

# Q&A on Cashflow Boost

The cashflow boost has raised a number of questions of the tax team. We have set out a few of these below:

Question	Answer
1. Will the minimum \$10,000 boost payment be received on the June 2020 BAS if there are no wages paid on the March 2020 BAS?	Yes, the minimum \$10,000 payment will be available on the June 2020 BAS. There will also be a second boost payment of a minimum of \$5,000 in the June 2020 BAS.
2. Why is the March 2020 PAYG payment multiplied by 300% for a monthly payer (medium or large withholder), but not for a quarterly payer (small withholder)?	The PAYG for a monthly payer will just pick up PAYG for March 2020 and will not pick up January & February. The 300% calculation is designed to estimate the Jan & Feb PAYG. The Jan & Feb PAYG amounts will be included in the Mar BAS of a quarterly payer.
3. Is the Cashflow boost available for each 'employer' entity in a group?	Yes, the cashflow boost will be on an entity-by-entity basis. Provided the entity makes an appropriate payment subject to PAYG withholding they should be eligible.
4. What is the scope of the anti-avoidance rule? If I register for PAYG now will it put me at risk?	The anti-avoidance rule is there to stop blatant schemes and steps being undertaken to achieve a result where the boost is available or increased. The ATO will be looking for red flag issues which indicate a scheme. This will be one of the factors. You should ensure you have good commercial reasons for the need to register and what this means long-term for the business. If it is a new business, there will likely be less of a risk. However, you would still need to prove it had been carrying on a business.
5. What is the scope of the anti-avoidance rule? What if I pay a wage to a director rather than a dividend or trust distribution?	The straight substitution of a dividend or trust distribution for a wage is likely to be scrutinised under the anti-avoidance provision. Where the company or trust has not previously had a history of paying wages to owners this would be a risk. Where there is history of wages to owners it may be less risky.
6. How do large withholders get their entitlement?	Large withholders will be treated as monthly payers. Their entitlement will arise on lodgement of the monthly Business Activity Statement. This can be offset against other debts and/ or refunded. The entitlement will be based on PAYG amounts paid during the month to the ATO.
7. Can a business anticipate their entitlement and what tax payments can they reduce?	The law identifies that people will anticipate their entitlement and reduce their other tax liabilities. This will generally be on the Business Activity Statement when the entitlement arises. We would recommend contacting the ATO to make a payment arrangement which will work for the business where the cash is needed but other liabilities may need to be pushed out.

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8.	Do you need to actually have withheld tax on a payment to be eligible?	No, it is sufficient that the payment is one which is ordinarily subject to withholding (e.g. Salary & Wages). There may be reasons, such as being below the threshold which means you don't need to withhold.
9.	Will I get the \$10,000 First Boost and \$10,000 Second Boost minimum as well as a payment based on my PAYG withholdings?	No, the \$10,000 minimum payment incorporates PAYG withholding. You would need to have withholdings more than \$10,000 (including the notional 3xPAYG in the March quarter) in the period to 30 June 2020 to get a payment higher than the minimum.
10.	Do you need to continue to employ people or withhold PAYG after 30 June 2020 to be entitled to the second boost payment?	No, the second boost payment is solely based on the amount of the first boost payment. There are no other conditions apart from lodging the relevant Business Activity Statements to be eligible for the second boost payment.
11.	If I haven't lodged any BAS or income tax return since 1 July 2018 will I be eligible for the boost payment	The strict position is that you will be ineligible for a payment and this is stated on the ATO website unless you have been granted a deferral. However, we recommend you bring your lodgements up to date and request an ATO discretion to allow the late lodgement to be effective.
12.	If client has seasonal employees in July to December period, but not in the January to June period, will this be able to increase their entitlement?	No, the cash boost amounts are only based on PAYG withholdings in the January to June 2020 period. Withholdings for the rest of the year are irrelevant.
13.	If the client is a medium or large withholder and the PAYG payment in March is proportionately higher than Jan or Feb, will this increase the entitlement?	Yes, the entitlement is based on 300% of the March PAYG payment for a medium or large withholder. The January and February actual withholdings are irrelevant.
14.	If the client is on a Quarterly GST cycle but a monthly withholding cycle will they be a quarterly or monthly payer for the purposes of the cash boost?	The cash boost is based on the PAYG cycle. The GST cycle is irrelevant. There is a potential issue for monthly withholders who do not lodge a monthly statement. We expect an ATO administrative arrangement to address this position.
15.	Does the \$50m turnover include related parties, particularly offshore?	Yes, the \$50m turnover test includes connected and affiliated entities including those overseas. However, the ATO will use information declared on income tax returns. If the entity has disclosed itself as a SME entity the ATO may accept that classification. This may expose the entity to later amendment if the disclosures were incorrect.

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The information in this document does not consider all the particular circumstances of a taxpayer. You should review the particular factual scenario before advising your client of the impacts for these particular circumstances. Further, this document is highly summarised and does not include all the relevant information to assess your particular client situation.