



Support for sole traders

The Government is providing vital support to sole traders to withstand the economic impacts of the Coronavirus.

INCOME SUPPORT FOR SOLE TRADERS

A sole trader is a business structure where the individual owner is legally responsible for all aspects of the business, including any debts and losses and day-to-day business decisions. A sole trader may or may not employ other people in their business.

Sole traders may be eligible to receive the JobKeeper Payment if their turnover has fallen or will likely fall by 30 per cent or more, assuming they have a turnover of less than \$1 billion. Following registration by the eligible business, the Government will provide \$1,500 per fortnight per eligible employee until 27 September 2020. This will support the income of sole traders and maintain connection with their employees. To support self-employed people, eligible businesses will be able to nominate one eligible person (such as an owner) to receive the JobKeeper Payment. For businesses with employees, this is in addition to receiving the JobKeeper Payment for any eligible employees.

The Government is also temporarily expanding the eligibility criteria for the JobSeeker Payment to support sole traders if their income is negatively affected by the economic impact of the Coronavirus. For example, as a member of a couple you could receive up to \$1,060.80 per fortnight through the JobSeeker Payment and Coronavirus supplement, although the precise amount will depend on the amount of income you and your partner continue to earn. Receiving the JobSeeker Payment may also make you eligible for other Government payments like Rent Assistance and the Energy Supplement. However, if you receive the JobKeeper Payment, this will affect your eligibility for payments from Services Australia as you must report your JobKeeper Payment as income to avoid incurring a debt.

Eligibility for JobKeeper Payment

Sole traders will be eligible for the JobKeeper Payment if, at the time of applying, they:

- estimate their business' GST turnover has fallen or will fall by 30 per cent or more (assuming their business' aggregated turnover (for income tax purposes) is less than \$1 billion);
- had an ABN on or before 12 March 2020, and
 - either had an amount included in their assessable income for the 2018-19 year and it was included in their income tax return lodged on or before 12 March 2020 (or such later time as allowed by the Tax Commissioner), or
 - made a supply during the period 1 July 2018 to 12 March 2020 and provided this information to the Tax Commissioner on or before 12 March 2020 (or such later time as allowed by the Tax Commissioner);
- were actively engaged in the business;
- are not a permanent employee of any other employer;
- are not entitled to another JobKeeper Payment (either a nominated business participant of another business or as an eligible employee);
- were aged at least 16 years of age as at 1 March 2020;
- were an resident for Australian tax purposes on 1 March 2020; and
- were an Australian citizen, the holder of a permanent visa, or a Special Category (Subclass 444) Visa Holder at 1 March 2020.

To establish that a business has faced or is likely to face a 30 per cent or more fall in turnover, most would be expected to establish that their turnover has fallen or will likely fall in the relevant month or quarter (depending on their Business Activity Statement reporting period) relative to their turnover in a corresponding period a year earlier. Turnover is calculated as it is for GST purposes, and is reported on Business Activity Statements. It includes all taxable supplies and all GST free supplies but not input taxed supplies.

Where a business was not in operation a year earlier, or where their turnover a year earlier was not representative of their usual or average turnover, (for example, because there was a large interim acquisition, they were newly established, were scaling up, or their turnover is typically highly variable) the Tax Commissioner will have discretion to consider additional information that the business can provide to establish that they have been adversely affected by the Coronavirus. Businesses that are in liquidation are not eligible for this payment.

The Tax Commissioner will also have discretion to set out alternative tests that would establish eligibility in specific circumstances (for example, eligibility may be established as soon as a business ceases or significantly curtails its operations). There will be some tolerance where employers, in good faith, estimate a 30 per cent or more or 50 per cent or more fall in turnover but actually experience a slightly smaller fall.

Sole traders and other self-employed people

Self-employed individuals will be eligible to receive the JobKeeper Payment where they have experienced the required fall in turnover. To receive the JobKeeper Payment, self-employed people will need to make an application to the Australian Taxation Office (ATO).

Businesses without employees will be eligible to receive one JobKeeper Payment, and businesses with employees can receive one payment in addition to the payments for their eligible employees. This means that:

- where the business operates through a sole trader structure — one owner can be nominated to receive the JobKeeper Payment;
- where the business operates through a partnership — one partner can be nominated to receive the JobKeeper Payment;
- where the business operates through a company — one director can be nominated to receive the JobKeeper Payment;
- where the business has shareholders who provide labour to the company and receive dividends in lieu of wages — one such shareholder can be nominated to receive the JobKeeper Payment; and
- where the business operates through a trust — one individual beneficiary (that is, not a corporate beneficiary) can be nominated to receive the JobKeeper Payment.

