
Your

# Knowledge

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We are here to help, contact us today:

**UHY Haines Norton PRT**
**Phone** 08 9752 3222
**Web** uhyhnprt.com.au
**Email** admin@uhyhnprt.com.au





# Lock-downs: What help is available

**The highly infectious Delta COVID variant is triggering lock-downs across the country. We look at what help is available and how you can get it.**

## For you

### COVID-19 disaster payment

The COVID-19 disaster payment is available to eligible workers who can't attend work or who have lost income because of a lockdown and don't have access to appropriate paid leave entitlements. And, it only applies from the eighth day of lockdown. That is, there is nothing you can claim for the first week of a lockdown.

The payment amount depends on how many hours of work you have lost in the lockdown period (week).

| Hours lost | Amount |
|---|---|
| <20 hours | $325 |
| 20+ hours | $500 |

Applications for the disaster payment need to be made weekly.

The payment is available if you are not earning an income or have lost work and you:

- Are an Australian citizen, permanent resident or temporary visa holder who has the right to work in Australia, and
- Are aged 17 years or over, and
- Can't attend work and lost income on or after day 8 of a COVID-19 lockdown, and
- Don't have access to appropriate paid leave entitlements through your employer (other than annual leave), and

*Continued over…*

- Are not getting an income support payment, a state or territory pandemic payment, Pandemic Leave Disaster Payment or state small business payment for the same period.

Until recently, a liquid assets test applied that meant that if you had more than $10,000, you could not receive the payment. However, the Prime Minster has stated that this test will be lifted from Thursday, 8 July 2021.

During Victoria's lockdown, 75,410 claims were made for the disaster payment, 57,730 were granted. In NSW, over 67,000 residents have applied for the payment to date.

The disaster payment is only accessible if the hotspot triggering the lockdown lasts more than 7 days as declared by the Chief Medical Officer (you can find the listing here).

## Pandemic Leave Disaster Payment

The Pandemic Leave Disaster Payment of $1,500 for each 14 day period is for those who have been advised by the health authorities to self-isolate or quarantine because:

- You have coronavirus (COVID-19)
- You've been in close contact with a person who has COVID-19
- You care for a child, 16 years or under, who has COVID-19
- You care for a child, 16 years or under, who's been in close contact with a person who has COVID-19.

The payment might also be accessible if you are a carer for someone impacted.

Eligibility for this disaster payment is very similar except that you need to use any appropriate leave entitlements if it is available to you (for example, pandemic sick leave, personal leave or carer leave).

## Support for business

**New South Wales**

The NSW Government has announced new grants of up to $10,000 for businesses adversely impacted by the recent COVID-19 lockdowns. Eligibility for the grant is streamed into general business, and hospitality and tourism.

The value of the grant is determined by the impact of the lockdown on your turnover. Your business will need to prove a decline in turnover across a minimum 2 week period after the commencement of the major restrictions.

| Turnover Decline | Grant |
|---|---|
| 70%+ | $10,000 |
| 50% to <70% | $7,000 |
| 30% to <50% | $5,000 |

The grant is limited to businesses (including sole traders) with:

- A NSW registered ABN or able to demonstrate they are physically located and primarily operating in NSW; and
- Annual turnover of more than $75,000 for the year ending 30 June 2020; but
- Below the NSW Government 2020-21 payroll tax threshold of $1.2m as at 1 July 2020; with
- Fewer than 20 full time equivalent employees

The Hospitality & Tourism COVID-19 Support grant is limited to tourism or hospitality businesses with:

- A NSW registered ABN or able to demonstrate they are physically located and primarily operating in NSW; and
- Annual turnover of more than $75,000 for the year ending 30 June 2020; and
- An annual Australian wages bill below $10m as at 1 July 2020.

Applications for the grant open in late July.

**Northern Territory**

The Territory Business Lockdown Payment Program provides a payment of $1,000 to eligible Territory enterprises with less than 20 full time equivalent staff. **Applications close on 16 July 2021.**

**Queensland**

A Small Business COVID-19 Adaption Grant of between $2,000 and $10,000 is available to eligible regional Queensland businesses. The grant requires your business to have suffered a decline in turnover of at least 30% because of COVID-19 for at least one month since 23 March 2020. The grant is accessible to businesses with less than 20 staff.

**Victoria**
Grants and other business support programs are available targeting specific industries such as live events, hospitality, and the employment of priority jobseekers. See Business Victoria.

**Western Australia**
A second round of Small Business Lockdown Assistance Grants of $3,000 are available to eligible businesses in Perth, Peel and regional WA impacted by recent lockdowns. Applications are not yet open but you can register for updates. Specific industry assistance is also available.

