

Growing your business value

Over the next decade, as the baby boomer bubble of small and medium sized business owners roll through the system, Australia will experience one the largest transfers of business wealth in its history.

Succession planning is more important than ever. Not just because of the transfer of wealth, but because of the polarising impact of high supply and low demand on the saleable value of a business.

Australia is expected to see the retirement age of baby boomers peak over the coming decade. The basics of the law of supply and demand suggest that as supply increases, prices will be driven downwards. For SMEs however, there is a much greater probability we will see a dramatic polarisation in the price of SMEs for sale. High quality businesses command premium prices while low quality businesses will be highly price sensitive and, in some cases, unsaleable.

If your children are not offering you a retirement strategy, selling your business can be difficult if there are not obvious competitors or complimentary businesses knocking on your door for your market share or unique offering.

Forward planning for succession is a critical issue for SME owners who want to exit their business over the coming decade. This planning, with an adequate timeframe, allows you to actively enhance the value of your business.

Most business owners have a view on what their business might be worth and the factors that influence business value. The key question then is, what do you need to focus on to enhance business value for a potential buyer? There are four key areas: growth, capacity, profitability and risk.

Growth

Buyers will generally pay a premium for a built-in level of growth. Growth, if well managed, will produce increased profits. So, a potential buyer knows that the revenue stream they are purchasing with the business, comes with a growth increment. Not only does this growth factor offer future profit increments it also insulates the business against the 'what if' factor. Any major change in a business causes a disconnect and these disconnect events can impact revenues and profits. Built in growth offers some protection against this.

Capacity

Provides for both the present and capability to facilitate growth in the future. Areas where capacity needs to exist includes infrastructure, systems capability, and management capability. Systems and management are often the areas given the least amount of focus, yet they are the very areas where value can be leveraged and enhanced the most. One of the reasons why franchises command price premiums is because they offer a level of systems and management. These same factors can be built into any business.

Profitability

A history of profits and strong cashflows are normally the two greatest influences on SME business value. When assessing your profitability, you need to compare yourself at two levels. First compare your performance against the top quartile of your industry sector. Top quartile businesses always attract higher valuations. Then, look outside your own business sector. Measure your Return on Investment (ROI). Buyers of your business will not only be comparing you with your industry. They may be looking for investment return more than they are looking for a specific business. So, in a potential sale you may be competing with a business from another

industry to secure your buyer. You should be looking for a ROI in excess of 25%.

Risk Management

Business owners are becoming more sensitive to risk. Strong corporate governance and risk management policies will enhance business value. Buyers will be looking for a history of compliance and a risk management culture. Risk management can include the existence of current employment contracts, operating licences, customer and supplier agreements and OH&S procedures.

These four areas will normally be high on the business value hierarchy and the areas where change can most significantly impact on business value.

If business succession is on your agenda, you need to assess your business under these criteria. Where your performance or position is below what it needs to be, you can identify the issues that you need to focus on to change your business value.

This process may not simply mean the difference between an ordinary sale price and a good price. It may be the difference between a sale that releases your business capital or no sale at all.

Talk to us about succession planning for your business that makes a difference.

Are COVID-19 grants and funding tax free?

Most people would think that money provided by the Government to support people and business during a crisis would be tax free? Otherwise, it's like giving money with one hand and then taking it away with the other, isn't it?

But, the tax laws don't work like that. To make a payment tax-free, legislation is required to enable it to be classified as exempt income or non-assessable non-exempt income. In general, any income received will be assessable unless the Government has legislated for it to be tax-free. JobKeeper for example was not tax free and anyone who received it in 2020-21 will need to declare it in their income tax return.

At the Federal Government level, the Prime Minister recently announced that the COVID-19 Disaster Payment will be tax free and legislation enabling this change is before Parliament. Other payments however, such as Pandemic Leave Disaster Payment, remain taxable.