The nominated individual must be at least 16 years of age and an Australian citizen, the holder of a permanent visa, or a Special Category (Subclass 444) visa holder and a resident for Australian tax purposes on 1 March 2020. Payments will be made to the nominated individual monthly in arrears by the ATO.

Sole traders with employees

Eligible sole traders with employees will receive the payment for each eligible employee that was on their books on 1 March 2020 and continues to be engaged by that sole trader — including part-time and stood down employees.

Eligible employees are employees who:

- are currently employed by the eligible employer (including those stood down or re-hired);
- were employed by the employer at 1 March 2020;
- are full-time, part-time, or long-term casuals (a casual employed on a regular and systematic basis for longer than 12 months as at 1 March 2020);

- are permanent employees of the employer, or if a long-term casual employee, not a permanent employee of any other employer;
- are at least 16 years of age at 1 March 2020;
- are an Australian citizen, the holder of a permanent visa, or a Special Category (Subclass 444) Visa Holder at 1 March 2020;
- were a resident for Australian tax purposes on 1 March 2020; and
- are not in receipt of a JobKeeper Payment from another employer.

Eligible sole traders who have stood down their eligible employees before the commencement of this scheme will be able to participate. Employees that are re-engaged by a business that was their employer on 1 March 2020 will also be eligible.

In circumstances where an employee is accessing support through Services Australia, including the JobSeeker Payment, and the employee will be eligible for the JobKeeper Payment, the employee will need to advise Services Australia of their change in circumstances to avoid incurring a debt.

Where employees have multiple employers, only one employer will be eligible to receive the payment.

Payment process

Eligible sole traders will be paid \$1,500 per fortnight per eligible employee. Eligible employees will receive, at a minimum, \$1,500 per fortnight, before tax, and employers are able to top-up the payment.

Where employers participate in the scheme, their employees will receive this payment as follows.

- If an employee receives \$1,500 or more in income per fortnight before tax, they will continue to receive their regular income according to their prevailing workplace arrangements. The JobKeeper Payment will assist their employer to continue operating by subsidising all or part of the income of their employee.
- If an employee would otherwise receive less than \$1,500 in income per fortnight before tax, their employer must pay their employee, at a minimum, \$1,500 per fortnight before tax.
- If an employee has been stood down, their employer must pay their employee, at a minimum, \$1,500 per fortnight before tax.

It will be up to the employer if they want to pay superannuation on any additional wage paid because of the JobKeeper Payment.

Payments will be made to the employer monthly in arrears by the ATO.

Timing

The subsidy will start on 30 March 2020, with the first payments to be received by sole traders in the first week of May. Sole traders will be able to register their interest in participating in the JobKeeper Payment from 30 March 2020 at ato.gov.au.

Sole trader who is self-employed

Melissa is a sole trader running a florist. She does not have employees. Melissa's business has been in operation for several years. The economic downturn due to the Coronavirus has adversely affected Melissa's business, and she expects that her business turnover will fall by more than 30 per cent compared to a typical month in 2019.

Melissa will be able to apply for the JobKeeper Payment and would receive \$1,500 per fortnight before tax, paid on a monthly basis.

Sole trader with employees

Heidi is a sole trader and has one permanent part-time employee, Megan, who earns \$1,000 a fortnight before tax. Heidi has a beekeeping business, selling honey products at markets and running beekeeping courses.

Heidi's business has been adversely affected by the Coronavirus, and her turnover has dropped by more than 30 per cent.

Heidi is eligible to receive the JobKeeper payment as her business's nominated individual. This will support Heidi to continue her business operations.

Megan is still working at Heidi's business, including taking care of the bees. Heidi is eligible to make a claim for the JobKeeper Payment for Megan for a maximum of six months. Heidi is required to advise Megan that she has been nominated to the ATO as an eligible employee.

Heidi receives \$1,500 per fortnight before tax from the JobKeeper Payment which will subsidise the cost of Megan's salary. Megan will continue to receive her \$1,000 per fortnight before tax salary and an additional \$500 per fortnight before tax, totalling \$1,500 per fortnight before tax. Heidi must continue to pay superannuation guarantee on the \$1,000 per fortnight of wages that Megan is earning. Heidi has the option of choosing to pay superannuation guarantee on the additional \$500 (before tax) paid to Megan under the JobKeeper Payment.

