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Boosting Cash Flow for Business

The purpose of this Fact Sheet is to enable you to make a **quick assessment** of your eligibility for the Government's Boosting Cash Flow for business.. It is not a comprehensive guide as the rules are quite complex. If, after you have examined the information in this Fact Sheet and believe that you may be eligible, please **contact us immediately** so we may assist you further.

Eligibility requirements for cash flow boost

The cash flow boost will be available only to 'active eligible employers established **prior to 12 March 2020**'. To be eligible for the cash flow boost, an entity must meet all of the **seven conditions** set out below.

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Condition 1

You are a Small Business Entity or Medium Business Entity

Broadly, the cash flow boost is available only to entities that are either a small business entity (SBE) or a medium business entity (MBE), which means they must have an aggregated annual turnover of less than \$50 million.

There are special rules to calculate aggregated turnover but basically it is **your** ordinary income and the ordinary income of other entities that are connected to you or are affiliated to you.

You must carry on a business and be below the \$50 million turnover threshold.

Not for profits and Charities may also qualify and there are special rules relating to their turnover for eligibility.

When am I required to be a SBE or MBE?

The cash flow boost is only available for a period to entities that carry on a business if either:

- the entity was a small or medium business entity for the **income year** for which they have **most recently** been **assessed**; or
- the **Commissioner** is **reasonably satisfied** it is likely that the entity is a small or medium business entity for the income year that includes the period

Where you have a prior year assessment

You will be an SBE or an MBE for the most recent income year that has been assessed

So, if you:

- have a 2019 assessment — eligibility is based on the aggregated turnover for 2018–19;
- have not yet lodged their 2019 tax return, but has a 2018 assessment — eligibility is based on the aggregated turnover for 2017–18; etc.

Where you do not have any prior year assessments

You will still be eligible if the Commissioner is reasonably satisfied it is likely that you are an SBE or an MBE for the income year that includes the period.



The ATO can determine, based on other information they hold, that you are carrying on a business and has an aggregated annual turnover of less than \$50 million for the 2019–20 or the 2020–21 income years.

Condition 2 - You make a payment subject to PAYG withholding

You are required to make a payment in the period from which an amount must be withheld (even if the amount is not actually withheld) under Subdiv 12-B, 12-C or 12-D in Schedule 1 to the TAA. Basically, these are payments to workers.

General commentary on the measure has often referred to eligibility being based on 100 per cent of the PAYG withholding reported at label W2 on the activity statement. However, not all amounts reported at label W2 on the activity statement are eligible for the cash flow boost because not all withholding payments are paid to workers.

Condition 3 - You notify the Commissioner

You are required to notify the Commissioner of your entitlement to the cash flow boost in the approved form. This will generally be done by way of lodging your monthly or quarterly activity statement.

Condition 4 - You make a payment during the eligible period

You must make an eligible payment during the prescribed period. For 2019-20 year the periods are as follows.

If the period is:

- a month (this applies to large and medium withholders) — the month is March 2020, April 2020, May 2020 or June 2020;
- a quarter (this applies to small withholders) — the quarter ends on 31 March 2020 or 30 June 2020.

Condition 5 - You have an ABN or are ACNC-registered

You either:

- had an ABN on 12 March 2020 and meet the requirements in condition 6 below; or
- are an ACNC-registered charity at any time in the period.

Condition 6 - You are actively in business

One of the conditions in 5 above, where you had an ABN on 12 March 2020, you also must satisfy the condition of being actively in business.

This is an integrity rule that prevents new or inactive entities being established or revived solely to obtain the cash boost. It sets a low threshold, only requiring a single supply or amount of business income to have been reported to the Commissioner on or before 12 March 2020. It can be satisfied if an entity has provided a single activity statement for any month or quarter since 1 July 2018 or an income tax return in relation to the 2018–19 income year.

You will satisfy the "actively in business" requirement in one of two ways.

The Tax Return. Where:

- an amount was included in your assessable income for 2018–19 income year in relation to it carrying on a business; and
- the 2019 income tax return was lodged on or before 12 March 2020 (or a later time allowed by the Commissioner).

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This means that you must have lodged your 2019 income tax return by 12 March 2020. However, this is one of two alternative conditions, so if you can't meet this condition, you will still be eligible if they meet the second condition.

