

Income Support for Individuals

Economic response to the coronavirus

The Government is providing support for individuals to assist them during the next six months.

Increased and accelerated income support

Summary

The Government is temporarily expanding eligibility to income support payments and establishing a new, time-limited Coronavirus supplement to be paid at a rate of \$550 per fortnight. This supplement will be paid to both existing and new recipients of the eligible payment categories. These changes will apply for the next six months.

Eligibility Payment categories

The income support payment categories eligible to receive the Coronavirus supplement are:

- Jobseeker Payment¹ (and all payments progressively transitioning to Jobseeker Payment; those currently receiving Partner Allowance, Widow Allowance, Sickness Allowance and Wife Pension).
- Youth Allowance Jobseeker.
- Parenting Payment (Partnered and Single).
- Farm Household Allowance.
- Special Benefit recipients.

Anyone who is eligible for the Coronavirus supplement will receive the full rate of the supplement of \$550 per fortnight.

Expanded access

For the period of the Coronavirus supplement, there will be expanded access to the income support payments listed above.

- Expanded access: Jobseeker Payment and Youth Allowance Jobseeker criteria will provide payment access for permanent employees who are stood down or lose their employment; sole traders; the self-employed; casual workers; and contract workers who meet the income tests as a result of the economic downturn due to the Coronavirus. This could also include a person required to care for someone who is affected by the Coronavirus.
 - Reduced means testing: Asset testing for Jobseeker Payment, Youth Allowance Jobseeker and Parenting Payment will be waived for the period of the Coronavirus supplement. Income testing will still apply to the person's other payments, consistent with current arrangements.
 - Reduced waiting times: The one-week Ordinary Waiting Period has already been waived.
- To further accelerate access to payments, the Liquid Asset test Waiting Period (LAWP) and the Seasonal Work Preclusion Period (SWPP) will also be waived for recipients eligible for the Coronavirus supplement.
- People currently serving a LAWP will no longer need to serve that waiting period.

- The Newly Arrived Residents Waiting Period (NARWP) will be temporarily waived for recipients eligible for the Coronavirus supplement. When the Coronavirus supplement ceases, those people that were serving a NARWP will continue to serve the remainder of their waiting period, though the time the person was receiving the Coronavirus supplement will count towards their NARWP. Residency requirements still apply.

- Income Maintenance Periods and Compensation Preclusion Periods will continue to apply, as payments under these arrangements are treated as income.

People will not be permitted, and will need to declare that they are not, accessing employer entitlements (such as annual leave and/or sick leave) or Income Protection Insurance, at the same time as receiving Jobseeker Payment and Youth Allowance Jobseeker under these arrangements.

From 20 March 2020, Sickness Allowance was closed to new entrants and was 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 better accommodates individual circumstances, including assisting people who are sick or bereaved.

Faster claim process

Accelerated claim process: To ensure timely access to payments, new applicants are encouraged to claim through on-line and mobile channels. If applicants do not have internet access, they can claim over the phone.

- From April 2020, Services Australia will allow new applicants to call to verify their identity to reduce the need to visit a Services Australia office.
- To claim online, people who do not already deal with Services Australia will need to set up their myGov account, call to verify their identity, and get a link to their Centrelink online account.
- Applicants for Jobseeker Payment and Youth Allowance Jobseeker will: Make annual declaration about their identity, residency status, income and that they have been made redundant, or had their hours reduced (including to zero) as a result of the economic downturn due to Coronavirus. In the case of sole traders and the self-employed, applicants will make a declaration that their business has been suspended or had turnover reduced significantly.
- Applicants may also declare the amount of rent they pay in this declaration to qualify for Rent Assistance.
- Services Australia has effective measures in place to detect those seeking to defraud the social security system. Anyone fraudulently claiming a payment will need to pay the money back and may face imprisonment.

Streamlined application process

A number of simplified arrangements will be put in place to make it easier to claim, including removing the requirements for:

- Employment Separation Certificates, proof of rental arrangements and verification of relationship status;
- Job Seeker Classification Instrument assessment for those people who have recently left jobs, recognising they are job ready; and
- Job seekers to make an appointment with an employment service provider before they can be paid.

Flexible job-seeking arrangements

- Those receiving Jobseeker Payment have an obligation to actively look for work or build their skills, but the Government is making sure this can be done flexibly and safely.
- Jobseekers who have caring responsibilities, or who need to self-isolate, are able to seek an exemption from their mutual obligation requirements without the need for medical evidence.
- Activities can be rescheduled if the job seeker is unable to attend as a result of the Coronavirus.

Job Plans will be adjusted to a default requirement of four job searches a month (or one a week) to reflect softening labour market conditions. Mutual obligations can be tailored for each individual to suit not only their needs but also the needs of the community.

In some circumstances, job seekers can undertake training or volunteer within their community to meet their mutual obligation requirements. 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.

Job seekers are encouraged to stay job ready, connected to their employment services provider and up to date on potential job opportunities in their local area. These changes ensure that job seekers can reliably access income support, safely look for work, fill critical vacancies as they emerge, develop their skills and job preparedness, contribute to their community and help the economy to bounce back stronger.

Timing

The Coronavirus Supplement and expanded access for payments will commence from 27 April 2020.

Example

Leonie is in her mid-30s, with two dependent children aged 10 and 12 and works as a telephone consultant for a travel agency. The economic downturn due to Coronavirus has caused the travel agency where she works to close for a six-month period and resulted in Leonie's hours being reduced to zero. Leonie will be eligible to apply for Jobseeker Payment and the Coronavirus supplement under the new streamlined process. Leonie can apply on line and make a declaration about her identity, residency status, income and that she has had her hours reduced to zero as a result of the economic downturn due to Coronavirus. Leonie is eligible for Jobseeker Payment and will receive \$1,171.50 per fortnight, comprising:

- Jobseeker Payment single, with dependent child rate of \$612.00 per fortnight; plus
- Energy Supplement of \$9.50 per fortnight; plus
- Coronavirus supplement of \$550 per fortnight.

Leonie will also receive Family Tax Benefit Part A and Part B of \$483 a fortnight. Having recently left employment, Leonie is already job ready. An employment service provider will look to match Leonie's skills with available opportunities (for example, in another Call Centre) so Leonie's skills can be used in another industry and Leonie can get another job quickly.

Example

Chris is a sole trader, running an architecture practice, specialising in home renovations. Chris' practice has been successful over the years, and he has been able to build up a reasonable amount of assets during his career, to a level that would ordinarily make him ineligible for an income support payment. The economic downturn due to Coronavirus has adversely affected Chris' business, and his income has been reduced to zero. Chris will be able to apply for the new Jobseeker / Coronavirus supplement and will not have his assets included as part of the eligibility assessment for the payment. He will also not be required to serve a Liquid Asset test Waiting Period, as that has been waived. Chris is eligible for the

Jobseeker payment and, as he is married, will receive:

- Jobseeker Payment partnered rate of \$510.80 per fortnight; plus
- Energy Supplement of \$7.90 per fortnight; plus
- Coronavirus supplement of \$550 per fortnight This brings Chris' total fortnightly income support payment to \$1,068.70.

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

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.

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)

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.

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 will be able to claim a deduction totaling \$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.