



Stimulus Package - Federal Government Support For Small/Medium Enterprise (SME) Loans

The Government will provide eligible lenders with a guarantee for loans with the following terms:

- Maximum total size of loans of \$250,000 per borrower.
- The loans will be up to three years, with an initial six month repayment holiday.
- The loans will be in the form of unsecured finance, meaning that borrowers will not have to provide an asset as security for the loan.

The Commonwealth Government will provide a guarantee of 50% for loans made to SMEs with turnover of up to \$50 million.

Loans will be subject to lenders' credit assessment processes with the expectation that lenders will look through the cycle to sensibly take into account the uncertainty of the current economic conditions. As part of the loan products available, the Government will encourage lenders to provide facilities to SMEs that only have to be drawn if needed by the SME. This will mean that the SME will only incur interest on the amount they draw down.

If they do not draw down any funds from the facility, no interest will be charged, but they will retain the flexibility to draw down in the future should they need to. The Scheme will commence by early April 2020 and be available for new loans made by participating

lenders until 30 September 2020.

The Government is providing an exemption from responsible lending obligations for lenders providing credit to existing small business customers. This exemption is for six months, and applies to any credit for business purposes, including new credit, credit limit increases and credit variations and restructures. Responsible lending obligations do not currently apply to lending which is predominantly for a business purpose, but it can take time and effort for lenders to be satisfied that the money borrowed meets this test. By providing a temporary exemption from responsible lending obligations, this reform will help small businesses get access to credit quickly and efficiently.

Other forms of assistance differ between each bank with options including:

- deferring loan payments;
- waiving fees and charges;
- debt consolidation;
- waiving penalties for early withdrawal of a term deposit; or
- deferring upcoming credit card payments and increasing emergency limits.

Stimulus Package - Federal Government Support For Small/Medium Enterprise (SME) Loans

Businesses must be careful in choosing which option is correct for them. Options of deferrals generally cease mandatory repayments with interest continuing to accrue. If you have the ability to endure without these measures that is almost always the best option. If you have no choice, these are excellent options your business can utilise to stabilise the business in the short term.

The key is to communicate early and often with your financial institution, it is never too early.

ITP The Income Tax Professionals are more than tax agents. They have been helping Australian individuals and businesses with their business accounting and advice for 50 years and offer a wealth of knowledge. Speak to a Professional today and see how your business can be more profitable.



THE INCOME TAX PROFESSIONALS

www.itp.com.au
1800 367 487