The Treasurer has also been granted the power to make State and Territory grants tax-free but only from 13 September 2020, and only if they request the Commonwealth Government to make it tax free. If you're confused, it's not surprising. The result is a mix of tax treatments depending on what support you received and from whom. To date, only a series of Victorian business grants are tax-free (but we expect more will be made tax free).

The general rule is that grants are likely to be taxable unless they are specifically excluded from tax. If the grant relates to your continuing business activities, then it is likely to be included in assessable income for income tax purposes. The position can be different in cases where the

payment is made so that the entity can commence a new business or cease carrying on a business but there will still often be some tax implications.

Lockdown Support Update – August 2021

The support available to individuals and business has been constantly evolving and changing. Here's a summary of where support stands around the country.

For individuals

From 2 August 2021, the COVID-19 Disaster Payment has increased to a maximum of \$750 per week for those who have lost 20 hours of work or more, and \$450 for those who have lost between 8 and 20 hours of work. In most cases, the payment now applies from day 1 of a lockdown. In general, you need to be living in, or impacted by Commonwealth declared lockdown to receive the payment although some States have funded an extension of the payment beyond hotspot areas.

A special separate \$200 a week 'top-up' payment has been added for those currently receiving an income support payment through social security, ABSTUDY Living Allowance, Dad and Partner Pay or Parental Leave Pay in addition to their existing payment, if they can demonstrate they have lost more than 8 hours of work and meet the other eligibility requirements for the COVID-19 Disaster Payment. The payment was put in place because people receiving income support payments are not eligible for the COVID-19 Disaster payment.

New South Wales business

In New South Wales, the following grants and payments are accessible:

- Up to \$100,000 in weekly JobSaver cashflow support payments. Payments are based on 40% of your NSW payroll payments. Eligible businesses without employees that meet the eligibility criteria (such as sole traders with no employees), can access a payment of \$1,000 per week.
- Up to \$15,000 through the expanded NSW 2021 COVID-19 business grants program
- NSW micro-business grants

The decline in turnover test required for the JobSaver, COVID-19 business and micro-business grants has been causing a lot of angst but some additional flexibility has been provided. Businesses and non-profit entities can now pass this test if they can show a decline in turnover of at least 30% due to the Public Health Order over a minimum 2-week period within the relevant test period compared to:

- The same period in 2019;
- The same period in 2020; or
- The 2-week period immediately before the start of the relevant test period.

The test period depends on which payment you are looking at:

- COVID-19 business grant: 26 June 2021 to 17 July 2021 (this is changed to 27 May 2021 to 17 July 2021 for entities on the NSW border with Victoria);
- JobSaver and the micro-business grant: 26 June 2021 until the Greater Sydney lockdown ends.

This additional flexibility is helpful for businesses that started after the comparison period in 2019 and for those that have undertaken an acquisition, disposal or restructure.

Queensland business

\$5,000 Business Support Grants are available for those impacted by the lockdown from Saturday, 31 July 2021. Your business does not have to be in the local government areas locked down but needs to be impacted by it. To access the grant, you will need to show a decline in turnover of at least 30%. The grants are available to businesses with a turnover of \$75,000 or more and annual Queensland payroll of less than \$10 million. Applications open mid-August. See [Business Queensland](#) for details.

South Australia

Grants of \$3,000 for employing businesses and \$1,000 for non-employing businesses are available to businesses that experienced a decline in turnover of at least 30% as a result of the health restrictions from 20 July 2021. The grants are available to those with a turnover of \$75,000 or more and Australia wide payroll of less than \$10 million. See [COVID-19 Business Support Grant – July 2021](#) for details.

