

A WRAP OF RECENT STIMULUS MEASURES

- Federal Government, Reserve Bank & State Governments

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INTRODUCTION

- Financial markets and economies are facing an unprecedented external shock from the coronavirus.
- These are challenging and extraordinary times.
- The Reserve Bank, the Federal government, State governments and the banks have deployed stimulus measures to help soften the impact of the virus on households, businesses and the wider economy.
- Ultimately, the priority is businesses and trying to create a bridge from now until the economy recovers from the impact of the virus, which will come when the daily number of new infections around the world and in Australia subsides.
- The RBA is expecting a recovery once the virus passes. The stimulus measures will help boost the momentum in the recovery once it arrives, and help create a bridge from now until the start of the recovery.
- It is also about helping otherwise viable businesses survive, so as to limit the rise in the unemployment rate.
- This pack **summarises the key measures announced so far**, including the latest stimulus package from the Federal government.

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| 1. Federal government - 1st and 2nd stimulus packages | pages 3-12 |
| 2. Reserve Bank | pages 13-18 |
| 3. State governments | pages 19-29 |

1. FEDERAL GOVERNMENT

FEDERAL GOVERNMENT – 1st Stimulus package

- On March 12, the Federal Government unveiled a \$17.6 billion stimulus package to support the economy to counteract the impact of the coronavirus.
- Support was mostly geared towards businesses, including investment incentives and handouts for small and medium-sized businesses and some cash payments to households.
- Key features of the package included:
 1. **Cash payments to households** of \$4.76 billion in the June quarter of this year, representing 1% of quarterly GDP. This is a one-off \$750 payment to those on income support such as pensioners and Newstart recipients.
 2. **Business investment instant asset write-off** for expenditure until 30 June 2020. The government has expanded the existing scheme by lifting the threshold from \$30k to \$150k and expanding the coverage to firms with turnover of up to \$500 million (previously was \$50 million).
 3. **Business investment accelerated depreciation** is available as an incentive for the 15 months to 30 June 2021 for businesses with a turnover up to \$500 million.
 4. **Boosting cash flows for small and medium-sized businesses that employ staff** for the period to 30 June 2020. The aim is to encourage firms to continue employing staff. The payment, up to \$25k a business, is in effect a partial refund on tax withheld by the ATO on income tax paid by firms for their employees. Businesses must have aggregate annual turnover of under \$50 million. This measure was enhanced in the second stimulus package announced 22 March.
 5. **Boosting cash flows for small businesses via a wage subsidy** for retaining apprentices and trainees.

FEDERAL GOVERNMENT – 2nd Stimulus package

- The Federal government today (22 March) announced further stimulus, adding \$66 billion in new measures in an effort to help businesses survive the crisis. This is on top of the initial \$17.6 billion package announced on 12 March. Support for small business has been ramped up. It also includes an income boost to welfare recipients and those who become unemployed due to the virus. Prime Minister Morrison flagged more stimulus will be needed over the next 6 months, but these first 2 packages are focussed “on those who are going to feel the first blows”.
- **For businesses:**
 1. Boosting cash flows for employers
 2. Supporting apprentices & trainees
 3. Coronavirus SME guarantee scheme
- **For households:**
 1. A new coronavirus supplement
 2. An additional one-off \$750 payment to welfare recipients
 3. Superannuation changes
- **For sole traders and/or the self employed:**
 1. Access to the coronavirus supplement and jobseeker payment
 2. Access to superannuation changes

BUSINESS – Boosting cash flow for employers

1. Boosting cash flows for employers i.e. small and medium sized businesses that employ staff

- Up to \$100k to eligible small and medium sized businesses and not-for-profits, including charities, that employ people.
- The minimum payment is \$20k.
- This measure was announced on 12 March but initially provided \$25k with a minimum payment of \$2k.
- This second stimulus package is an enhancement of this measure – i.e. now giving up to \$100k and including the not-for-profit sector.
- Under the enhanced scheme, employers will receive a payment equal to 100% of their salary & wages withheld (up from 50%) with the maximum payment being raised from \$25k to \$50k. The minimum payment is also being raised from \$2k to \$10k.
- 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 \$20k up to a total of \$100k under both payments.
- This cash flow boost is a tax-free payment to employers and is automatically calculated by the ATO. No new forms are needed.

