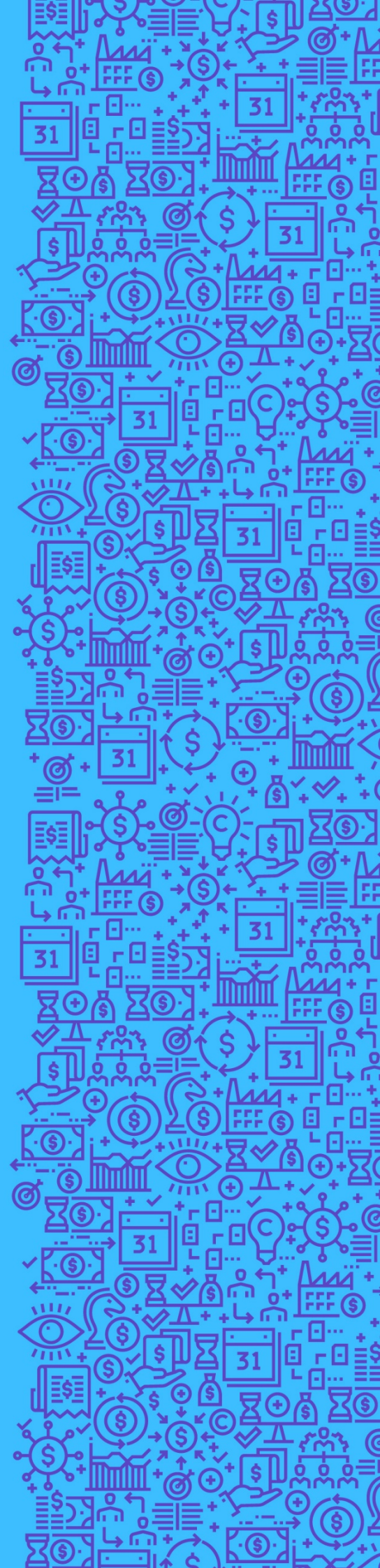




Federal Government Second Economic Response Package

A review of measures announced
as of 22 March 2020

March 2020



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Introduction



David Linke

National Managing Partner,
Deals, Tax & Legal

The Federal Government's second set of fiscal and regulatory measures to cushion the economic impacts of the COVID-19 virus pandemic is timely and well designed. It seeks to keep small to medium enterprises (SMEs) operating and employing workers during the crisis. By prioritising speed over conditionality, the measures should deliver financial support into the hands of those who urgently need it. KPMG Australia considers this an appropriate response.

As foreshadowed by the Prime Minister, KPMG Australia agrees that further measures are likely to be needed as the pandemic and its economic impacts continue to unfold.

The second package brings total support to \$189 billion, comprising the first stimulus package, the Reserve Bank's initiatives, already-announced Federal Government measures to deliver easier access to finance and \$66 billion in Sunday's announcement.

By providing cash payments to employing SMEs, the Federal Government will help keep those businesses connected to the economy and their employees connected to their businesses. This is a welcome effort to avert business destruction where possible, so that businesses owners and their employees are not simply left to pick up the pieces after the crisis is over.

To help keep SMEs solvent during the crisis, the Federal Government will guarantee 50 per cent of new loans issued by eligible lenders to SMEs. This will help keep credit flowing to SMEs that consider they will be viable after the crisis has passed.

By temporarily increasing the threshold at which creditors can issue a statutory demand on a company, as well as the time companies have to respond to statutory demands they receive, the Federal Government's measure will help keep businesses solvent during the crisis.

Extra financial assistance for workers and households receiving income support payments will assist these Australians while injecting more cash into the economy.

While the measures announced in the second package are unconventional, these are highly unconventional times warranting these types of responses. Both the size and speed of delivery of the package will help cushion businesses, their employees, contractors and Australians receiving income support from the worst economic impacts of COVID-19.

David Linke

National Managing Partner,
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Economic overview



Brendan Rynne

Partner, Chief Economist

Today's package is nuanced in its approach as it needs to be considered in combination with the suite of support measures already announced, and importantly it is designed to enable businesses to self-determine the support they need – whether it be cash flow support from government or private sector funding support from banks – over the period of this crisis.

The measures announced today amount to a further \$66.1 billion in Federal Government support, bringing the total over the last two weeks to around \$189 billion, including the fiscal measures announced on 12 March and various financial liquidity support measures (including those of the Reserve Bank of Australia). This represents around 10 per cent of GDP.

A significant, temporary increase to certain social security payments, with reduced means testing and waiting periods, will get additional money quickly into the hands of those who are most likely to need it. A further \$750 stimulus payment in July 2020 will also assist other lower income Australians in bridging this period of financial difficulty.

Policy-makers will have thought long and hard before giving the green light to a temporary window for early, tax-free superannuation withdrawals for those hit hardest, but at a maximum of \$20,000 per member, this strikes a reasonable balance between giving individuals a better opportunity to bridge the gap, yet still retain adequate retirement savings.

Businesses with turnover of less than \$50 million can now access enhanced support payments between April and October, with the minimum aggregate payments now to be \$20,000 (up from \$2,000 in the 12 March announcements) and the maximum to be \$100,000 (up from \$25,000). Delivery of these payments through the Business Activity Statement (BAS) process should enable efficiency and accuracy.

The Federal Government's main focus at the moment appears to be to strengthen the safety net designed to help individuals and families impacted by the Coronavirus, while also minimising the number of people who are sufficiently impacted to need to access that safety net. This is by focusing on helping businesses survive as intact as possible – staying connected with their workforces and supply chains. The focus is on helping businesses help themselves.

This is a positive strategy. The design of the combined packages ensure business support measures dovetail into the social support mechanism. Such an approach means the packages promote individual responsibility and are clearly designed to enable businesses to determine what type of support best meets their own requirements.

