through. Follow the process of each step carefully. We are here to help.

Best not to forget your relationships while going through the pandemic, as for most, there will be a business on the other side. Keep this in mind when you consider your staff, suppliers and business partners.

It may also be an opportunity to work 'on' your business, ready for the recovery. This investment may enable your business to re-energise, continue or re-start leaner and more agile than before.

1. Understand the impact of the pandemic on your business. What is the turnover loss, how have operations been affected? You can explain the changes to your advisor who can help to assess the business impacts.
2. Any reduction in turnover may prompt a drop in your variable costs. You need to assess your fixed costs. The biggest issue for many will be permanent staff, rent and finance.
3. Consider your workforce requirements: will you scale back or stand down? The rules are complex so you should seek professional employment advice. You can find more information here <https://coronavirus.fairwork.gov.au/>
4. Consider seeking rental assistance from your landlord if possible. We understand there are national considerations currently underway for a rental deferral scheme. There is no confirmation yet.
5. The government has relaxed the laws around insolvency. These may allow you some flexibility in continuing the business.
6. Take stock of your bank facilities, cash holdings and reserves. How long will they last?
7. If you are a landlord consider how you are going to deal with requests for rental assistance, how will your tenancy mix look when businesses are able to re-open and what options will your bank provide to facilitate this if necessary (refer to Bank Offerings toward the end of this document).

8. Once you have a basic understanding of the costs, key business decisions and forward-looking cashflow you may identify a shortfall. You can use the following strategies to manage the shortfall:
- a) Use the ATO's \$20,000 to \$100,000 cash incentives to assist with wage and BAS payments (see below);
 - b) Defer ATO payments on long term plans and potentially creditor payments;
 - c) Vary PAYG Instalments and the crediting back of those already paid in the 2020 tax year to provide a quick injection for immediate cash needs;
 - d) Defer loan repayments and interest reductions with your financiers;
 - e) And finally, if the above is not enough, consider working with your bank on a government-backed loan. It's critical you can fund the loan and then repay it once the pandemic is over – it is subject to credit approval and banks will be assessing this ability – however, they will also consider further funding than the \$250k proposed in appropriate circumstances.

If you are in a strong position:

- Take advantage of the immediate write-off for business critical assets below \$150,000 acquired by 30 June 2020, and the accelerated depreciation for assets acquired by 30 June 2021.
- Use any downtime to improve business processes, undertake critical maintenance and re-strategise or continue with a better organised and efficient enterprise.

The Federal Government recently passed several measures to provide immediate financial support to people and businesses impacted by COVID-19.

You should consult with your Bentleys SA advisors to confirm your understanding and see what other relief may be available to you. Initial consultations are complementary.

What immediate support is the Federal Government providing?

The Federal Government recently passed several measures to provide immediate financial support to people and business impacted by COVID -19.

Cashflow Boost for Business

What is it?

The ATO is making a series of cash payments (which will reduce tax payments to the ATO with a balance paid to you in cash) to eligible businesses between April and October 2020. If you are eligible, the minimum payment you will get is \$20,000.

The minimum \$20,000 is received as:

- \$10,000 in April 2020
- \$5,000 in June 2020¹
- \$5,000 in October 2020

¹ Assuming you are a 'small' PAYG withholder preparing BAS quarterly. For a monthly payer the minimum is paid in 4 equal monthly instalments of \$2,500 from June 2020.

Where the amounts you withhold from your employees in the period January to June 2020 is higher than \$10,000 you will receive a higher amount². You will then receive the same higher amount in the period June 2020 to October 2020. The total maximum payments you can receive are \$100,000.

Example 1:

Janine runs a small construction business through a private company. She pays wages to employees for the work they perform. The employee tax withheld from wages each quarter is \$6,000.

Janine's company should be entitled to the following payments:

- \$10,000 in April 2020 on lodgement of the March 2020 BAS. \$6,000 will reduce the tax she would otherwise pay to the ATO. \$4,000 will be available to distribute as cash (or reduce other tax liabilities);
- \$8,000 in July 2020 on lodgement of the June 2020 BAS. \$6,000 will reduce the tax she would otherwise pay to the ATO. \$2,000 will be available to distribute as cash (or reduce other tax liabilities);
- \$6,000 in October 2020 on lodgement of the Sept 2020 BAS. This may reduce liabilities or be paid in cash depending on the amounts due on the BAS.

Example 2:

Max runs a plumbing business through a discretionary trust. He pays his wife a \$400 per month salary for looking after the administration of the trust. He does not need to withhold from the salary as she is under the tax threshold. Max and his family receive trust distributions at year-end.

Max's trust should receive the following payments:

- \$10,000 in April 2020 on lodgement of the March 2020 BAS. This may reduce liabilities or be paid in cash depending on the amounts due on the BAS;
- \$5,000 in July 2020 on lodgement of the June 2020 BAS. This may reduce liabilities or be paid in cash depending on the amounts due on the BAS;
- \$5,000 in Oct 2020 on lodgement of the March 2020 BAS. This may reduce liabilities or be paid in cash depending on the amounts due on the BAS;

How do you get it?

The ATO will determine your eligibility based on what you lodge on your March to June 2020 Business Activity Statements and other information they have available from your previous lodgements. Therefore, you need to make sure existing lodgements are correct and up to date and you complete your March 2020 BAS correctly.

We can assist you with these lodgements to ensure you maximise your entitlement.

Other Concessions

There are various other time-limited concessions available to help give you cashflow support during this time including:

- Cash payments to social security recipients;
- Accelerated depreciation claims on asset acquisitions;
- Limited access to superannuation to support cashflow;
- Deferral of lodgement and payment of existing tax debts;
- Concessional funding for financiers; and
- Other direct and indirect government support through tax & fee reductions and grants programs.

We are keeping an updated list of the concessions on [Bentleys Tax Summary Update](#).

² For a monthly payer only the amounts withheld from March to June are relevant. However, the March amount is multiplied by three in calculating the entitlement. The maximum is \$50,000.

Where you want to be

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Let us help you

Your Bentleys SA advisor can help you tailor a cashflow support package which will help you, your business and your employees survive during this time.

Initial consultations are complementary.

Contact us now

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Disclaimer

The comments in this paper are general in nature only. The material and opinions in the paper should not be used or treated as professional advice and readers should rely on their own enquiries in making any decisions concerning their own interests.

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