More funding for Victorian SMEs

There are two main streams for grants in Victoria:

- Those who qualified for the Business Costs Assistance Program Round Two or the Licensed Hospitality Venue Fund 2021; and
- Businesses that previously did not access grants

Existing grant beneficiaries

If your business previously received the Business Costs Assistance Program Round Two or the Licensed Hospitality Venue Fund 2021, additional grants of \$2,800 for the Business Costs Assistance Program Round Two and up to \$20,000 for the Licensed Hospitality Venue Fund 2021 have been announced. Your business cannot retrospectively apply for these grants. See

[Helping Victorian Businesses Who Need It Most.](#)

New grants

For businesses that did not access previous grants, the [Business Costs Assistance Program Round Two July Extension](#) offers grants of \$4,800 for employing and non-employing business depending on your sector. For those in the hospitality sector, a new [Licensed Hospitality Venue Fund 2021 July Extension](#) is available offering grants of up to \$7,200 for each eligible premises. Applications for both grants close 13 August 2021.

A new Small Business COVID Hardship Fund grant of up to \$8,000 has been announced for businesses that are not eligible for existing support funding. To access the grant, your business must be severely impacted by the COVID-19 lockdowns with a decline in turnover of 70% or more. No further details are available at present.

Other support

For Alpine businesses, additional grants between \$5,000 and \$20,000 will be available to 430 Alpine based businesses. See the [Alpine Resorts Winter Support Program](#) (closes 20 August 2021).

Rent relief for commercial tenants is also now in place for businesses that have suffered a decline in turnover of at least 30% as a result of COVID-19. Landlords will be required to provide proportional rent relief in line with a business's reduction in turnover and mediation is available through the Victorian Small Business Commission. A hardship fund will be established for landlords providing rent relief although no details are available as yet.

How to contact us

We're available to assist you with the lockdown support for

your business.

If you need assistance, contact our office on 08 6118 6111 or email hello@prescottsolutions.com.au

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What lockdown support is available in Victoria?

Support is available if you are impacted by the Victorian lockdowns.

Support for my business

Top-up support

The Victorian Government has announced new cash grants for businesses impacted by the lockdown declared on 15 July 2021.

The cash grants will be paid automatically to businesses that successfully received a grant from the *Business Costs Assistance Program Round Two* or the *Licensed Hospitality Venue Fund 2021* (including regional businesses).

	Top-up amount
Licensed Hospitality Venue Fund	\$3,000
Business Costs Assistance Program	\$2,000

You will not need to take any further action. The grant will automatically be paid. The payment will be processed from mid-July.

I did not apply for the original grants but would like to apply for the top-up?

BusinessVictoria has stated that more information is coming shortly on this question. The first step is to ensure that you were eligible for the original grants.

Support for me

There are two payments accessible to individuals: the [COVID-19 Disaster Payment](#); and, the [Pandemic Leave Disaster Payment](#).

How to apply for support

You can apply for the COVID-19 Disaster Payment through your [MyGov](#) account if you have created and linked a Centrelink account. Apply for the Pandemic Leave Payment by phoning Services Australia on 180 22 66.

COVID-19 Disaster Payments

The COVID-19 Disaster Payment is a weekly payment available to eligible workers who can't attend work or who have lost income because of a lockdown and don't have access to certain paid leave entitlements. If you are a couple, both people can separately claim the payment.

Timing of the payment

The disaster payment is generally 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](#)).

However, In Victoria anyone who meets the eligibility criteria will be able to access the payment from day 1 of the lockdown (15 July 2021) but the payment will not be accessible until 23 July 2021.

How much is the payment?

The COVID-19 disaster payment amount available depends on:

- How many hours of work you have lost in the week, and
- If the payment is on or after the third period of the lockdown.

Hours of work lost	Disaster payment amount
Between 8 and 20	\$375
20 or more	\$600

The payment applies to each week of lockdown you are eligible and is taxable (you will need to declare it in your income tax return).

Eligibility

The COVID-19 disaster payment is emergency relief. It is available if you:

- Live or work in an area that is subject to a state or territory public health order that imposes restriction on movement and is declared a Commonwealth COVID-19 hotspot, or
- Have visited an area that is a Commonwealth COVID-19 hotspot and you are subsequently subject to a restricted movement order when you return to other parts of New South Wales or interstate.