Importantly, design of these support packages means good business decision-making is still very much needed. The support packages developed by the Federal Government involve at their core the idea of individual rights and responsibilities for both businesses and individuals. It is not just a straight cash handout, but rather involves a combination of pure financial support, ensuring the continued function of capital markets, and access to contingent funding support.

Of the nearly \$190 billion Federal Government support, about \$64 billion (or about 3.5 per cent of GDP) is in the form of direct payments to individuals and businesses, while the remainder is in a form that supports businesses to access (or continue to access) debt. The packages to date are biased one-third to two-thirds in relying on some form of direct government payment compared to businesses taking decisions into their own hands for their own self-reliance.

The support mechanisms developed by the Federal Government are temporary, scalable and flexible, and seek to be proportionate in the event additional fiscal firepower is needed in the future. This is a sensible approach as it may be that the Federal Government's 'bridge to the other side' will need to be widened in the coming weeks as additional support measures are necessary, with most likely this additional support being direct payments rather than more capital market underwriting.

Table of measures announced under Second Fiscal Stimulus Package

I. Second stimulus package - 22 March 2020		Timing	Total \$b
A. Fiscal support			
Jobseekers			
Coronavirus supplement -\$550 per fortnight		27 Apr to Oct 20	14.1
① Social security			
Household support to social security recipients		From 13 Jul 20	4.0
② Lower social security deeming rates due to low interest		From 1 May 20	0.9
③ Superannuation			
Temporary early release of superannuation		From Apr 20	1.2
④ Reduce minimum drawdown rates by 50%		From 22 Mar 20	
⑤ Boosting cashflow for SME & NFP employers			
Turnover less than \$50m based on salary & wages		From 28 Apr 20	25.2
⑥ Industry support			
⑦ Aviation packaged of reduced charges		1 Feb to 30 Sep 20	0.7
Total			46.1
B Balance sheet support			
⑧ SME Guarantee Scheme for 50% loans with banks		Apr 20 to 30 Sep 20	20
⑨ Temporary relief from insolvency laws		For 6 months	
Total Second Stimulus Package			66.1
II. RBA Announcement - Balance sheet support - 19 March 2020 90			
⑩ RBA - Banks funding \$90 billion at 0.25% to lend to businesses			90
⑪ AOFM - markets used by smaller lenders			15
III. First stimulus package - 12 March 2020			17.6
IV. Total Federal Government Support announced to 22 March 2020			
Total Fiscal Support			63.7
Total Balance Sheet Support			125.0
Total support			188.7



Personal incomes: Tranche two measures

Coronavirus supplement

The Government will make a special payment of \$550 per fortnight for the next 6 months to eligible income support recipients including those both currently receiving or who become eligible for:

- JobSeeker Payments
- Youth Allowance Jobseeker Payment
- Parenting Payments
- Farm Household Allowance; and
- Special Benefits.

The \$550 payment is in addition to the regular fortnightly payment amount. In addition there will be reductions in means testing and waiting periods.

The Government has allocated \$14.1 billion to this measure.

Additional targeted stimulus payment

In addition to the one-off stimulus payment of \$750 for eligible recipients announced in Tranche 1, the Government will make another \$750 payment in mid-July 2020. The July \$750 payment will not be available to recipients of the Coronavirus supplement. It will reach approximately 5 million social security, veteran and eligible concession card holders (of which approximately half are pensioners).

The Government has allocated \$4 billion to this measure.



Ben Travers

National Leader, People Services



Hayley Lock

Partner, People Services

Administrative relief

The Australian Taxation Office (ATO) has released details of administrative approaches designed to ensure that unforeseen tax consequences do not arise for employers and employees with globally mobile workforces or under work from home arrangements.

The ATO acknowledges that many working arrangements have changed by necessity (for example, workers who ordinarily work in foreign locations working from Australia and vice versa). Further details are available on the ATO's dedicated COVID-19 webpage.

Tax-free superannuation withdrawals

Affected individuals will be able to withdraw up to \$20,000 from their superannuation funds. Withdrawals will be available from April of up to \$10,000 in the 30 June 2020 income year and up to \$10,000 in the 30 June 2021 income year.

Further information on this item and other superannuation related-measures can be found in the 'Superannuation' section of this document.

Key insights

- Additional payments of \$550 per fortnight will be made on top of pre-existing payments made to income support recipients including JobSeeker Payments, Youth Allowance Jobseeker Payments and Parenting Payments.
- There will be a second stimulus payment of \$750 to eligible social security recipients (mostly pensioners) in mid-July.
- Many individuals directly affected through lost or reduced employment will welcome the ability to withdraw up to \$20,000 of superannuation savings.



Personal incomes: Tranche one measures

Targeted stimulus payments

Eligible recipients will receive a one-off stimulus payment of \$750.

The government has allocated \$4.8 billion to this measure.

Payments are expected to be made through the social security system from 31 March 2020 to pensioners, social security recipients, veterans, other income support recipients and eligible concession card holders. It is estimated that around half of the people who will benefit from this measure are pensioners.

Most payments are expected to be distributed to recipients by mid-April and will be limited to one payment per person (even if the person might qualify for the stimulus payment under multiple programs).



Ben Travers

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Apprentice and trainee support

The government has designed a measure specifically aimed at ensuring the continuing employment of apprentices and trainees within the small business community.

Under this measure, small businesses will be eligible to apply to receive wage assistance from 1 January 2020 to 30 September 2020. This assistance will essentially provide a reimbursement of up to 50% of the wage of the particular apprentice or trainee over the 9-month period.

\$1.3 billion has been allocated to this measure.

Importantly, if a small business is not able to retain an apprentice, the subsidy will still be available to a new employer that employs that apprentice.