Eligibility:

- Based on prior year turnover. 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. Where this places the entity in a refund position, the ATO will deliver the refund within 14 days.
- Eligible employers that withhold tax to the ATO on their employees' salary and wages will receive a payment equal to 100% of the amount withheld, up to a maximum payment of \$50k.
- Eligible employers that pay salary & wages will receive a minimum payment of \$10k, even if they are not required to withhold tax.
- 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.
- To qualify for the additional payment, the entity must remain active.
- For monthly activity statement lodgers, the additional payments will be delivered as an automatic credit in the activity statement system. This will equal to a quarter of their total initial Boosting Cash Flow For Employers payment following the lodgement of their Jun 2020, Jul 2020, Aug 2020 and Sep 2020 activity statements (up to a total of \$50k).
- 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 lodgement of their Jun 2020, Jul 2020, Aug 2020 and Sep 2020 activity statements (up to a total of \$50k).

BUSINESS - Supporting apprentices & trainees

2. Supporting apprentices & trainees

- Eligible employers can apply for a wage subsidy of 50% 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 (\$7k per quarter).
- Support will also be provided to the National Apprentice Employment Network, the peak national body representing Group Training Organisations, to co-ordinate re-employment of displaced workers.
- 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 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.
 - Employers can register for the subsidy from early April 2020. Final claims for payment must be lodged by 31 December 2020.

BUSINESS – new coronavirus SME guarantee scheme

3. New coronavirus small and medium-sized business (SME) guarantee scheme

- The Federal Government has established a \$20 billion Coronavirus SME Guarantee Scheme.
- The scheme will provide a 50% government guarantee on new loans issued by eligible lenders to SMEs.
- \$40 billion of additional liquidity could be added if SMEs take up these loans.
- It will be available to all businesses with a turnover of less than \$50 million.
- The Federal government will guarantee 50% of an eligible loan through participating banks and non-bank lenders to businesses disrupted by the coronavirus.
- Loans will be used for working capital purposes and be unsecured and it will be for loans granted within 6 months starting 1 April 2020.
- Lenders will not be charged a fee for accessing the guarantee scheme.
- Loans will be repayment free for 6 months.
- The maximum that can be borrowed under the guarantee facility will be \$250k on terms of up to three years.
- These measures are on top of the \$90 billion capacity term funding arrangement set up for certain lenders designed to reduce the cost of lending on March 20. On the same day, the Australian Office of Financial Management (AOFM) was provided with \$15 billion to support lending by smaller lenders.

HOUSEHOLDS - coronavirus & one-off \$750 payments

1. New coronavirus supplement payment

- A new coronavirus supplement to be paid at a rate of \$550 per fortnight for the next 6 months.
- Eligible income support recipients will receive the full amount of the \$550 coronavirus supplement on top of their payment each fortnight.
- It will be eligible to existing and new recipients of the jobseeker payment (previously called Newstart), youth allowance jobseeker, parenting payment, farm household allowance and special benefit.
- The government will also waive the asset test and waiting periods to access the payment.

2. An additional one-off \$750 payment to welfare recipients

- In the first stimulus package, the government announced a one-off \$750 payment to welfare recipients. Payments will be made from March 31 to people who have been on one of the eligible payments any time between 12 March and 13 April 2020.
- In this second package, there is an additional \$750 payment to welfare recipients. However, this second payment will not be available if you receive the \$550 a fortnight coronavirus supplement.
- This second payment is available to people who are eligible payment recipients and concession card holders on 10 July 2020 with the payment automatically made from 13 July 2020.
- A person can be eligible to receive both a 1st and 2nd support payment. But can only receive one \$750 payment in each round of payments, even if they qualify in each round of the payments in multiple ways.