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
- Have lost 8 hours or more of work or a full day of your usual work as a result of the restrictions – losing work includes being stood down by your employer, not being assigned any shifts for the week of restrictions and being unable to work from home. Losing a full day of what you were scheduled to work but could not work because of a restricted movement order. This includes not being able to attend a full-time, part-time or casual shift of less than 8 hours, and
- Don't have paid leave available through your employer (other than annual leave), and
- Are not receiving income support payments, a state or territory pandemic payment, Pandemic Leave Disaster Payment or state small business payment for the same period. Income support payments include Age Pension, Austudy, Carer Payment, Disability Support Pension, Farm Household Allowance, JobSeeker Payment, Parenting Payment, Partner Allowance, Special Benefit, Widow Allowance, Youth Allowance and Income Support Supplement, Service Pension or Veteran Pension from the Department of Veterans' Affairs.

Pandemic Leave Disaster Payment

The Pandemic Leave Disaster Payment is for those who have been advised by their relevant health authority to self-isolate or quarantine because they:

- Test positive to COVID-19;
- Have been identified as a close contact of a confirmed COVID-19 case;
- Care for a child, 16 years or under, who has COVID-19;

or

- Care for a child, 16 years or under, who has been identified as a close contact of a confirmed COVID-19 case; or
- Care for a person who has tested positive to COVID-19.

How much is the payment?

The payment is \$1,500 for each 14 day period you are advised to self-isolate or quarantine. If you are a couple, you both can claim this payment if you meet the eligibility criteria.

Eligibility

The Pandemic Leave Disaster Payment is available if 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
- Are unable to go to work and earn an income; and
- Do not have appropriate leave entitlements, including pandemic sick leave, personal leave or carers leave; and
- Are not getting any income support payment, ABSTUDY Living Allowance, Paid parental leave or Dad and Partner Pay. Income support payments include Age Pension, Austudy, Carer Payment, Disability Support Pension, Farm Household Allowance, JobSeeker Payment, Parenting Payment, Partner Allowance, Special Benefit, Widow Allowance, Youth Allowance and Income Support Supplement, Service Pension or Veteran Pension from the Department of Veterans' Affairs.

The payment is taxable and you will need to declare it in your income tax return.

If you are uncertain of your eligibility, talk to [Services Australia](#).

How to contact us

We're available to assist you with the lockdown support for your business.

Some of the details for the grants are not yet available, and the application websites are under extreme loads making the sites difficult to access. We will keep you up to date.

If you need assistance, contact our office on 08 6118 6111 or email hello@prescottsolutions.com.au

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What lockdown support is available to NSW business?

If your business has been adversely impacted by the recent lockdown in NSW, support is available.

The NSW and Federal Governments have announced a series of new measures to support business during extended lockdowns of four weeks or more.

- Up to \$15,000 through the expanded NSW 2021 COVID-19 business grants program

- Up to \$10,000 cashflow support per week
- NSW micro business grants
- NSW payroll tax deferrals and a 25% payroll tax waiver
- NSW Rent protections and grants
- NSW Sector support for the arts and accommodation sector

You can streamline the process of applying for business support by ensuring:

- Your business and contact details are up to date on the [Australian Business Register](#)
- Your personal and business details are up to date and you have a [MyServiceNSW](#) account with a [business profile](#)

2021 COVID-19 Business Grant of up to \$15,000

The previously announced small business grants have been increased to up to \$15,000 and expanded to eligible businesses (including not-for-profits and sole traders) with annual wages of up to \$10 million.

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.

Decline in turnover	Grant
70%+	\$15,000
50% or more	\$10,500
30% or more	\$7,500

How to apply

Applications are made online through [ServiceNSW](#). Applications close at 11:59pm on 13 September 2021.