Key insights

- The government intends to utilise the transfer system to provide a one-off \$750 payment to individuals that will be linked to current entitlement to income support including those with access to social security, veterans and eligible concession card holders.
- The ability to apply for a wage subsidy of 50% for an apprentice or a trainee will be welcome news to small business who are eligible for this concession. The concession could go some way to preserving jobs for an estimated 117,000 employees.



Superannuation: Tranche two measures

The Federal Government is allowing individuals affected by the economic impacts of COVID-19 to access up to \$10,000 of their superannuation savings in 2019-20 and a further \$10,000 in 2020-21 (\$20,000 in total). Individuals will not need to pay tax on amounts released, and the money they withdraw will not affect Centrelink or Veterans' Affairs payments.

To apply for early release a fund member must satisfy any one or more of the following requirements:

- they are unemployed; or
- they are eligible to receive a Jobseeker Payment, Youth Allowance for Jobseekers, Parenting Payment (which includes the single and partnered payments), a special benefit or Farm Household Allowance; or
- on or after 1 January 2020:
 - they were made redundant; or
 - their working hours were reduced by 20 per cent or more; or
 - if they are a sole trader — their business was suspended or there was a reduction in their turnover of 20 per cent or more.

Changes to drawdown rates

The Government is temporarily reducing superannuation minimum drawdown requirements for account-based pensions and similar products by 50 per cent for the 2019-20 and 2020-21 income years.

This measure is intended to provide retirees with greater flexibility in how they manage their superannuation savings.



Damian Ryan

Tax Partner,
Superannuation & Funds

Implications for funds

From a practical perspective, whilst the application process to apply for early release will be administered by the ATO, superannuation funds and their administrators will need to put in place measures to:

- fund the payments (i.e. in some cases, depending on the profile of the fund and their cash flow, this will involve liquidating assets),
- pay the benefits; and
- update their (automated) systems so that these can be processed as components not subject to PAYG withholding tax.

Superannuation funds will need to carefully consider their asset liquidation strategy if disposals are necessary in order to fund these payments.

Key insights

- The temporary nature of the early withdrawal opportunity may enable individuals to strike an appropriate balance between bridging immediate financial difficulty and providing adequately for their retirement.
- Superannuation funds will need to prepare systems and processes for managing these early withdrawal payments and recording them correctly for tax and regulatory purposes.



Business tax: Tranche two measures

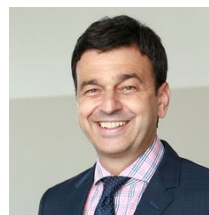
The temporary Boosting Cash Flow for Employers initiative under Tranche Two supersedes Tranche One with significantly expanded support measures for small and medium sized businesses to manage cash flow and retain employees. The support payments will also extend to not-for-profit employers (including charities).

Boosting cash flow for employers

The temporary Boosting Cash Flow for Employers measure will provide a tax-free payment to eligible businesses that employ people of up to \$100,000 (\$50,000 for each of the current and next financial years) with a minimum payment of \$20,000. This increases from the original \$25,000 announced in Tranche One. The measure has also been extended to not-for-profits that employ people, with aggregated annual turnover under \$50 million.

The payment will be equal to the lesser of 100 percent of PAYG withheld on employees' salary and wages (up from 50 per cent), or \$50,000 for both the year ended 30 June 2020, and the next financial year from July through to September. Eligible businesses that are not required to withhold tax will receive a minimum payment of \$20,000 (up from \$2,000).

To be eligible for this measure small and medium businesses need to employ workers and have an aggregated annual turnover under \$50 million (generally based on prior year turnover).



Carlo Franchina

National Leader, Corporate Tax



Catherine Dean

Partner, Corporate Tax

Initial payments from March to June 2020

The ATO will deliver this payment as a credit in the business activity statement system, starting with those due on 28 April 2020. Quarterly lodgers will receive the payment for the quarters ending March 2020 and June 2020, while monthly lodgers will be eligible to receive the payment for the March 2020, April 2020, May 2020 and June 2020 lodgements. For monthly lodgers the payment will be calculated at a 300 per cent rate in their March 2020 activity statement (up from 150 per cent in Tranche One). So an eligible monthly remitter withholding \$15,000 PAYG in both their March and April BAS would be eligible to receive \$45,000 for the March period, with the \$5,000 balance being received for the April period and no payment in the May period as they have reached the \$50,000 cap.

Eligible businesses that are not required to withhold tax will receive a minimum payment of \$10,000 (up from \$2,000) for the March quarter. This would also assist many not-for-profit entities.

Type of lodger	Eligible period	Lodgment due date
Quarterly	Quarter 3 (January, February and March 2020)	28 April 2020
	Quarter 4 (April, May and June 2020)	28 July 2020
Monthly	March 2020	21 April 2020
	April 2020	21 May 2020
	May 2020	22 June 2020
	June 2020	21 July 2020

Additional payments from July to September 2020

For July through to September employers will be able to receive an amount equal to that received under the above package. The entitlement for monthly lodgers will be a quarter of the total amount received above, payable for each of the June, July, August and September periods up to the \$50,000 maximum. Quarterly lodgers will receive one half of the amount received under the above package, for each of the June and September periods. Employers that are not required to withhold PAYG will receive additional payments of \$5,000 for the June quarter and \$5,000 for the September quarter.

Type of lodger	Eligible Period	Lodgement due date
Quarterly	Quarter 4 (April, May and June 2020)	28 July 2020
	Quarter 1 (July, August and September 2020)	28 October 2020
Monthly	June 2020	21 July 2020
	July 2020	21 August 2020
	August 2020	21 September 2020
	September 2020	21 October 2020

This measure is expected to cost the Government \$31.9 billion over the forward estimates period and is targeted at supporting around 690,000 businesses employing around 7.8 million people, and 30,000 charities.

Key insight

- The extension of the cash flow measure to not-for-profit organisations and the increase in the maximum and minimum payments will be of significant assistance to these employers.