HOUSEHOLDS – superannuation changes

3. Superannuation changes

- The Federal government will allow individuals “in financial stress” as a result of the coronavirus downturn to have limited access to their superannuation savings.
- The amount you can access will be capped at up to \$10k in 2019-20.
- A further amount of up to \$10k can be accessed in 2020-21 for approximately 3 months (timing depends on the passage of relevant legislation).
- You will be able to access your superannuation if you are: unemployed; or eligible to receive a jobseeker payment, youth allowance for jobseekers, parenting payment, special benefit or the farm household allowance; on or after 1 January 2020 you were made redundant or your working hours were reduced by 20% or more or if you are a sole trader where your business was suspended or there was a reduction in your turnover of 20% or more.
- Eligible individuals will be able to access of up to \$10k of their superannuation before 1 July 2020. They will also be able to access up to a further \$10k from 1 July 2020 for another three months. Access can be obtained through MyGov online.
- No tax to pay on amounts released and money withdrawn will not affect welfare payments.
- The government is also announcing a temporary reduction in superannuation minimum drawdown rates for account-based pensions and similar products.
- This will be a 50% reduction in the rate for 2019-20 and 2020-21, which the government says will benefit retirees by providing them with more flexibility as to how they manage their superannuation assets.

SOLE TRADERS AND THE SELF EMPLOYED

1. Coronavirus payment and jobseeker payment

- Sole traders and the self employed will be able to access the jobseeker payment and the coronavirus supplement.
- Applicants will be required to make a declaration to Centrelink that their business has been suspended or had turnover reduced significantly as a result of the downturn.
- 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.

2. Superannuation changes

- Sole traders that have their business suspended or have a reduction in turnover of 20% or more are eligible to have limited access to their superannuation savings.
- The amount you can access will be capped at up to \$10k in 2019-20.
- A further amount of up to \$10k can be accessed in 2020-21.
- Eligible individuals will be able online through MyGov for access of up to \$10k of their superannuation before 1 July 2020. They will also be able to access up to a further \$10k from 1 July 2020 for another three months.
- They will not need to pay tax on amounts released.

2. RESERVE BANK OF AUSTRALIA (RBA)

RBA - monetary policy

- The RBA cut the cash rate by 25 basis points to a new record low of 0.25% on March 19 March.
- This new cash rate of 0.25% represents the effective lower bound for the cash rate. That is, the cash rate cannot fall any further.
- The RBA issued explicit forward guidance to say the cash rate will not be raised “until progress is being made towards full employment and it is confident that inflation will be sustainably within the 2-3 per cent target band”.
- Indeed, the RBA Governor in a speech after this announcement said it is “quite likely” the cash rate could be at this level for “some years” and later referred to at least “3 years”.
- Further, the RBA plans to remove quantitative easing before the cash rate is increased.

RBA – unconventional monetary policy

- The RBA launched a quantitative easing (QE) program for the first time ever.
- The RBA will target the Australian 3-year bond yield at “around” 0.25% by buying Commonwealth government and semi-government bonds in the secondary market.
- This is also known as “yield-curve control” and started on Friday 19 March.
- There is no limit on the volume of bonds the RBA will buy. It has signalled it will buy or sell however many bonds it takes across the yield curve to keep the interest rate on the 3-year government bond at around its target level.
- The 3-year bond was chosen because it is an important benchmark for bond raisings in the Australian financial market.
- It is essentially an extension of and complimentary to cash-rate targeting.
- QE helps put downward pressure on lending / borrowing rates in the economy.
- It can also place downward pressure on the currency.

