Englehardt
Superannuation + Accounting

Protect your business
from COVID-19 & recession

TIPS FOR BUSINESSES:

1) **ESTABLISH A REMOTE WORK OPTION**
   - Work from home
   - Email, zoom, skype
   - Shift sales strategy to online
   - Sell on social media, use videos to reach new leads, use an email list

   "In Wuhan, the cosmetics company Lin Qingxuan closed 40% of its stores — but the brand's 100+ beauty advisors took to digital platforms like WeChat to engage customers virtually and increase online sales. "As a result, its sales in Wuhan achieved 200% growth compared to the prior year's sales," writes <u>Harvard Business Review</u>.

2) **REDUCE MEETINGS AND TRAVEL**
   - Postpone team meetings and hold them virtually
   - Skip business travel. If workers get sick because of travel or meetings you could have a liability issue.

3) **GIVE EMPLOYEES FLEXIBILITY**
   - Parents may have to pick up kids leaving from school or stay at home with them
   - Plan now for absences

4) **COMMUNICATE TRANSPARENCY WITH CUSTOMERS**
   - Customers can empathise with brands facing a crisis, as long as you communicate with them properly
   - Describe the steps you're taking to mitigate risk and give them insight into the steps you're taking to help the community.

5) **HAVE UP TO DATE FINANCIAL STATEMENTS:**
   - To be able to make the best possible decisions in a difficult environment such as COVID-19, you need access to the most up-to-date information on the state of your business finances. Therefore, we recommend you bring your financial statements up to date and keep them up to date. This will allow you to make **intelligent** business decisions

6) **ESTIMATE THE FINANCIAL IMPACT AND DEVELOP MITIGATION STRATEGIES**
   - Discuss with your staff, key suppliers and key customers what the likely impact of COVID-19 will be on your business. The impacts on business will likely be most significant in the following area:

<u>Sales</u> – particularly if you have little to no online presence.
<u>Staff availability</u> – with people likely to be subject to restrictions on their movement, their ability to work will be curtailed, particularly if there is limited scope for them to work from home.

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Supply chain – particularly if you rely on suppliers from badly impacted parts of the world.

Finance – particularly if your cash reserves are low. If your business is already impacted, start by listing what those impacts are. If you are not impacted yet, you should still be able to make some informed projections. In listing those possible impacts, attempt to quantify what those impacts will have on your business and identify possible strategies to mitigate those impacts

7) DEVELOP A CRISIS BUDGET WITH WORST CASE SCENARIO ASSUMPTIONS

- Know your Cash Burn Rate. Understand what you need to invoice/bank per day to keep your doors open. Set a clear daily target in this regard.

- The assumptions you may have used to produce your budget are most likely no longer relevant because of the crisis, working with your team/accountant, take the list of possible impacts of COVID-19 you have developed and re-do your budgets. Include a range of possibilities previously unthinkable scenarios, such as a 50 to 80 per cent decline in sales over three to six months, or a supplier being unable to supply you a key item for six weeks. Carefully consider how each of those scenarios impacts your cash flow. **It's very important to list out your employee's leave balances.**

Should your crisis budget show that you may not be able to afford to pay employee entitlements over the next 3-6 months?
- **Fair work** has advised being **transparent with your employee's** if you are concerned you may not be able to pay 100% of your employee's Entitlements during the time of the next 3 months, we recommend budgeting a % of the payment that will be affordable, then proceed to discuss **the employee's individual circumstance making a deal with them and then committing to (in writing) that they will be paid a catch up when business proceeds as usual.**

HOW THE GOVERNMENT IS HELPING BUSINESSES:
Two stimulus packages:
1. **$25,000 back to business, with a minimum payment of $2,000 for eligible businesses.**

- Small and medium business entities with aggregated annual turnover under $50 million and that employ workers will be eligible. Eligibility will generally be based on prior year turnover.
- The payment will be delivered by the ATO as a credit in the activity statement system from 28 April 2020 when eligible businesses lodge upcoming activity statements.
- Eligible businesses that withhold tax to the ATO on their employees' salary and wages will receive a payment equal to 50% of the amount withheld, up to a maximum payment of $25,000.
- Eligible businesses that pay salary and wages will receive a minimum payment of $2,000, even if they are not required to withhold tax.

Timing
- The Boosting Cash Flow will be applied for a limited number of activity statement lodgements. The ATO will deliver the payment as a credit to the business upon

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lodgement of their activity statements. Where this places the business in a refund position, the ATO will deliver the refund within 14 days.
- Quarterly lodgers will be eligible to receive the payment for the quarters ending March 2020 and June 2020.
- Monthly lodgers will be eligible to receive the payment for the lodgement months of March 2020, April 2020, May 2020 and June 2020. To provide a similar treatment to quarterly lodgers, the payment will be calculated at three times the rate (150%) in the March 2020 activity statement.
- The minimum payment will be applied to the business' first lodgement.

2. **Enhancing the instant asset write-off**
- The government is increasing the instant asset write-off (IAWO) threshold from $30,000 to $150,000 and expanding access to include businesses with aggregated annual turnover of less than $500 million (up from $50 million).