Business tax: Tranche one measures

To accelerate business investment, the Government will significantly expand the tax depreciation write-off rules from today. Two key temporary business investment measures have been announced in the stimulus package:

Increasing the instant asset write-off: Eligible businesses will be able to immediately deduct purchases of eligible assets costing less than \$150,000. Access to the instant asset write-off will be expanded to include all businesses with aggregated turnover of less than \$500 million (up from \$50 million) until 30 June 2020. The asset threshold applies on a per asset basis, which would enable businesses to immediately write-off multiple assets. The benefit will also apply to both new and second hand assets first used or installed ready for use in this timeframe.



Carlo Franchina

National Leader, Corporate Tax



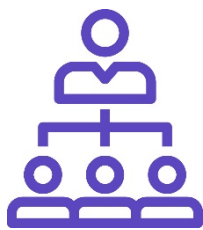
Catherine Dean

Partner, Corporate Tax

Business investment incentive: A temporary business investment allowance for businesses with aggregated turnover below \$500 million purchasing certain new depreciable assets acquired after 12 March 2020 and first used or installed by 30 June 2021. This measure will allow a 50 per cent accelerated depreciation deduction in addition to the existing depreciation deduction. Eligible assets include those depreciable under Division 40 of the *Income Tax Assessment Act 1997*. It does not apply to second hand Division 40 assets, or buildings and other capital works depreciable under Division 43.

Key insights

- Businesses will need to move quickly and act by 30 June 2020 if they are to take advantage of the instant asset write-off.
- The 50% investment incentive is also attractive as there is no cap on the purchase cost of an individual eligible asset.



Restructuring: Tranche two measures

The key features of the Federal Government's insolvency-related package are:

- A temporary increase in the threshold at which creditors can issue a statutory demand on a company, and the time companies have to respond to statutory demands they receive;
- A temporary increase in the threshold for a creditor to initiate bankruptcy proceedings, an increase in the time period for debtors to respond to a bankruptcy notice, and extending the period of protection a debtor receives after making a declaration of intention to present a debtor's petition
- Temporary relief for directors from any personal liability for trading while insolvent; and
- Providing temporary flexibility in the *Corporations Act 2001* to provide targeted relief for companies from provisions of the Act to deal with unforeseen events that arise as a result of the Coronavirus health crisis.

Providing more scope to respond to creditors

A creditor issuing a statutory demand on a company is a common way for a company to enter liquidation. The Federal Government is temporarily increasing the current minimum threshold for creditors issuing a statutory demand from \$2,000 to \$20,000. This will apply for six months.

The statutory timeframe for a company to respond to a statutory demand will be extended temporarily from 21 days to six months. This will apply for six months.

The time a debtor has to respond to a bankruptcy notice will be temporarily increased from 21 days to six months.



James Stewart

National Co-Leader, Restructuring Services



Matthew Woods

National Co-Leader, Restructuring Services and WA Chairman

The extension will give a debtor more time to consider repayment arrangements before they could be forced into bankruptcy. This will apply for six months.

Temporary relief from directors' personal liability

Directors are personally liable if a company trades while insolvent.

Through these changes the Government is aiming to:

- a) Stop directors of companies, that would be ordinarily viable save for COVID-19, from electing to enter into insolvency due to the personal consequences from trading whilst insolvent;
- b) Enable directors to increase their focus on managing companies through the COVID-19 crisis as opposed to be concerned by the implications for their own personal positions; and
- c) Avoid a situation whereby there are insolvencies en masse in a short space of time which, due to the sheer number of the companies in insolvency, may dilute the ability of companies to be rehabilitated. In this situation, assets may not be saleable given the sheer volume of insolvencies so may be realised for minimal value or parked away.

Key insights

- The temporary changes in insolvency provisions are welcomed.
- The existing insolvent trading laws create a burning platform for directors which would drive many businesses into formal insolvency regimes, when what they need is time and financial support to sensibly manage their businesses and stakeholders through this crisis.
- A consequence of these temporary initiatives may, however, be to push the burden of financial distress to other stakeholders, which could lead to a change in trading terms when each stakeholder assesses counterparty credit risk.
- At some point, these temporary initiatives will need to be unwound and this may require the reintroduction of traditional insolvency laws on a phased basis.



Health: Tranche two measures

In a second tranche of stimulus measures, the Australian Government has announced \$444.6 million to ensure the continuity of the aged care workforce. This is in addition to the \$2.4 billion health package announced on 12 March 2020.

Aged Care

The Australian Government's \$444.6 million commitment includes the following measures:

- \$234.9 million for a COVID-19 'retention bonus' to ensure the continuity of the workforce for staff in both residential and home care.
- \$78.3 million in additional funding for residential care to support continuity of workforce supply.
- \$26.9 million to supplement the viability of residential aged care facilities (including National Torres Strait Islander Aged Care Program and Multi-Purpose Services and homelessness providers).
- \$92.2 million in additional support to home care providers and organisations which deliver the Commonwealth Home Support Program, including for services such as meals on wheels.
- An additional \$12.3 million to support the My Aged Care service to respond to the needs of older Australia.



Kerry McGough

Partner in Charge, Health, Ageing
and Human Services Australia

Payments to support households

In addition to the \$750 stimulus payment announced on 12 March 2020, the Government will provide a further \$750 payment to social security and veteran income support recipients and eligible concession card holders.

- This second payment will be made automatically from 13 July 2020 to around 5 million social security, veteran and other income support recipients and eligible concession card holders. Around half of those that benefit are pensioners, including Aged Pensioners.
- This measure is estimated to cost \$4 billion over the forward estimates period.