Eligibility

The 2021 COVID-19 business grant is available if you:

- Have an active ABN; and
- Can demonstrate that your business was operating in NSW as at 1 June 2021; and
- Have had total annual Australian wages of \$10m or less as at 1 July 2020; and
- Have had an aggregated annual turnover between \$75,000 and \$50m (inclusive) for the year ended 30 June 2020; and
- Have business costs for which there is no other government support available; and
- Maintain employee headcount as at 13 July 2021; and
- Have experienced a decline in turnover of at least 30% over a minimum 2-week period from 26 June 2021 to 26 July 2021, compared to the same period in 2019.

Businesses that are not able to meet all the eligibility criteria can still potentially qualify for the grant, but will need to contact ServiceNSW to discuss the situation before applying.

Businesses and not-for-profit organisations on the NSW border with Victoria impacted by the lockdown orders that began on 27 May 2021 may use a different comparison period to demonstrate a decline in turnover. For each of the 3 grant amounts, these businesses must demonstrate a decline in turnover over a minimum 2-week period from 27 May 2021 to 26 July 2021.

Non-employing businesses are not eligible to apply if persons associated with the business, and who derive income from it, have applied for, or are receiving, the Commonwealth COVID-19

Disaster Payment.

We can work with you to help assess your eligibility and apply for the grant!

JobSaver: Cashflow Support of up to \$10,000

A cashflow payment between a minimum of \$1,500 and maximum of \$10,000 per week based on 40% of the NSW payroll payments of your business (including not-for-profits).

Businesses without employees that meet the eligibility criteria such as sole traders, will be able to access a payment of \$1,000 per week.

The cashflow support will cease when lockdown restrictions are eased or when the Commonwealth hotspot declaration is removed.

The cashflow support payments will be made weekly.

How to apply

Applications for the cashflow support have not yet opened but you can register your interest through [ServiceNSW](#).

Eligibility

- Annual turnover between \$75,000 and \$50 million
- Demonstrate a 30% or more decline in turnover
- Maintain your full time, part time and long term casual staffing level as of 13 July 2021
- Impacted by the current Greater Sydney COVID-19 restrictions

\$1,500 Micro Business Grants

A new grant for micro businesses (including sole traders) providing \$1,500 per fortnight while lockdown restrictions apply. The grants are available from week one of the lockdown

until restrictions are eased.

How to apply

Applications for the cashflow support have not yet opened but you can register your interest through [ServiceNSW](#).

Eligibility

- Annual turnover of more than \$30,000 and less than \$75,000
- Demonstrate a 30% or more decline in turnover
- The business provides the primary income source for a person associated with the business
- Impacted by the current Greater Sydney COVID-19 restrictions

Payroll tax relief

Payroll tax and lodgement deadline deferred

NSW payroll tax has been deferred for July and August 2021 until 7 October 2021 for all businesses.

The due date for the 2020-21 annual reconciliation has also been deferred until 7 October 2021.

Previous payroll tax deferrals and payment arrangements for 2020-21 due in July 2021 have not been deferred.

25% payroll tax waiver for businesses between \$1.2m and \$10m

Businesses with Australian wages of between \$1.2 million and \$10 million that have experienced a 30% decline in turnover, will be provided with a 25% payroll tax waiver in 2021-22. Further details of the reduction will be available by the end of August from [RevenueNSW](#).

Rent protections and grants

Commercial and retail rent protections will be reinstated.

Eviction moratorium

Legislative amendments will be introduced shortly providing a short-term eviction moratorium for rental arrears where a residential tenant suffers loss of income of 25% due to COVID-19 and meets certain other criteria. The moratorium applies to tenants with an annual turnover of \$50 million or less.

Commercial and retail landlords will need to attempt mediation before recovering a security bond, or locking-out or evicting a tenant impacted by Public Health Orders.

Land tax relief

Land tax relief equal to the value of rent reductions provided by commercial, retail and residential landlords to financially distressed tenants will be available for up to 100% of the 2021 land tax liability.

