

# Covid-19: Business Action Plan

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**We have set out below some areas which you should consider to ensure your business is best placed to navigate the current business landscape.**

## Cashflow

We have all heard the saying “Cash is King”, it is particularly important when operating during times of uncertainty such as these.

The first step to a good cash management strategy should be to make sure you understand your cash needs so that you can make informed and pro-active decisions. Ideally you should work through a cashflow forecast including both some best and worst-case scenarios so you understand what your business needs to stay afloat under each. Once you understand your needs, you can look to improve your cash position by:

- Reviewing your operating expenses to ensure that these are either necessary or revenue generating
- Looking at ways to encourage your customers to pay you faster. As an example, can you offer a discount for early or upfront payment?
- Negotiating payment plans with suppliers, rent reductions or variations with landlords. Like in the point above, you may be able to negotiate a discount from suppliers for early payment
- Negotiating payment plans or deferrals with the Australian Taxation Office in regards to any tax debts if needed
- Reviewing your inventory and identifying any items that you have had trouble moving, and looking at ways to liquidate these

## Government and Australian Taxation Office (ATO) support

There are a number of initiatives which the government and ATO has announced to assist businesses dealing with the economic challenges posed by the spread of COVID-19, these include:

### ATO assistance

- Payment plans: In the current environment, the ATO will be quite receptive to negotiate payment plans or deferrals for outstanding tax debts, or if you are having difficulties attending to your tax obligations as a result of restrictions etc. To achieve the most favourable outcome, it is important in these circumstances to be pro-active in communicating with the ATO, rather than reacting to debt collection action by the ATO.
- PAYG instalment variations: Where you are expecting your income for the year to be significantly lower than your last income tax return, you can apply for a variation of your PAYG instalments. In some cases this may include a refund of all or part of the instalments you have already paid for the year

### Providing cash flow assistance to small and medium businesses who employ staff

- Small and medium sized businesses who employ staff will receive a payment equal to 50% of the PAYG tax which has been withheld from wages from 1 January 2020 to 30 June 2020 (with a minimum payment of \$2,000 and cap of \$25,000 over 6 months). This will be based on the PAYG withholding which is reported on activity statements and will be paid via the tax system.
- To help small businesses retain their apprentices and trainee staff, eligible business can apply for a wage subsidy of 50% of trainee or apprentice wages for up to 9 months from 1 January 2020 to 30 September 2020. Where the business is unable to retain an apprentice, the subsidy will be available to the new employer of that apprentice.

### Increased asset write off and accelerated depreciation deductions

- From 12 March 2020, the instant asset write off threshold has been increased from \$30,000 to \$150,000 until 30 June 2020. This applies to businesses with an aggregated annual turnover of less than \$500 million.
- Where the instant asset write off does not apply, businesses with an aggregated turnover of less than \$500 million will also be able to claim accelerated depreciation on new assets. Until 30 June 2021 eligible businesses will be able to claim a depreciation deduction of 50% of the cost of an asset on installation. Existing depreciation rules will apply to the balance of the asset's cost.

### Assistance for severely affected regions

The Government has set aside \$1 billion to support regions and communities that have been severely affected by the economic impacts of the Coronavirus, including those heavily reliant on industries such as tourism, agriculture and education.

The Australian Tax Office (ATO) is also providing administrative relief for some tax obligations for people affected by the Coronavirus outbreak, on a case-by-case basis.

### Various state based initiatives

The NSW and QLD state governments have also announced their own initiatives, including those listed below. Other states are likely to announce similar measures soon.

- Payroll tax - A number of states are offering payroll tax cuts: NSW is waiving payroll tax for the next 3 months for businesses with a turnover of less than \$10 million, in QLD a deferment of payroll tax applies for all businesses until 3 August 2020. NSW is also increasing its payroll tax threshold to \$1 million from 1 July 2020.
- Fee waivers – NSW and QLD have also made announcements that certain fees and charges for small business will be waived, these include liquor licencing fee, tour operator licence fees and some fees relating to tradespersons.
- Small business loans – the QLD government is offering loans with a twelve month interest-free period to business to help them retain staff
- Increased spending on health, infrastructure and maintenance of public assets

## Employees

Times of business uncertainty are also a highly stressful time for your employees. Providing clear communication on the steps you are taking to navigate current challenges is important, as employee buy-in is often a key factor in how successful these can be.

If you are implementing a working from home model, it is also worth outlining the following in a work from home policy:

- Workplace health and safety: you still have workplace health and safety obligations to your employees regardless of whether they are undertaking their duties from your premises or home
- Technology: how you can best utilise technology to keep your team functioning at peak efficiency whilst working from home
- Cyber-security: how can you ensure employees working from home are maintaining the same levels of cyber-security that would be in place when working from normal business premises
- Documentation/paper files: How are paper files and documentation to be stored and/or destroyed whilst at your employee's homes so as to minimise the risk of a data breach. For example, files should not be kept in a place where guests have access, documents which would normally be shredded should not simply be placed in a recycle bin.