RBA – term funding

- Term funding has been made available for banks to access cheaper credit from the RBA in order to support small and medium-sized businesses.
- Under this new facility, authorised deposit-taking institutions (ADIs) in total will have access to at least \$90 billion in funding.
- ADIs will be able to borrow from the RBA an amount equivalent to 3% of their existing outstanding credit to Australian businesses and households.
- ADIs will be able to draw on these funds up until the end of September this year.
- ADIs will also have access to additional funding if they increase lending to business.
- For every extra dollar lent to large business, lenders will have access to an additional \$1 of funding from the RBA. For every extra dollar of loans to small and medium-sized businesses they will have access to an extra \$5.
- These funds can be drawn upon up until the end of March next year.
- The funding from the RBA will be for 3 years at a fixed interest rate of 0.25%, which is substantially below lenders' current funding costs. Institutions accessing this scheme will need to provide the usual collateral to the RBA, with haircuts applying. The first drawings under this facility will be possible no later than 4 weeks from 18 March 2020.
- ADIs will still be required to take on the credit risk associated with these facilities, but may consider switching more expensive facilities for existing borrowers into these facilities, providing a cash flow boost to small and medium sized businesses.

RBA – exchange settlement accounts

- Term funding has been made available for banks to access cheaper credit from the RBA in order to support small and medium-sized businesses.
- Exchange settlement balances at the RBA will be renumerated at 10 basis points, rather than zero as would have been the case under previous arrangements.
- This is in recognition that exchange settlement balances are likely to increase significantly as a result of the RBA's policy package.

RBA – liquidity measures

- The RBA will also continue to provide liquidity to Australian financial markets by conducting 1-month and 3-month repo operations in its daily market operations until further notice.
- In addition, the RBA will conduct longer-term repo operations of 6-month maturity or longer at least weekly, as long as market conditions warrant.

Support for non banks:

- In addition to these initiatives announced by the RBA, the Treasurer's Office announced a program of support for the non-bank financial sector, small lenders and the securitisation market, which will be implemented by the Australian Office of Financial Management (AOFM).
- The AOFM will have a capacity of \$15 billion to invest in wholesale funding markets used by small ADIs and non-ADI lenders.
- This initiative parallels a similar initiative by the AOFM during the GFC.
- It will be of particular support to issuers of mortgage-backed securities (MBS).

3. STATE GOVERNMENTS – BUSINESS MEASURES

NSW STATE GOVERNMENT

Payroll tax waiver

- Waiver of payroll tax for businesses with payrolls of up to \$10 million for the rest of 2019-20 financial year.
- The \$10 million is likely to be determined based on the payroll of the overall payroll tax group, however, the specific detail of the measure has not been released yet.

Bring forward of payroll tax cuts

- Bringing forward the next round of payroll tax cuts by raising the threshold limit to \$1 million in 2020-21.

Waiving of fees & charges

- Waiving a range of fees & charges for small businesses, including cafes, bars and restaurants.

Infrastructure related

- \$500 million to be allocated to bring forward capital works and maintenance.
- Additional maintenance on public assets including social housing and crown land fencing has also been announced together with funding of over \$250 million.

VICTORIAN STATE GOVERNMENT

Business Support Fund

- \$550 million to establish a Business Support Fund, which would go to helping 24,000 small and medium-sized enterprises with a payroll tax of less than \$3 million as a payroll tax refund.

Hardship payments, grants & tailored support

- Another \$500 million for a fund for hardship payments, small grants and tailored support, which would be distributed in consultation with the Victorian Chamber of Commerce and Industry, the Australian Hotels Association, the Australian Industry Group and other industry representatives.

Fees waived

- More than \$600 million for a range of measures such as the waiving of liquor licence fees due in March.

Rent relief

- Commercial tenants in government buildings will be able to apply for rent relief, a measure which the Victorian government is encouraging private landlords to offer as well.

QLD STATE GOVERNMENT

Payroll tax relief

- For employers that pay less than \$6.5 million in Australian taxable wages and have been directly or indirectly affected by the coronavirus.
- In this case, that means the business will have seen a negative effect on turnover, profit, customers, bookings, sales or supply contracts, compared to normal conditions.