People with a disability

The Australian Government has committed to providing a series of supports for National Disability Insurance Scheme (NDIS) participants and providers. These include:

- Extending NDIS plans by up to 24 months.
- Providing a one-month advance payment to registered NDIS providers to provide immediate cash flow relief.
- Providing a 10 per cent COVID-19 loading to the price limits for some supports for up to six months.
- Amending the cancellation policy for NDIS providers so that they can charge the full 100 per cent for the price of a cancelled service.

The Australian Government is developing further measures to source additional disability support workers. This will include the up-skilling of displaced workers from other industries and matching existing and new workers to areas where there is a demand for services.

Key insights

- The allocation of additional funding to support the aged care workforce is an important step in ensuring both the continuity of the aged care workforce, which is under significant pressure in the context of COVID-19, and the health of the elderly, who are particularly vulnerable to COVID-19.
- The additional payments for people receiving social security and veteran income support and people with a disability is critical for ensuring that some of the most vulnerable people in the Australian community can afford the cost of living as further quarantine measures are put in place in response to COVID-19.
- The Australian community, health and business sector and broader parts of the economy will continue to be impacted, and it is incumbent on all of us to support the efforts of Australia's health system and aged care facilities in responding to the impact of this virus.



Health: Tranche one measures

The Australian Government has announced a \$2.4 billion health package aimed at better protecting all Australians, including vulnerable groups such as the elderly, those with chronic conditions and Indigenous communities, from the coronavirus (COVID-19).

Key focus areas include increased funding to primary care, aged care, hospitals and research.

Primary care

The Australian Government's primary care commitments include the following:

- \$100 million to fund a new Medicare service for people in home isolation or quarantine, as a result of COVID-19, to receive virtual health consultations with General Practitioners (GPs) and specialists (for example via the telephone or video calls).
 - The new Medicare services will also provide improved access to nurses, mental health and allied health workers for: people aged 70 and over; people with chronic diseases; Aboriginal and Torres Strait Islander people aged over 50; people who are immunocompromised; pregnant people; and new parents with babies.
 - \$25 million to fund home medicines services which will enable people in home isolation and vulnerable patient groups to have their prescriptions filled online or remotely, and have the medicines delivered to their home.
 - \$5 million to fast track the rollout of electronic prescribing across Australia, to support GPs and pharmacies with the delivery of additional home medicines services.
 - \$50.7 million to expand the national triage phone line to operate 24/7 and provide advice to patients about the best course of action depending on their symptoms and risks.
- \$206.7 million for up to 100 dedicated respiratory clinics. The clinics will be a one-stop-shop for people who are concerned they may have COVID-19 to be tested and isolated from other patients.
 - \$58.7 million for: tools to proactively screen visitors and fly-in, fly-out workers; evacuate cases if required; and mobile respiratory clinics in remote locations.
 - \$170.2 million for a dedicated Medicare-funded and bulk-billed pathology test for COVID-19. Patients will receive both the COVID-19 and flu test. This funding will also be used to support pathology testing in aged care facilities.

Aged Care

- \$101.2 million to educate and train aged care workers in infection control and enable aged care providers to hire extra nurses and aged care workers for both residential and home care.
- \$30 million to support infection control training and programs for health and aged care workers.

Hospitals

- \$100 million upfront initial payment as part of a larger commitment of \$500 million in funding for the states and territories to directly support their responses to COVID-19. This funding will support the diagnosis and treatment of patients with COVID-19, or people at risk of contracting the disease, in public hospitals. .

Research and ongoing response

- \$1.1 billion will ensure patients and critical health care staff have personal protective equipment such as face masks, surgical gowns, goggles and hand sanitiser.
- \$30 million will deliver a new national communications campaign to provide people with practical advice on steps they should take in order to support 'containment' of COVID-19, as well as broad messaging about remaining healthy.



Kerry McGough

Partner in Charge, Health, Ageing
and Human Services Australia

Key insights

- The allocation of this additional funding reflects an important first step in responding to a significant global health event.
- For people at risk of, or impacted by, the coronavirus, the additional services across both the primary and acute care sectors will: reduce out of pocket costs for accessing primary care; improve access to appropriate pharmaceuticals; and support more effective triaging while reducing risk of transmission.
- The leveraging of technology to deliver care in the patient homes is welcomed as it reduces the risk of further transmission of COVID-19 and will provide an important test-case for more patient-centric technology-enabled models of primary care.
- The attention on remote communities is significant and indicates greater support and improved access for people living and working in remote locations.



Agribusiness: Tranche two measures



Robert Poole

National Lead Partner,
Agribusiness

The Federal Government's second announcement of economic stimulus measures has a distinct focus on supporting individuals, families and small-medium enterprises to continue to function business-as-usual wherever possible.

In addition to those provisions already made in Tranche 1, the Tranche 2 announcements will particularly benefit recipients of the *Farm Household Allowance*, small-medium sized agribusinesses and employers of apprentices and trainees (important for various downstream food processing and manufacturing sectors).

The Tranche 2 announcements also reinforce support offered by other institutions and regulatory bodies, such as Guarantee Schemes and access to, and reduced cost of, credit.

There were no additional measures included to support ongoing food production and manufacture in the face of unprecedented demand, assist in the ongoing sustainability of regional communities, measures to retain seasonal workforce staff or to re-establish important high-value food trade routes.

It is important that the Federal Government continues to keep watch of the impacts of Coronavirus on the broader agribusiness community as the situation continues to unfold.

Key insights

- Recipients of the Farm Household Allowance (FHA):
- Will be able to access the Coronavirus supplement of \$550 per fortnight over the next six months, in addition to a relaxation of the access and eligibility requirements, such as income and asset testing, making it easier for more farming operations to access the support.
- However, FHA recipients will not be eligible for the second \$750 household support payment announced in addition to that made on the 12 March 2020.
- They will also be entitled to access up to \$10,000 of their superannuation, under certain conditions, before 1 July 2020 and an additional \$10,000 in the period up to 30 September 2020 (dependent upon final legislation passage).
- The other key benefit for agribusiness is an increase in cash flow support for eligible small-medium enterprises of up to \$100,000 to maintain operating cash flow (an increase from the Tranche 1 threshold of \$25,000).