Heidi also may be eligible to receive assistance through the *Boosting Cash Flow for Employers* measure.

Eligibility for JobSeeker Payment

Previously if a sole trader was trying to access income support payments they had to be willing to seek, and be available to take up, alternative work which effectively would have required them to close their business.

These mutual obligation requirements will be temporarily removed to allow sole traders to continue operating and receive the JobSeeker Payment if they are eligible to do so. A sole trader who is eligible for a payment can meet their mutual obligation requirements during this period by continuing to sustain their business.

Income testing will apply consistent with current arrangements. So the level of support you will receive will depend on your ongoing income and that of your partner, if you are in a relationship. In particular, if you start to receive the JobKeeper Payment you will need to notify Services Australia of your change of circumstances.

However the assets test will not apply — so you will be eligible for assistance even if you have other assets such as shares and savings.

There will be no waiting period applied before you can receive this payment.

- For further details on the expanded eligibility for income support payments, and the new time-limited Coronavirus supplement, please see the *Income support for individuals* fact sheet.

How to apply for JobSeeker Payment

To ensure timely access to payments, new applicants are encouraged to contact Services Australia to claim through on-line and mobile channels. If applicants do not have internet access, they can claim over the phone.

- To claim online, people who do not already deal with Services Australia will need to set up their myGov account, call to verify their identity, and get a link to their Centrelink online account.

If you are receiving or have applied for a Services Australia income support payment, like the JobSeeker Payment, and you are now receiving the JobKeeper Payment, you must report that income to Services Australia. You may also need to cancel your JobSeeker Payment. If you do not report the income or cancel your JobSeeker Payment, you may incur a debt that you will be required to pay back. You can withdraw your claim or cancel your payment using your Centrelink online account through my.gov.au or the [Express Plus Centrelink app](#).

Timing

The expanded access to payments will commence from 25 March 2020. The Coronavirus supplement will commence from 27 April 2020.

EARLY ACCESS TO SUPERANNUATION

Summary

While superannuation is intended to help people save for retirement, the Government recognises that for those affected by the adverse economic effects of the Coronavirus, receiving some superannuation today may outweigh the benefits of maintaining those savings until retirement.

Eligible individuals will be able to apply online through myGov for access of up to \$10,000 of their superannuation before 1 July 2020. They will also be able to access up to a further \$10,000 from 1 July 2020 for approximately three months.

They will not need to pay tax on amounts released and the money they withdraw will not affect Centrelink or Veterans' Affairs payments.

Eligibility

To apply for this category of early release as a sole trader, your business must have been suspended or there has been a reduction in your turnover of 20 per cent or more.

How to apply

If you are eligible for this category of early release, you can apply directly to the ATO through the myGov website to release your superannuation at my.gov.au. You will need to certify that you meet the above eligibility criteria.

After the ATO has processed your application, they will issue you with a determination. The ATO will also provide a copy of this determination to your superannuation fund, which will tell them to release your superannuation payment. Your fund will then make the payment to you, without you needing to apply to them directly. However, to ensure you receive your payment as soon as possible, you may wish to contact your fund to check that they have your correct details, including your current bank account details and proof of identity documents.

Separate arrangements will apply if you are a member of a self-managed superannuation fund (SMSF). Further guidance will be available on the ato.gov.au.

Timing

You will be able to apply for early release of your superannuation from mid-April 2020.

Rachel the sole trader

Rachel is a sole trader with a catering business. At the end of July 2020, Rachel seeks to apply for an early release from her superannuation for the 2020-21 financial year.

Due to the coronavirus, Rachel's turnover for July is \$5,000 compared to \$10,000 on average per month for the second half of 2019. Rachel therefore determines that her turnover has reduced by more than 20 per cent compared to her average turnover over the last six months of 2019.

Rachel self-certifies that she is eligible for early release and applies to have \$10,000 released from her superannuation.

SUPPORTING THE IMMEDIATE CASH FLOW NEEDS OF SOLE TRADERS

Summary

The Coronavirus SME Guarantee Scheme will provide sole traders with timely access to working capital to help them through the impact of Coronavirus.

Under the Scheme, the Government will provide a guarantee of 50 per cent to SME lenders (including banks and other participating financial institutions) to support new unsecured loans to be used for working capital. This will enhance lenders' willingness and ability to provide credit, which will result in sole traders being able to access additional funding to help support them through the upcoming months.

