



Boosting Cash Flow For Employers – PAYG Withholding Credits

Summary

The cash flow boost provides for payments to support employers by boosting their cash flow. Another intention with this measure is to encourage the retention of employees through any follow-on downturn.

1. There are two rounds of cash flow boost.
2. The second or additional cash flow boost is determined from the amount of the first cash flow boost. It will not be based on the actual PAYG Withholding reported by the employer
3. The amount of the first or initial cash flow boost is determined by the actual amount of PAYG withholdings from wages or the minimum cash flow boost payment (\$10,000), whichever is larger.
4. The maximum first cash flow boost amount is \$50,000.
5. If eligible, the minimum “payment” to an business will be \$20,000 and the maximum will be \$100,000 from the two cash flow boost payments combined. To make it more confusing there are actually multiple payment involved, not just two.
6. The “payments” are actually credits given to the entity through the lodgement of activity statements. If the credits exceed the amount

owing, a refund will be paid by the ATO to the entity within 14 days of the due date for lodgement of the activity statement.

7. The payments will operate in a different manner for monthly and quarterly lodgers of activity statements. The examples below will explain this.

Eligibility

You will be eligible to receive the cash flow boost if you are a small or medium business, including not-for-profit organisations, sole traders, partnership, company or trust that:

- held an ABN on 12 March 2020 and continues to be active
- has an aggregated annual turnover under \$50 million
- made eligible payments you are required to withhold tax from (even if the amount you need to withhold is zero).

Eligible payments include:

- salary and wages
- director fees
- eligible retirement or termination payments
- compensation payments

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- voluntary withholding from payments to contractors.

In addition, you must also have either:

- derived business income in the 2018–19 income year and lodged your 2019 tax return on or before 12 March 2020
- made GST taxable, GST-free or input-taxed sales in a previous tax period (since 1 July 2018) and lodged the relevant activity statement on or before 12 March 2020.

The ATO may also give you further time to provide them notice that business income or supplies were made. This will generally be the case where you have a lodgment deferral in place. If you did not have a lodgment deferral in place, you will not become eligible if you lodge or amend returns for those periods now.

Charities registered with the Australian Charities and Not-for-profits Commission are eligible, regardless of when they were registered, if they meet the other eligibility requirements namely:

- have an aggregate annual turnover of less than \$50 million
- made payments to employees.

The ATO will use the aggregated annual turnover in the most recent previous year's tax return to determine eligibility.

If a not-for-profit organisation or charity is not required to lodge a tax return, they may still be eligible if the ATO are satisfied, based on information available, that their aggregated annual turnover is under \$50 million.

The initial cash flow boost.

The initial cash flow boosts will be delivered as credits in the activity statement system from 28 April 2020. If you lodge early, you will not receive the cash flow boost before this date. Where the credit the entity receives places it in a refund position after applying any other tax obligations such as GST, PAYG instalments or outstanding debt etc, the ATO will deliver the net refund to the entities bank account within 14 days.

If you lodge:

- quarterly, you will be eligible to receive the credit for:
 - o quarter 3, March 2020 (lodgment due date 28 April 2020), and
 - o quarter 4, June 2020 (lodgment due date 28 July 2020).
- monthly, you will be eligible to receive the credit for the lodgment periods of
 - o March 2020 (lodgment due date 21 April 2020)
 - o April 2020 (lodgment due date 21 May 2020)
 - o May 2020 (lodgment due date 21 June 2020)
 - o June 2020 (lodgment due date 21 July 2020).

The ATO will deliver the payment as a credit to the business only after the relevant activity statement is lodged.

Lodgment deferrals

As the cash flow boost is generated on lodgment of an eligible activity statement (March to September 2020), if a lodgment deferral has been granted by the ATO to you or through your tax agent, the cash flow boost will generally be made at the time of the deferred lodgment.

To be entitled to the cash flow boost, eligible businesses need to lodge the relevant activity statements within two years of when the activity statements were due to be lodged. This ensures that the Boosting Cash Flow for Employers measure is targeted at helping employers during the period affected by COVID-19.

The additional cash flow boost

Eligible businesses who received initial cash flow boosts will receive additional cash flow boosts, for the periods June to September 2020, equal to the total amount of initial cash flow boosts received. This will be delivered in either two or four instalments depending on your reporting period.

Quarterly lodgers will be eligible to receive the additional payment for the quarters ending June 2020 and September 2020. Each additional payment will

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be equal to half of their total initial Boosting Cash Flow for Employers payment (up to a total of \$50,000).

Monthly lodgers will be eligible to receive the additional payment for the June 2020, July 2020, August 2020 and September 2020 lodgements. Each additional payment will be equal to a quarter (1/4) of their total initial Boosting Cash Flow for Employers payment (up to a total of \$50,000).