See [Residential Tenancies Moratorium Application for rent negotiation](#)

Specific sector based support

Arts community

A \$75 million support package will be provided to the performing arts sector to be administered by [Create NSW](#).

The package will be delivered in two stages:

- Immediate support to provide relief to eligible organisations who were staging performances during the period covered by the Public Health Orders.
- Funding available to support eligible organisations to

reschedule performances once it is safe for restrictions to ease.

Eligible organisations include performing arts organisations with heavy reliance on box office income, including not-for-profit performing arts companies who were staging, or scheduled to stage performances during the lockdown period, commercial producers and some live music venues.

Organisations will need to provide evidence of performances scheduled, venues and average ticket prices.

[CreateNSW](#) will open applications from 23 July 2021.

Accommodation sector

A \$26 million support package for eligible tourism accommodation providers that have lost business during the school holiday period. Assistance will be based on the number of cancelled 'room nights' of:

- \$2,000 for up to 10 room nights
- \$5,000 for 11 or more room nights

To be eligible, you will need to be able to show evidence of cancellations for lost room nights between 25 June and 11 July 2021.

Gaming machine tax deferrals

All businesses paying hotel or club gaming machine tax will be able to defer the taxes for the 2021-22 financial year:

- Hotels: deferrals for June and September quarter until 21 January 2022.
- Clubs: deferrals for the August quarter until 21 December 2022.

How to contact us

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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.

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.

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 & Payment 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
- 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 Minister 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 Amount

Over 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

update 13 July 2021

Small and medium business support payments

From week four of the lockdown, the Commonwealth will fund 50 per cent of the cost of a new small and medium business support payment to be implemented and administered by Service NSW.

- Eligible entities will receive 40 per cent of their NSW payroll payments, at a minimum of \$1500 and a maximum of \$10,000 per week.
- Entities will be eligible if their turnover is 30 per cent lower than an equivalent two week period in 2019.
- The new small to medium business support payment will be available to non-employing and employing entities in NSW, including not for profits, with an annual turnover between \$75,000 and \$50 million.
- To receive the payment, entities will be required to maintain their full time, part time and long term casual staffing level as of 13 July 2021.

For non-employing businesses, such as sole traders, the

payment will be set at \$1,000 per week.

Businesses can register their interest from 14 July 2021 at [Service NSW](#)

The assistance will cease when current lockdown restrictions are eased or when the Commonwealth hotspot declaration is removed.

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 have not yet open but you can register for updates. Specific [industry assistance](#) is also available.

[Applications for the grant](#) open 19th July

South Australia & ACT

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

Director ID's, Post-JobKeeper Stimulus and Working From Home Benefits

Here at Prescott we're feeling a little guilty after a chocolate-fuelled long weekend. So we're excited to bring you a few news updates to knock us all back into reality...

COVID-19 and working from home benefits

The ATO has released a [fact sheet](#) to assist employers in determining the FBT consequences of any assistance they may have provided to employees in connection with working from home. The fact sheet covers many of the more common benefits provided and the exemptions or concessions that may potentially apply.

While benefits relating to items such as laptops, other

portable electronic devices and tools of trade can be exempt from FBT, the provision of other general office items such as desks, chairs, stationery or computer monitors may give rise to an FBT liability depending on how they are used.

Although not strictly specific to working from home situations, the [fact sheet](#) provides some guidance on the provision of 'work-related counselling' services which may also be exempt from FBT. This refers to counselling that seeks to improve or maintain the quality of an employee's work performance and relates to matters such as health and safety, stress management, relationships, retirement, and any other similar matters. This includes counselling sessions undertaken via telephone or online platforms during a period when the employee is working from home.

Most Fringe Benefits Tax returns will be due in May or June, so if you would like to discuss your reporting requirements in relation to these employee benefits, please call our office on 08 6118 6111 or email hello@prescotttsolutions.com.au.