Agribusiness: Tranche one measures

The Federal Government's Economic Stimulus Package has a relatively small but direct impact on the Agribusiness industry, through its focus on accelerated depreciation benefits, job security and export market support.

While some impacts of coronavirus on the agribusiness sector have been instant (for example due to severe and restricted market access for some high value export products), we expect further medium-term flow-on impacts will occur due to shifts in food demand, logistics restrictions and supply chain breakdown. Coupled with the impacts of the recent summer fires and the persistent droughts across most of Australia, the overall industry will likely be restrained somewhat for the near future as it recovers from these multi-faceted shocks.

Supporting affected regions

The most important Package announcements for agribusiness is the \$1 billion regions and communities package. Businesses that have been directly, and instantly, impacted by the coronavirus will benefit from waivers and reductions in fees (e.g. licence fees) and a boost in funding to AusTrade to assist in identifying alternate supply chains and trade mechanisms to reconnect our typically-exported foods back to the global market.



Robert Poole

National Lead Partner,
Agribusiness

The Package also noted that ongoing measures of support would be considered and developed with specific industries and communities. An example might be Far North Queensland, which has been impacted from both a tourism and food trade point of view.

Stimulating agribusiness investments

The Package includes support for business with aggregated annual turnover of less than \$500 million to access an increased instant asset write-off of up to \$150,000, up from \$30,000.

Farmers, and other agribusinesses throughout the supply chain, will be able to benefit from the write-off and accelerated depreciation to purchase new equipment, machinery and other supply chain infrastructure assets.

Assisting employers

Numerous agribusiness are small to medium employers and the Package does offer support to generate (tax free) cash flow for certain businesses who complete Business Activity Statements or Instalment Activity Statements. Alongside this the support for the preservation of apprentices and trainees through wage subsidies will support the maintenance of a skilled workforce for the future.

Key insights

- The Package's announcements will support the agribusiness sector in the short term, particularly those in directly-affected regions and industries (such as crayfish and lobster exporters), by providing regional support, accelerated depreciation and provisions to maintain job security.
- However, it will be important for the Federal Government to continue to monitor the impacts on the agribusiness industry, particularly as the effects of the virus continue to unfold.

Appendix 1: Monetary policy and banking sector announcements

Reserve Bank of Australia out of cycle rate cut and monetary policy announcement

The Reserve Bank of Australia (RBA) Board announced four measures it will take to support the Australian economy through the COVID-19 pandemic.

The four measures involve:

- *A reduction in the cash rate target to 0.25 percent.* This means that, based on previous RBA guidance, it is clear that we have now reached the Effective Lower Bound for cash rates in Australia.
- *A target for the yield on 3-year Australian Government bonds of around 0.25 percent.* This will be achieved through purchases of Government bonds and semi-government securities by the RBA.
- *A term funding facility for the banking system, with particular support for credit to small and medium-sized businesses.* This involves the provision by the RBA of a three a three-year funding facility to authorised deposit-taking institutions (ADIs) at a fixed rate of 0.25 per cent. The facility is for at least \$90 billion in funding.
- *Exchange settlement balances at the RBA to be remunerated at 10 basis points, rather than zero as would have been the case under the previous arrangements.* This is intended to mitigate the cost associated with the large increase in settlement balances with the RBA as a result of the proposals.

In addition to the \$90 billion figure quoted by the RBA, the Federal Government announced it would provide \$15 billion via its debt agency, the Australian Office of Financial Management (AOFM), to invest in the wholesale funding markets used by small banks and non-bank lenders.

The cumulative figure of \$105 billion has been included in the headline amount of \$189 billion announced today.

The Australian Banking Association relief package announcement

The Australian Banking Association (ABA) advised following on from the RBA announcement, that financial lenders will offer deferred loan repayments for small businesses affected by COVID-19 for six months.

The package will apply to more than \$100 billion of existing small business loans.

It has been stated that these measures could potentially save small businesses \$8 billion, depending on uptake.

The package was subject to authorisation by the Australian Competition and Consumer Commission (ACCC) at the time of announcement.

Individual lenders will continue to make relevant announcements over the coming days.

Appendix 2:

Total support to 22 March 2020

Total Support to 22 March 2020	\$b	\$b
Second Stimulus Package – Fiscal support – 22 March		
① Coronavirus JobSeeker supplement -\$550 per fortnight	14.1	
② Household support to social security recipients	4.0	
③ Lower social security deeming rates due to low interest	0.9	
④ Temporary early release of superannuation	1.2	
⑤ Reduce minimum drawdown rates by 50%		
⑥ Turnover less than \$50m based on salary & wages	25.2	
⑦ Aviation packaged of reduced charges	0.7	
Total		46.1
Second Stimulus Package - Balance Sheet Support - 22 March		
⑧ SME Guarantee Scheme for 50% loans with banks	20.0	
⑨ Temporary relief from insolvency laws		
Total		20.0
RBA Announcement - Balance sheet support - 19 March 2020		
⑩ RBA - Banks funding \$90 billion at 0.25% to lend to businesses	90.0	
⑪ AOFM - markets used by smaller lenders	15.0	
Total		105.0
First stimulus package - 12 March 2020		
⑫ Initial payment to support those on social security etc	4.8	
⑬ Initial package for cashflow boost for SMEs	6.7	
⑭ Increasing instant asset write-off	0.7	
⑮ Accelerated depreciation	3.2	
⑯ Supporting apprentices & trainees	1.2	
⑰ Support for regions	1.0	
Total		17.6
Total Federal Economic		188.7
Health Package		2.5
Aged Care		0.4
Total Federal		191.6
State support (mix of fiscal and balance sheet)		
NSW	2.0	
Victoria	1.8	
Western Australia	1.4	
Queensland	0.5	
South Australia	0.4	
Tas	0.1	
ACT	0.1	
NT	0.1	
Total State	6.4	
Total Federal and State Support		198.0