Direct grants and funding to South Australian and ACT businesses are applicable when extended lock-downs are imposed. **-End-**

# Business in a post pandemic environment

**Countries that have experienced the worst of the pandemic give Australian businesses an insight into what to expect in a post-lockdown environment.**

Australia, like New Zealand, has managed COVID-19 on an elimination basis. That is, lockdowns and border closures to keep the virus out. And, it has worked comparatively well with New Zealand suffering 26 deaths (0.5 per 100,000 people) and Australia 910 (3.7 per 100,000), compared to the UK with over 128,000 deaths (191 per 100,000), India over 400,000 (29.8 per 100,000), Brazil over 500,000 (250.4 per 100,000), and the United States over 600,000 (184.3 per 100,000).

But the flip side of a COVID-19 elimination strategy is a slow vaccine rollout - not only are global vaccine supplies predominantly directed to first world nations with higher mortality rates but vaccination reticence has taken hold (the "I'll wait and see what happens" mentality). Deciding whether to get a vaccination (and making the appointment) is easy to put off when your life, and the well-being of those around you, is not in danger. We saw this psychology at play in Sydney and Melbourne when vaccination rates increased in response to the spread of the Delta variant.

While all of this might not have a direct impact on businesses, it does impact on the timing of the recently announced National Plan to transition Australia's COVID response, and this plan will determine what the business environment will be like over the coming year.

The National Plan has signalled a policy shift from our current focus on COVID infection rates, to two new key determinants - vaccination and hospitalisation rates.

At present, Australia has administered 33 vaccination doses per 100 people. New Zealand is just over 26 doses per 100 utilising Pfizer and the recently approved Johnson & Johnson's Janssen COVID-19 vaccine, and Japan over 42 doses per 100.

Australia will pursue an elimination (or 'double doughnut') strategy until vaccination rates rise to a level where the risk of hospitalisation and death from the virus is relatively low. However, we don't know what these thresholds look like at present with the Government and COVID-19 Task Force yet to make its recommendations.

Australia cannot move from an elimination strategy to 'living with COVID' in a few months without unacceptable hospitalisation and death rates – for example, the UK is moving to no restrictions despite over 160 people dying of

COVID and just under 2,500 hospitalised in the last 7 days.

The National Plan identifies four stages and the actions of each of those stages. In brief:

1. **Phase 1 - Current strategy**
2. **Phase 2 - Post vaccination phase** - eased restrictions for those who have been vaccinated and lock-downs only when hospitalisation rates spike
3. **Phase 3 - Consolidation phase** - no lockdowns and pursuit of a 'vaccination passport' concept where those who are vaccinated can travel freely domestically, and travel bubbles extended to more countries.
4. **Final phase** – the living with the virus stage with uncapped inbound arrivals including accepting non-vaccinated international travellers if they pass a pre and post arrival COVID test.

Data is only just emerging on the impact of vaccination rates on hospitalisations and death rates, but only a small number of countries have enough of their populations vaccinated to provide a reliable sample - Israel (120 doses per 100 people), the UK (119 per 100) and the US (100 per 100). Even when the Australian vaccination targets are confirmed, we should expect these phases to move over time if hospitalisations increase beyond acceptable levels and if new and deeper data suggests a change in tack (like with the rollout of the AstraZeneca vaccine). In addition, it is likely that the States and Territories will continue to have the final say on what is acceptable. All of this means that while we will have a National Plan, business should remain vigilant and prepare for a potentially longer transition period than what is announced.

## The National Plan's impact on business

The economic impact of COVID-19 is unlike any other, with some businesses suffering a fatal blow while others have benefited. COVID's impact varies sector by sector and region by region as we bounce from one set of operating conditions to another depending on the Government's response to outbreaks.

Cashflow is a dominant concern with ABS data showing a decline in the number of businesses expecting an increase in revenue between February (27%) and July 2021 (18%).

The National Plan will impact differently on different sectors and it will be important for business operators to understand the potential impact on them at each phase.

- **Phase 1 - Be prepared for further ad-hoc lockdowns and restrictions**
  - Map the impact of restrictions on your business, your cashflow and your team and what you will need to survive. Understand whether it is worth trading, the cost of trading and the potential of hibernating.
  - Model contingency scenarios and understand the best available action.
- **Phase 2 – taking advantage of eased restrictions**
  - Lock-in any COVID gains – this might be keeping or adapting any new services, building on new technologies, or nurturing a database of new customers (while protecting your relationship with your existing customers). Business has changed, understand what has changed and how you can benefit from these changes.
- **Phase 3 – no lockdowns and returning travel**
  - Understand what your customer base will look like when restrictions ease? If your business benefited from COVID, is there a potential to be detrimentally impacted when your customers have greater choice. If eased restrictions open new or returning opportunities, what can you do to drive this business to you?