Timing
- This proposal applies from 12 March 2020 until 30 June 2020, for new or second-hand assets first used, or installed ready for use in this timeframe.
- Enhancing the IAWO will require legislative changes before it can take effect.

Backing business incentive
- The government is introducing a time-limited 15-month investment incentive to support business investment and economic growth over the short-term, by accelerating depreciation deductions.
- A deduction of 50% of the cost of an eligible asset on installation will apply, with existing depreciation rules applying to the balance of the asset's cost.

Eligibility
- Eligible businesses – businesses with aggregated turnover below $500 million.
- Eligible assets – new assets that can be depreciated under Division 40 of the Income Tax Assessment Act 1997 (that is, plant, equipment and specified intangible assets, such as patents). Does not apply to second-hand Division 40 assets, or buildings and other capital work depreciable under Division 43.

Timing
- Assets acquired after the announcement and first used or installed by 30 June 2021.

WHAT OTHER COUNTRIES HAVE DONE WELL:
Taiwan
- Taiwan implemented mandatory human screenings upon arriving in Taiwan and later put in place travel restrictions on passengers- Australia is now making a 2-week quarantine after entering the country mandatory
- Taiwan started testing other symptoms that could be linked or the same as COVID-19 such as influenza or pneumonia cases and tracked down everyone they had been in contact with.
- They have communicated that even if you're showing the slightest symptoms to see a doctor and refrain from going to school or work.

- Testing is free and the government are paying all hospital bills for residents who have suspected or confirmed cases.
- Businesses have shut or asked employees to work from home.

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School remain closed through Easter.

Social areas such as theatres, churches and basketball courts are emptied.
-   Government has banned manufacturers exporting particular goods- masks
Rationing system and setting them at a low price for people to afford them
-   Their government has communicated very clearly
Educating the public on how the virus is spread, washing hands properly, when to wear a mask

Italy:
-   Only food shops, pharmacies and newsstands are open
-   Public gatherings are banned
-   The police will stop people and ask what they're doing, they must have an affidavit that state their purpose, either work or grocery shopping, health or emergency
-   People not out for the above specific reason are fined or could face jail.

China
-   Banned the private use of cars, forbidden to leave your residence without permission
-   Hospitals are relying on scooters and motorcycles to deliver food or other necessities

WHAT THE GOVERNMENT IS DOING/ADVICE:

PUBLIC GATHERINGS

The Australian Health Protection Principal Committee (AHPPC) has recommended limits on organised gatherings.

These include limiting non-essential:
-   organised gatherings to fewer than 100 people
-   meetings or conferences for critical workforce members, such as healthcare professionals and emergency services

The AHPPC has also recommended measures to protect vulnerable people. These include reducing visitors to:
-   residential care facilities
-   remote Aboriginal and Torres Strait Islander communities
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TO REDUCE THE RISK OF COVID-19 SPREADING THROUGH INTERNATIONAL TRAVEL, THE GOVERNMENT IS:
-   applying travel restrictions to reduce visitors from high-risk countries
-   continuing to screen travellers who arrive in Australia
-   continuing with border surveillance
-   applying enhanced border measures at international air and seaports, including announcements and signs

THE GOVERNMENT IS ALSO:
-   delivering a $17.6 billion economic support package to encourage investment and keep people in jobs
-   delivering a $2.4 billion health package to protect all Australians, especially those most vulnerable
-   securing face masks to help protect our medical professionals
-   tracing coronavirus cases
-   providing information in English and Chinese based on the latest medical advice, including through Facebook, Twitter, Weibo, WeChat and Chinese newspapers

State and territory health authorities are:
-   testing people suspected of having the virus
-   monitoring close contacts of confirmed cases every day

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- banned non-essential travel to Tasmania

LATEST COVID-19 MEASURES FOR AUSTRALIA:

From 16 March 2020:

- Anyone arriving in Australia from overseas will be required to self-isolate for 14 days.
- International cruise ships will be banned from docking in Australia for at least 30 days.
- All Australians are advised to reconsider their need for overseas travel at this time.
- The medical advice preventing non-essential, organised gatherings of 100 or more people from going ahead will be enforced. This is for static indoor and outdoor events.

WHAT MAY HAPPEN SOON/TO PLAN FOR:

- 'Shutting down the economy' - Working from home, only essential travel, only essential shopping from the supermarket and pharmacies, Stopping University classes & starting school holiday early and continue them for an extended period of time

We hope that this document will give all of you clarity on what is currently happening and some suggestions on what to do and where to go next.

Stay safe during this time.

Kind Regards

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Additional resources:

1) Mental Health - https://www.who.int/docs/default-source/coronaviruse/mental-health-considerations.pdf?sfvrsn=6d3578af_10
2) Live Hot Spot Global Map - https://gisanddata.maps.arcgis.com/apps/opsdashboard/index.html#/bda7594740fd40299423467b48e9ecf6
3) New Shopping Time Frames - https://hellocaremail.com.au/woolworths-launches-elderly-shopping-hour-ensure-seniors-get-supplies/
4) Australian Virus Info Line - https://www.health.gov.au/contacts/coronavirus-health-information-line

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