Appendix 3: Overview of recent State and Territory government announcements

STATE	DESCRIPTION
Payroll tax	
Australian Capital Territory	<p>Six month waiver on payroll tax for hospitality, creative arts and entertainment industries.</p> <p>Access to interest free deferrals of payroll tax commencing 1 July 2020 for all businesses up to a payroll threshold of \$10 million.</p>
NSW	<p>\$450 million to waive payroll tax for three months for businesses with payrolls of up to \$10 million. Details are expected with respect to the process for claiming the waiver (if required) and the basis of determining the \$10 million threshold.</p> <p>The NSW payroll tax threshold will also be increased to \$1 million, from 1 July 2020.</p> <p>Recent client experiences indicate negotiated extensions will also be available to many taxpayers.</p>
Queensland	<p>Payroll tax returns for periods between 1 February 2020 and 30 June 2020 (including the annual reconciliation) are not required to be lodged or paid until 3 August 2020.</p> <p>Payroll tax deferral for all business (no wage threshold).</p>
Tasmania	<p>Payroll tax waiver for the last four months of this financial year for hospitality, tourism and seafood industry businesses at estimated cost of \$7 million.</p> <p>Other SMEs with an annual payroll of up to \$5 million in Australian wages will be able to apply to have their payroll tax payments waived for the three months from 31 March to June 2020.</p> <p>A payroll tax rebate scheme for young people will be implemented from 1 April 2020 to encourage youth employment.</p>
Victoria	<p>Full payroll tax refunds estimated to be worth \$550 million for the 2019-20 financial year to small and medium-sized businesses with payroll of less than \$3 million.</p> <p>Payments will save eligible business up to \$113,975 a year, with businesses saving an average of \$23,000.</p> <p>The same businesses will also be able to defer any payroll tax for the first three months of the 2020/21 financial year until 1 January 2021, freeing up a further \$83 million in cash flow.</p>
Western Australia	<p>Payroll tax paying businesses with total Australian wages between \$1 million and \$4 million will receive a grant of \$17,500. The grants will be issued by cheque to eligible taxpayers in July 2020 (no application is necessary).</p> <p>Additional payroll tax relief will also apply for small businesses as a result of the payroll tax threshold increasing to \$1 million from 1 July 2020 (six months earlier than planned).</p> <p>There is also a payroll tax payment deferral available for businesses with total Australian wages below \$7.5 million. The deferral is granted by application, and applies to the period between 1 March and 30 June. Payroll tax returns for these periods are still required to be lodged where payment deferral is granted.</p>

STATE	DESCRIPTION
Stamp duty	
Western Australia	The WA Government also announced last October that it would provide an estimated \$29 million in stamp duty rebates to stimulate the property and construction sectors. This applies to pre-construction contracts for apartments and is a rebate of 75% of the standard duty payable.
Government charge waivers and business support	
Australian Capital Territory	<p>A rebate on the fixed charge for 2019-20 on commercial rates for properties with an AUV below \$2 million will be provided, which particularly targets businesses who own their own premises.</p> <p>Fee waiver for food business registration and liquor licencing fees (excluding off-license) and outdoor dining fees and a \$750 rebate for small business owners to help with power bills.</p> <p>Expediting the payment of bills to support small to medium businesses.</p>
NSW	Waiver of \$80 million worth of fees and charges for small businesses including bars, cafes, restaurants and tradespeople. More details on this announcement are pending.
Northern Territory	<p>1 Announced measures include:</p> <ul style="list-style-type: none"> • \$20 million Business Improvement Scheme (eligible businesses will receive \$10,000); • \$5 million Business Structural Adjustment package to assist businesses who need to physically adjust to the 100 person rule; • \$5 million Immediate Works Grants Package for incorporated not-for-profit and community organisations – including clubs - to undertake repairs, renovations and upgrades to their premises/facilities; • Freezing Government Fees and Charges and Electricity Prices – all Government fees and charges – including electricity, water and car registration will be frozen (no increase due to indexation) until 1 July 2021. Electricity prices for small and medium businesses (those paying regulated tariffs) will be frozen from 1 July 2020 (no increase due to indexation) until 1 July 2021.
Queensland	<p>\$27.25 million “aid package” including:</p> <ul style="list-style-type: none"> • \$7 million spending on international tourism promotion; • \$4.8 million targeted spending for the Tropical Far North and Gold Coast regions; • Waiving fishing fees and fees associated with liquor licences; • Deferring tourism lease payments; • Rebates for marina and jetty fees; • Waiver of quota fees for rock lobster and coral trout
Tasmania	<p>Package includes:</p> <ul style="list-style-type: none"> • \$2.1 million for one-off \$5,000 grants for businesses that hire an apprentice or trainee in the tourism, hospitality, building and construction, and manufacturing industries. • \$1 million funding for organisations such as the Salvation Army, The Red Cross and Rural Business Tasmania. • 50 percent discount on liquor licencing fees and waive all application fees for the calendar year 2020, back dated to 1 January 2020. • \$100,000 to the Tourism Industry Council of Tasmania and the Tasmanian Hospitality Association for training and support of workers in the tourism and hospitality sectors over the winter months. • \$80,000 funding for Tasmanian Chamber of Commerce and Industry to advise to businesses on the implications of these workplace issues. • For the fourth quarter of 2019-20, the Government will waive tourism operator lease, license and entry fees to support around 300 tourism businesses. • \$670,000 to waive fees for rock lobster, giant crab and fin fisheries, and for abalone divers, in addition to providing annual fees and levies to be paid by instalment.