You have made a supply

You will satisfy the actively in business requirement if:

You made a taxable supply in a tax period that applied to you that:

- started on or after 1 July 2018; and
- ended before 12 March 2020; and

the activity statement for that period was lodged on or before 12 March 2020 (or by a later time allowed by the Commissioner).

This means that the entity must have made a supply anytime in the period from 1 July 2018 to:

- if the entity is a quarterly lodger — 31 December 2019; and
- if the entity is a monthly lodger — 29 February 2020,

and they must have lodged the activity statement notifying the Commissioner of that taxable supply by 12 March 2020.

Condition 7 - Integrity Rule

You will be ineligible if the entity, or its associate or agent, has entered into or carried out a scheme or part of a scheme for the sole or dominant purpose of:

- making the entity entitled to the cash flow boost for the period; or
- increasing the amount of the cash flow boost to which the entity is entitled for the period

How will the Cash Flow Boost Actually Work?

The cash flow boost will be tax-free and automatically calculated by the ATO; no new registrations or new forms will be required.

The cash flow boost will be delivered by the ATO as an automatic **credit (not a cash payment)** in the activity statement system from 28 April 2020 upon employers lodging eligible upcoming activity statements.

Quarterly lodgers will be eligible to receive:

- the first boost once they lodge their March 2020 and June 2020 activity statements (up to a total of \$50,000); and
- the second boost once they lodge their June 2020 and September 2020 activity statements (up to a total of a further \$50,000).

Monthly lodgers will be eligible to receive:

- the first boost once they lodge their March 2020, April 2020, May 2020 and June 2020 activity statements (up to a total of \$50,000); and
- the second boost once they lodge their June 2020, July 2020, August 2020 and September 2020 activity statements (up to a total of a further \$50,000).

Type of lodger	First boost 2019–20	Second boost 2020–21
Quarterly	Quarter 3: for January, February and March 2020 — from 28 April 2020 Quarter 4: for April, May and June 2020 — from 28 July 2020	Quarter 4: for April, May and June 2020 — from 28 July 2020 Quarter 1: for July, August and September 2020 — from 28 October 2020

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Monthly	March 2020 — from 28 April 2020 April 2020 — from 28 May 2020 May 2020 — from 28 June 2020 June 2020 — from 28 July 2020	June 2020 — from 28 July 2020 July 2020 — from 28 August 2020 August 2020 — from 28 September 2020 September 2020 — from 28 October 2020
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Timing of the first boost — 2019–20

The first boost will be based on 100 per cent of the PAYG withheld in respect of eligible payments up to a maximum of \$50,000.

The first boost will be payable (i.e. credited) by the Commissioner following lodgment of the eligible activity statements as set out in the table below.

Type of lodger	Eligible boost Period	Lodgement Due Date
Quarterly 2019-20	Quarter 3 — January, February and March 2020 Quarter 4 — April, May and June 2020	28 April 2020 28 July 2020
Monthly	March 2020 April 2020 May 2020 June 2020	21 April 2020 21 May 2020 21 June 2020 21 July 2020

To provide a similar treatment to quarterly lodgers, the initial first boost for monthly lodgers will be calculated at 300 per cent of the amount reported in the March 2020 monthly activity statement.

Rules which apply to the first boost

The first boost will be payable (i.e. credited) by the Commissioner following lodgment of the activity statement according to the following rules:

1. The Commissioner will not credit the first boost any earlier than the due date of the activity statement, however if the entity lodges the activity statement after the due date for lodgment, the Commissioner will credit the first boost only once the activity statement is lodged.
2. Despite, point 1. above, monthly lodgers will not receive their first boosts for March 2020 any earlier than 28 April 2020, which is the earliest date the ATO will apply the credits to eligible entities, regardless of whether the entity is a monthly or a quarterly lodger.
3. The minimum payment of \$10,000 will be applied to the entity's first lodgment.
4. No further cash flow boost will be paid to an entity until, but for the minimum amount of \$10,000, the amount the entity is entitled to receive exceeds the minimum payment. This means that no further cash flow boost will arise unless the PAYG withheld for the June 2020 quarter, or the months of April, May and June 2020, exceeds \$10,000.
5. The ATO will apply the cash flow boost against other tax liabilities arising from the **same** activity statement. This will result in the entity paying less to the ATO.
6. Where the entity is in a refund position, the ATO will deliver the refund within 14 days. This could happen where:
 - the credit exceeds the other tax liabilities on the same activity statement, in which case, the excess is **refunded** to the entity as a **cash payment**;