Calculating the cash flow boost

Eligible businesses that withhold tax on their employees' salary and wages will receive a credit equal to 100% of the amount withheld, up to a maximum of \$50,000. The minimum credit will be \$10,000, even if the amount required to be withheld is zero. However you will not be eligible to receive any more cash flow boosts until your PAYG withholding exceeds \$10,000 over the relevant periods

Monthly lodgers will receive a credit that is calculated at three times the rate (300 per cent) in the March 2020 activity statement, to align with quarterly lodgers.

The total of all initial cash flow boosts across all of the relevant periods cannot exceed the maximum limit of \$50,000.

Example 1 – PAYG withholding is less than \$10,000 in the first period.

Tim owns and runs a small paper delivery business in Melbourne, and employs two casual employees who each earn \$10,000 per year. In his March 2020 quarterly BAS, Tim reports wages paid to his employees of \$3,450 at W1 and tax withheld of \$0 from wages at W2 as his employees are earning under the tax-free threshold.

The March 2020 quarter is the first period Tim is eligible for an initial cash flow boost. His withholding of \$0 is less than \$10,000 so Tim's initial cash flow boost will be the minimum amount \$10,000.

Tim will not receive any further initial cash flow boosts unless his withholding in the June 2020 quarter is greater than \$10,000.

Under the Government's changes, Tim will be eligible to receive the payment on lodgement of his BAS.

Tim's business will receive:

- A credit of \$10,000 for the March quarter, as he pays salary and wages but is not required to withhold tax.
- An additional payment of \$5,000 for the June quarter, equal to 50% of his total Boosting

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- An additional payment of \$5,000 for the September quarter, equal to 50% of his total

Boosting Cash Flow for Employers payments.

If Tim begins withholding tax for the June quarter, he would need to withhold more than \$10,000 before he receives any additional payment. Under the Government's enhanced Boosting Cash Flow for Employers measure, Tim's business will receive \$20,000.

Example 2 – Total cash flow boosts reaches maximum limit of \$50,000

Sarah owns and runs a building business in South Australia and employs 8 construction workers on average full-time weekly earnings who each earn \$89,730 per year. In the months of March, April, May and June for the 2019–20 income year, Sarah reports wages paid of \$59,820 at W1 and withholding of \$15,008 for her employees at W2 on each monthly activity statement.

For March 2020, Sarah's initial cash flow boost is three times her withholding (W2). This equates to \$45,024 ($\$15,008 \times 3$). As this amount is greater than \$10,000, Sarah will receive a cash flow boost of \$45,024.

For the April 2020 activity statement, Sarah's withholding is \$15,008, however there is only \$4,976 of initial cash flow boosts remaining before she reaches the \$50,000 limit. She will receive a further initial cash flow boost of \$4,976.

Sarah will not receive any further initial cash flow boosts after she has reached the \$50,000 limit.

Additional cash flow boost

The amount of additional cash flow boosts you are entitled to is based on the value of initial cash flow boosts you received.

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If you lodge quarterly business activity statements you will receive 50% of your total initial cash flow boosts for each activity statement.

If you lodge monthly business activity statements you will receive 25% of your total initial cash flow boosts for each activity statement.

Example 1a – Quarterly activity statement

Tim in example 1, received initial cash flow boosts of \$10,000. When Tim lodges his June and September 2020 quarterly business activity statements he will receive additional cash flow boosts of 50% of his initial cash flow boosts as follows:

- \$5,000 for quarter ended June 2020,
- \$5,000 for quarter ended September 2020

Example 2a – Monthly activity statement

Sarah received the maximum initial cash flow boosts of \$50,000. When Sarah lodges her June to September 2020 business activity statements she will receive additional cash flow boosts of 25% of her initial cash flow boosts as follows:

- June 2020 - \$12,500 (\$50,000 x 25%)
- July 2020 - \$12,500
- August 2020 - \$12,500
- September 2020 - \$12,500

To work out a quick calculation of the benefits you can use the link below to access the relevant calculator

<https://digit.business/payg-cashflow-boost-calculator>

Schemes

You will not be eligible for cash flow boosts if you (or a representative) have entered into or carried out a scheme for the purpose of:

- becoming entitled to cash flow boosts when you would otherwise not be entitled, or

- increasing the amount of the cash flow boosts.

This may include restructuring your business or the way you usually pay your workers to fall within the eligibility criteria, as well as increasing wages paid in a particular month to maximise the cash flow boost amount.

Any sudden changes to the characterisation of payments made may cause the ATO to investigate whether the payments are in fact wages. If the payments are wages, the ATO may consider the characterisation of past payments, including whether they should have been subject to PAYGW and whether super guarantee contributions should have been made. You may also have FBT obligations that have not yet been met.

Superannuation contributions

Employers should note that there are no changes to the requirement to make superannuation contributions in accordance with the Superannuation Guarantee law.

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