STATE	DESCRIPTION
Victoria	<p>Package includes:</p> <ul style="list-style-type: none"> • Commercial tenants in government buildings can apply for rent relief • 2020 land tax payments will be deferred for eligible small businesses • waiving liquor licensing fees for 2020 for affected venues and small businesses • \$500 million to establish a Business Support Fund. The fund will support the hardest hit sectors, including hospitality, tourism, accommodation, arts and entertainment, and retail. The Government will work with the Victorian Chamber, Australian Hotels Association and Ai Group to administer the fund.
Western Australia	\$402 million in spending to freeze household fees and charges until at least July 1, 2021. This will apply to charges including on electricity, water, motor vehicle charges, the emergency services levy and public transport fares.
Income support for individuals	
Australian Capital Territory	<p>Rebates of \$150 on residential rates to help ease cash flow pressures for Canberra households, as well as a freeze on a number of fees and charges, including the fire and emergency services levy, public transport, vehicle registration and parking fees.</p> <p>Rental support of \$250 for all public housing tenants in the coming months, as well as a one-off rebate for residential utility concession holders of \$200 to help with power bills. More work will be required in the coming months alongside any stimulus offered by the Commonwealth Government on income support.</p>
Tasmania	One-off emergency relief payments of \$250 for individuals and up to \$1000 for families who are required to self-isolate by public health as a result of coronavirus.
Victoria	<p>A \$500 million Working for Victoria Fund will help workers who have lost their jobs find new opportunities.</p> <p>The Government will also facilitate job matching to help Victorians find short-term or casual roles.</p>
Western Australia	Double the Energy Assistance Payment (EAP) to \$600 to support vulnerable Western Australians, including pensioners at a total cost of \$91 million.
Loans	
Queensland	A new \$500 million loan facility to provide loans to Queensland businesses that are interest free for an initial 12 month period.
Tasmania	<p>\$20 million for interest-free loans (up to three years) to businesses in the hospitality, tourism, seafood and exports sectors. Only available to small businesses with a turnover of less than \$5 million for the purpose of purchasing equipment or restructuring business operations.</p> <p>\$50 million in interest free loans over 3 years will be made available to encourage local governments to invest and employ more Tasmanians to upgrade, renovate and to do necessary maintenance to improve tourism assets.</p>

STATE	DESCRIPTION
Other	
Australian Capital Territory	<p>Measures include:</p> <ul style="list-style-type: none"> • Additional payment of \$1.5 million, as well as freeing up the existing \$1.8 million, in the Clubs Diversification Fund. • \$20 million immediate spending on infrastructure projects and maintenance on local schools, roads, and public transport.
NSW	<p>The NSW Government announced it would spend:</p> <ul style="list-style-type: none"> • \$500 million to bring forward capital works and maintenance. • \$250 million to employ additional cleaners of public infrastructure (such as transport assets, schools and other public buildings).
Northern Territory	<p>\$30 million Home Improvement Scheme</p> <ul style="list-style-type: none"> • \$6000 grant for Territory homeowners and landlords who also contribute \$2000, and a \$4000 grant with a \$1000 contribution.
South Australia	<p>The SA Government recently announced it would spend \$350 million on a stimulus package, with funds going towards infrastructure, maintenance, and expanding the Economic and Business Growth Fund</p> <p>This amount will include \$50 million for what has been described as “local projects” and \$15 million for regional hospitals.</p>
Tasmania	<p>\$50 million in brought-forward expenditure for the maintenance of public buildings over “the next 12 months”.</p> <p>Unless otherwise required by contractual arrangements, the normal terms of trade for payments by government agencies will be reduced from 30 days to 14 days.</p> <p>Removal of the efficiency dividend on State Government agencies over the forward estimates.</p>
Western Australia	<p>Other recent stimulus measures announced by the WA Government include:</p> <ul style="list-style-type: none"> • A \$200 million maintenance package for WA schools. • A \$222 million housing and homelessness package. • \$53.5 million to reduce TAFE by 50 per cent for priority occupations. • \$12.85 million tourism boost to support local tourism industry and deliver cheaper regional airfares.

STATE	DESCRIPTION
Health	
Australian Capital Territory	<p>\$7 million for non-government organisation partners to meet increased service demand for emergency relief.</p> <p>An additional \$100,000 to bolster services provided by Lifeline ACT following a recent spike in calls, supporting the mental health of Canberrans who may be struggling.</p>
NSW	<p>\$700 million extra funding for NSW Health. This will go towards doubling intensive care unit capacity, preparing for additional COVID-19 testing, purchasing additional ventilators and medical equipment, establishing acute respiratory clinics and bringing forward elective surgeries to private hospitals.</p>
Tasmania	<p>\$2 million for the primary health care sector to ensure that GPs, pharmacists and other health care providers are supported, for example, by enabling minor capital works and the purchase of equipment.</p> <p>\$1 million will be available to support front line workers with accommodation, such as in circumstances where their family members are ill, so they can continue to contribute to our response.</p> <p>An additional \$1 million in grants to mental health organisations.</p> <p>The Government will establish an emergency accommodation support fund of \$1 million for individuals and families who have been placed on home quarantine but who are unable to return to their regular place of residence due to self-isolation measures being in place.</p>
Victoria	<p>The Victorian Government announced \$100 million in health expenditure, including:</p> <ul style="list-style-type: none"> • \$60m to bring forward surgery appointments so that the beds can be freed up later to deal with the expected peak of the COVID-19 outbreak. • \$30m to bring forward opening of new inpatient facilities in suburban Melbourne • \$10m to boost protective equipment supplies
Western Australia	<p>\$81.5 million maintenance package for WA health facilities.</p>

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