*COVID impacts differently depending on the business, the sector, and geographic location. There is no one size fits all approach to surviving and thriving. If you would like us to review your businesses circumstances and ensure you have the depth of information you need to make the right decisions, please contact us.*

# 6 Member SMSFs – the issues and opportunities

**From 1 July 2021, the maximum number of members a Self Managed Super Fund can have increased from four to six. Why would you have a fund with six members and what are the implications?**

Recently enacted laws increased the maximum number of allowable members in an SMSF and small APRA fund from four to six.

Currently, over 70% of SMSFs have just two members and those with four members represent only 4% of the SMSF population. The use of six member funds is likely to be small but adds additional choice and flexibility.

## Family groups

Six member funds provide family groups with a vehicle for controlling superannuation savings and investment strategies. For families with more than four members, previously the only real option was to create two SMSFs (incurring extra costs) or place their superannuation in a large fund.

A larger fund also offers a level of protection if a fund member is travelling overseas for a prolonged period of time. The residency rules require, amongst other things, 50% of members measured by market value to be in Australia.

## Estate planning

Estate planning is a benefit of the new laws particularly tax-effective intergenerational wealth transfer as the assets of a fund generally are not part of the estate. Take the example of a family business that holds the commercial property of the business in their family SMSF. If the parents die, the children might keep running the business and maintain the commercial property within the SMSF as an asset. Holding assets within the SMSF also provides a level of asst protection from creditors.

## The problem areas

- **Investment decisions within a fund** - Problems can occur when members have different investment needs, for example parents might be closer to retirement while the children are focussed on the longer term. The investment strategy of the fund may not meet everyone's requirements.
- **Disputes** – the more members in a fund the greater the potential for disputes. For those with legal capacity to be a trustee (18 or over), the rules relating to the appointment and dismissal of trustees, voting rights and meetings need to be clear.
- **What happens when a member dies** – steps need to be taken to ensure that when a member of the fund dies, their wishes are respected. For example, appointing a legal personal representative as trustee, reversionary pensions or binding death nominations.

## Who cannot have a six member fund?

Not all SMSFs will have the option to allow six members because in some instances, the number of individual trustees that a trust can have is limited to less than five or six trustees by State legislation (Queensland for example). In these cases, fund members might opt to use a corporate trustee.

### Administrative impact on an SMSF

The change from four to six members updates the definition of an SMSF, and as a result, has a practical impacts across other Acts and Regulations.

Sign-off requirements for an SMSF's accounts and financial statements will change. Currently, if an SMSF has more than one director member, its accounts and statements must be signed by at least two members in their capacity as individual trustee or as a director of a corporate trustee. As there cannot be more than four members of an SMSF under the current rules, these requirements ensure that all members sign the accounts and statements of SMSFs with one or two members. For SMSFs with three or four members, at least half of the members must sign its accounts and statements for an income year. Under the updated requirements, an SMSF with one or two directors or individual trustees must have its accounts and statements signed by all of those directors or trustees. For all other SMSFs (that is, those with between three and six directors or trustees), the accounts and statements of the SMSF must be signed by at least half of the directors or individual trustees.

## Quote of the month

"Survival is not about being fearless. It's about making a decision, getting on and doing it."

**"Bear" Grylls**

# New laws target sharing economy platforms

In an attempt to reign in undeclared income, proposed new laws will require platform providers in the sharing economy to report all transactions through their platforms.

Traditional employment models have shifted in favour of more flexible options including contracting, self-employment and use of labour hire. Consumers are increasingly paying to 'use' rather than 'own' assets, creating new income opportunities for the owners of assets – like AirBNB. And, the Government believes they are missing out on tax revenues from these payments – income tax from income earned, GST on ride sharing (because the ATO considers all ride sharing a taxi service and as a result GST applies), and capital gains tax on the sale of property used to earn income, etc.

While data matching programs have targeted sharing platforms previously, the proposed laws provide a structured and consistent framework to recognise all revenue earned in Australia through these platforms.

The laws target electronic platforms capturing those that act as intermediaries between buyers and sellers, to more complex arrangements where the platform operator assumes much of the inherent risk in the transaction between the buyer and the seller, play a quality assurance role, and ensure a seamless experience for the buyer and seller. The laws do not rely on the platform processing payments and will reach to those who use third party payment providers.

If implemented, the laws will apply to ride sharing and accommodation services from 1 July 2022, and all other services from 1 July 2023.