Compulsory director ID exposure draft rules released

As part of the Federal Government's plan to modernise how business registers are managed, 31 business registers managed by ASIC will be consolidated into a single platform and company directors will be issued with an ID that they will keep forever. This is to enable better tracking of company directors and prevent the use of fictitious identities, providing traceability of a director's relationships across companies.

Effectively the intention is that any and all company directors will be issued with an ID number.

At this stage it's still a Treasury exposure draft, with the

transitional application period under the Corporations Act being 4 April 2021 to 30 November 2022 and the transitional application period under the CATSI Act (Aboriginal and Torres Strait Islander) being 4 April 2021 to 30 November 2023.

Post-JobKeeper stimulus

The Federal government has announced several [new stimulus measures](#) and the extension of some existing measures for the period following the end of the JobKeeper scheme.

Broadly, the SME Loan Guarantee Scheme will be extended to 31 December 2021 although access to the scheme is being restricted to businesses which were recipients of JobKeeper payments for the period between 4 January 2021 and 28 March 2021, specifically small and medium sized businesses with up to \$250 million turnover. Other key changes in the operation of the scheme include:

- An increase in the proportion guaranteed by the government (up from 50% to 80%);
- Increasing the size of eligible loans from \$1 million to \$5 million;
- The turnover threshold is increasing from \$50 million to \$250 million;
- Maximum loan terms under the expanded scheme increased from 5 to 10 years; and
- Allowing the refinancing of existing loans.

The other main element of the [package](#) is aimed at the airline and tourism industries, which have of course been heavily impacted by COVID-19. While the precise details of these measures have not been released, the headline item is a half-price airline ticket program initially encompassing specific destinations within Australia.

As ever, if you wanted to chat to one of our friendly team about any of these updates and how they may impact your

business, please give us a call on 08 6118 6111 or email hello@prescottsolutions.com.au.

FBT 2021: Tax & Employee Benefits

Fringe benefits tax (FBT) is one of Australia's most disliked taxes because it's cumbersome and generates a lot of paperwork. The COVID-19 lockdowns have added another layer of complexity as many work patterns and behaviours changed.

A fringe benefit is a 'payment' to an employee or an associate (an associate is someone related to you such as a spouse, child or even a friend), but in a different form to salary or wages. A benefit might be as simple as hosting a work Christmas party, providing car parking, using a work vehicle, or providing the goods or services of the business at a reduced rate to what the public pay.

If your business is not already registered for FBT, it's important to understand if fringe benefits have been provided. Generally, the ATO will look closely at unregistered employers and where there are mismatches in data.

With the FBT year ending on 31 March, we look at the key issues and the Australian Taxation Office's (ATO) hotspots.

What is exempt from FBT?

Certain benefits are excluded from the FBT rules if they are provided primarily for use in the employee's employment. These

include:

- Portable electronic devices (e.g., laptop, ipad, printers, GPS, etc.). Larger businesses are limited to the purchase or reimbursement of one portable electronic device for each employee per FBT year;
- A handbag, briefcase or satchel to carry items you are required to use and carry for work, such as laptops, tablets, work papers or diaries. Be warned that if you are using these bags for a mix of personal and work use, then the use needs to be apportioned and will not be fully exempt from FBT. The ATO is not going to pay for your Gucci bag even if you do throw your ipad into it on occasion.
- Tools of trade.

Also, if the item or service provided to the employee is less than \$300 and is a one-off, it's generally classed as a minor benefit and exempt from fringe benefits tax.

COVID-19 & FBT

The ATO has changed how it will approach FBT compliance this year because of the impact of COVID-19 on work patterns and conditions.

Emergency assistance such as flights and accommodation – emergency assistance to provide immediate relief to employees because the employee is at risk of being adversely affected by COVID-19 will generally not be subject to FBT. This might include:

- Expenses incurred relocating an employee, including paying for flights home to Australia.
- Expenses incurred for food and temporary accommodation if an employee cannot travel due to restrictions

(domestic, interstate or intrastate).