Low-interest loan facility

- QLD businesses will also have access to a new \$500 million loan facility, offering low-interest loans of up to \$250,000.
- The will be interest-free for the first 12 months.
- The QLD Rural and Industry Development Authority is currently accepting expressions of interest for the loans. Businesses that are interested should contact this authority.

Diversification grants

- Launching a \$500,000 grants package for small businesses in the agriculture, food and fish exporting industries, as well as supply chain partners. To help these businesses diversify and access new markets.
- Priority will be given to businesses that can demonstrate they have been affected or likely to be affected by the coronavirus. Grant program open for applications in April.
- Grants between \$2,500 and \$50,000 will be issued to help businesses conduct market evaluation studies, to visit potential new markets, or to purchase new equipment required for diversification.

QLD STATE GOVERNMENT CONTINUED

Fees waived

- The government is also waiving various fees relating to small business in the state, including for some variations of liquor licences, registration for inbound tour operators, commercial activity permits, marina charges and tourism rental payments.
- Rebates are also available for commercial operators and tenants in marinas.
- Small business mentoring
- A \$1.1 million ‘market-ready’ initiative, offering tailored advice for small businesses on leveraging opportunities in the Chinese online market.
- It’s also implementing a series of workshops and forums designed to help current and potential exporters to reach further afield, and to offer mentoring and support in areas like financial management and business planning.

SA STATE GOVERNMENT

Infrastructure spending

- The \$350 billion stimulus package included the bringing forward of infrastructure projects.

Specific sector support

- The package will also include extra funding to the state's economic and business growth fund to support specific industry sectors.
- Projects must meet certain criteria to be eligible for funding, including the ability to start works within a short period of time, be labour-intensive or require significant local purchasing of materials, services and supplies.

WA STATE GOVERNMENT

One-off grant

- Payroll tax paying businesses with a payroll between \$1 million and \$4 million will receive a one-off grant of \$17,500.

Payroll tax changes

- \$1 million payroll tax threshold brought forward by six months to 1 July, 2020.
- Small and medium sized businesses affected by the coronavirus can now apply to defer payment of their 2019-20 payroll tax until 21 July, 2020.

WA STATE GOVERNMENT

One-off grant

- Payroll tax paying businesses with a payroll between \$1 million and \$4 million will receive a one-off grant of \$17,500.

Payroll tax changes

- \$1 million payroll tax threshold brought forward by six months to 1 July, 2020.
- Small and medium sized businesses affected by the coronavirus can now apply to defer payment of their 2019-20 payroll tax until 21 July, 2020.

TASMANIAN STATE GOVERNMENT

Interest-free loans

- There will be \$20 million available in interest-free loans for businesses in the hospitality, tourism, seafood and exports sectors

Payroll tax changes

- Payroll tax will also be waived for the last four months of this financial year for those sectors listed above.

Other measures

- Include \$50 million in interest-free loans for local governments and the bringing forward of \$50 million in maintenance on public buildings.

NT GOVERNMENT

Business improvement scheme

- Launched a Business Improvement Scheme where all eligible businesses will receive \$10,000 and can receive a further \$10,000 if they spend \$10,000 of their own cash on business upgrades.
- This could include new equipment spending and new shop fit outs.

Immediate works grants

- \$5 million for an 'Immediate Works Grants' package which will provide grants of up to \$50,000 to not-for-profits and community organisations for repairs and renovations.
- The Government also said it would match dollar for dollar any further money put into renovation works from local organisations.

ACT GOVERNMENT

Measures include:

- \$2,622 rebate to commercial rates bill.
- \$750 rebate to small businesses through their next electricity bill.
- Businesses that pay up to \$10 million in wages will be able to defer payroll tax for 12 months.
- Affected industries will receive a one-off six month waiver on payroll tax.
- Food and liquor licence fees waived.
- \$20 million fund established for contractors to undertake simple works to government infrastructure.
- Funding for clubs to retain casual staff.
- Public sector staff in events or entertainment redeployed to maintenance works.

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