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- the activity statement is overpaid because the first boost wasn't, or couldn't, be taken into account when working out the amount payable on the activity statement, in which case, the credit is refunded to the entity as a cash payment.
7. If an entity receives a cash flow boost to which it was not entitled, it is obliged to repay that amount, and the general interest charge (GIC) will apply.

Timing of the second boost — 2020–21

The second boost will be equal to the full amount of the first boost to which the entity was entitled.

The second boost is available to all entities that received the first boost, provided the entity lodges an activity statement for the tax periods from June 2020 to September 2020.

The second boost is not subject to:

- the minimum payment of \$10,000; or
- the cap that applies to the first boost (i.e. \$50,000).

While there is no minimum amount or cap on the second boost, it is inherently capped because it is equal to the first boost, which will be at least \$10,000 and cannot exceed \$50,000.

Type of lodger	Eligible boost Period	Lodgement Due Date
Quarterly 2020-21	Quarter 4 — April, May and June 2020 Quarter 1 — July, August and September 2020	28 July 2020 28 October 2020
Monthly	June 2020 July 2020 August 2020 September 2020	21 July 2020 21 August 2020 21 September 2020 21 October 2020

Rules which apply to the second boost

The second boost will be payable (i.e. credited) by the Commissioner following lodgment of the activity statement according to the following rules:

1. The Commissioner will not credit the second boost any earlier than the due date of the activity statement, however if the entity lodges the activity statement after the due date for lodgment, the Commissioner will credit the second boost only once the activity statement is lodged.
2. Entities eligible for the first boost will receive the second boost provided that it:
 - was active prior to 12 March 2020 ;
 - satisfies the integrity rule ; and
 - notifies ATO of its entitlement — this means it must lodge activity statements for the period June 2020 to September 2020.

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3. The second boost is payable only once activity statements for the tax periods from June 2020 to September 2020 are lodged, but it is not based on the amounts reported in those activity statements. As stated above it is equal to the amount of the first boost.

4. If the entity is:

- a large or medium withholder — the second boost will be made in **four** equal payments for the months of June 2020, July 2020, August 2020 and September 2020;
- a small withholder — the second boost will be made in **two** equal payments for the quarters ending June 2020 and September 2020.

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The following questions are intended to assess eligibility for the Cash Flow Boost.

<u>Eligibility Criteria</u>		
Conditions	Yes	No
Are you an SBE or MBE? (You Carry on a business; and your aggregated Turnover < \$50 million based on latest income tax assessment lodged before 12 March 2020 or satisfy Commissioner you are SBE or MBE)	<input type="checkbox"/>	<input type="checkbox"/>
You make a payment to your workers subject to PAYG Withholding in the relevant period?	<input type="checkbox"/>	<input type="checkbox"/>
You make the payment in the relevant period Monthly Lodgers - March, April May and June Quarterly Lodgers - March Quarter and June Quarter	<input type="checkbox"/>	<input type="checkbox"/>
You Notify the Commissioner - by lodging your activity Statement	<input type="checkbox"/>	<input type="checkbox"/>
You had an ABN on 12 March 2020.	<input type="checkbox"/>	<input type="checkbox"/>
You were actively in business as at 12 March 2020 (you have lodged your 2019 tax return before 12 March 2020 or Made a supply after 1 July 2018 and notified Commissioner before 12 March 2020.	<input type="checkbox"/>	<input type="checkbox"/>
Integrity Rule You have not entered into a scheme to become eligible to or increase the amount of the Cash Flow Boost	<input type="checkbox"/>	<input type="checkbox"/>

If you have answered "**yes**" to **ALL** of the above you **may** qualify for the Cash Flow Boost Payments from the ATO. We can assist you in **confirming** your eligibility and completing all necessary forms. Please contact us as a matter of urgency.

If you have answered any question "**No**", you are unlikely to qualify for the Cash Flow Boost Payment Scheme.



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