- Benefits provided that allow an employee to self-isolate or quarantine.
- Transporting or paying for an employee's transport expenses including car hire and transport to temporary accommodation.

For fly-in fly-out workers, this includes temporary accommodation and meals where they were unable to return home because of border or travel restrictions.

Health care – Providing flu vaccinations to employees is generally exempt from FBT because it is work-related preventative health care. However, health care treatment is only exempt from FBT if it is provided to your employees at your workplace or adjacent to your worksite. The cost of ongoing medical costs are generally not exempt.

Company cars – a company car garaged at an employee's home will generally attract FBT. However, this FBT year, many company carparks and places of business were closed. As a result, the ATO has stated that for employers using the operating cost method, if the "car has not been driven at all during the period it has been garaged at home, or has only been driven briefly for the purpose of maintaining the car, we will accept that you don't hold the car for the purpose of providing fringe benefits to your employee." But, you will need to maintain odometer readings that show the car has not been used.

If the car was used, fringe benefits generally applies. However, if the car was used for business purposes then this use reduces the taxable value. If the car was only used for business, the taxable value may be reduced to zero.

Logbooks – COVID-19 is likely to have impacted on driving patterns and the ATO have made some concessions where the 12 week log book period was interrupted.

If you are already using the logbook method and have an existing logbook in place, you can still rely on this logbook. However, you must keep odometer records for the year to show how much the car has been driven during the year including during any lockdown period.

If this is the first year you have used a logbook, you still need to keep an accurate 12 week logbook. However, if COVID-19 impacted driving patterns during that 12 weeks, then the ATO will allow you to adjust the use indicated in the logbook to account for the change in driving patterns.

Not-for-profit salary packaging – Not-for-profit employers often provide salary-packaged meal entertainment to employees to take advantage of the exempt or rebatable cap. For the FBT year ending 31 March 2021, the ATO has stated that they will not look into these arrangements where meals are provided by a supplier that was authorised as a meal entertainment provider as at 1 March 2020.

Cancellation fees – non-refundable costs for cancelled events are exempt from FBT unless the employee paid for the event themselves and was reimbursed by you. That is, if the employer paid for the event then the cancellation fee is the employer's obligation as no benefit was provided. If the employee paid for the event, the cancellation fee is the employee's obligation that has been reimbursed. It really depends on who the arrangement was between.

ATO 'red flags'

One of the easiest ways for the ATO to pick up on problem areas is where there are mismatches in the information provided to the ATO. Common problem areas include:

Entertainment deductions with no corresponding fringe benefit – A simple way for the ATO to pick up on a problem is

when an employer claims a deduction for expensive entertainment expenses – meals out, tickets to cricket matches, etc., – but there is not a corresponding recognition of the fringe benefit. Entertainment expenses are generally not deductible and no GST credits can be claimed unless the expenses are subject to FBT.

If your business uses the 'actual' method for FBT purposes and the value of the benefits provided is less than \$300 then there might not be any FBT implications. This is because benefits provided to a client are not subject to FBT and minor benefits provided to employees (i.e., value of less than \$300) on an infrequent and irregular basis are generally exempt from FBT. However, no deductions should be claimed for the entertainment and no GST credits would normally be available either.

If the business uses the 50/50 method, then 50% of the meal entertainment expenses would be subject to FBT (the minor benefits exemption would not apply). As a result, 50% of the expenses would be deductible and the company would be able to claim 50% of the GST credits.

Employee contributions reduce fringe benefits tax but not recognised in income tax return – Where employee contributions reduce the amount of fringe benefits tax payable (for example where an employee makes a contribution relating to a car fringe benefit), a corresponding amount needs to be recognised in the income tax return of the employer.

So to all those generous employers out there that are providing benefits to your employees, please get in touch to discuss the possible tax impact that these benefits can trigger, email hello@prescottsolutions.com.au or phone 08 6118 6111.