The Scheme will guarantee up to \$40 billion in new working capital loans.

The decision on whether to extend credit, and management of the loan, will remain with the lender. However, the Government expects that lenders will look through the cycle to sensibly take into account the uncertainty of the current economic conditions when determining whether credit should be extended.

As part of the loan products available, the Government will encourage lenders to provide facilities to sole traders that only have to be drawn if needed. This will mean that the sole trader 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 funds should the need arise.

Eligibility

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

- Sole traders with a turnover of up to \$50 million.
- Maximum total size of loans of \$250,000 per borrower.
- Loans of up to three years, with an initial six month repayment holiday.
- Unsecured finance, meaning that sole traders will not have to provide an asset as security for the loan.

How to apply

Sole traders interested in how the Coronavirus SME Guarantee Scheme and access to credit should approach banks and other lenders for more information.

The Government is urgently working with banks and other eligible lenders to ensure loans are available as soon as possible. While the scheme is expected to commence from April 2020, your bank or other lender may be able to provide credit sooner, and still benefit from the guarantee.

Interested sole traders are encouraged to go and talk to their financial institution for more information.

TEMPORARY RELIEF FOR FINANCIALLY DISTRESSED BUSINESSES

To assist sole traders, who are generally subject to the personal insolvency system, the Government will make a number of changes to the *Bankruptcy Act 1966*. The threshold for the minimum amount of debt required for a creditor to initiate bankruptcy proceedings against a debtor will temporarily increase from its current level of \$5,000 to \$20,000. This will apply for six months.

Failure to respond to a bankruptcy notice is the most common act of bankruptcy. The time a debtor has to respond to a bankruptcy notice will be temporarily increased from 21 days to six months. The extension will give a debtor more time to consider repayment arrangements before they could be forced into bankruptcy. This will apply for six months.

If the sole trader is operating through a company, the Government is temporarily increasing the current minimum threshold for creditors issuing a statutory demand on a company under the *Corporations Act 2001* from \$2,000 to \$20,000 and the timeframe for a company to respond to a statutory demand will be extended temporarily from 21 days to six months. Directors will be temporarily relieved of their duty to prevent insolvent trading with respect to any debts incurred in the ordinary course of the company's business. This will relieve the director of personal liability that would otherwise be associated with insolvent trading. These measures will apply for six months.

BOOSTING CASH FLOW FOR EMPLOYERS

The Government is providing a minimum of \$20,000 and up to \$100,000 to small and medium-sized businesses, including sole traders that employ people (other than themselves). These payments will help the cash flow of sole traders that employ people, so they can keep operating, pay their rent, electricity and other bills and retain staff.

Under the *Boosting Cash Flow for Employers* measure, sole traders that employ people will receive initial payments in the March to July 2020 period. These payments will be equal to 100 per cent of their employees' salary and wages withheld. The minimum initial payment is \$10,000 and the maximum initial payment is \$50,000.

An additional payment is also being introduced in the July to October 2020 period. Eligible sole traders will receive an additional payment equal to the total of all of the initial *Boosting Cash Flow for Employers* payments they have received. This means that eligible sole traders that employ people will receive at least \$20,000 up to a total of \$100,000 under both payments. This additional payment continues cash flow support over a longer period, increasing confidence, helping employers to retain staff and helping entities to keep operating.

These payments are tax free to employers and will be automatically calculated by the Australian Taxation Office (ATO). There are no new forms required.

Please see the *Cash flow assistance for businesses* fact sheet for more information on this measure.

ATO ADMINISTRATIVE RELIEF

The Australian Tax Office (ATO) will provide relief for certain tax obligations for taxpayers including sole traders affected by the Coronavirus outbreak, on a case-by-case basis. This includes the ability to defer payment of certain taxes up to six months, and receive refunds on previous pay as you go instalments. Taxpayers can contact the ATO on 1800 806 218 or visit the ato.gov.au for further information.

INCREASING 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 all businesses, including sole traders, with aggregated annual turnover of less than \$500 million (up from \$50 million). This initiative 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. The higher IAWO threshold provides cash flow benefits for sole traders as they will be able to immediately deduct purchases of eligible assets each costing less than \$150,000. The threshold applies on a per asset basis, so eligible businesses can immediately write-off multiple assets.

BACKING BUSINESS INVESTMENT

The Government has introduced a time limited 15 month investment incentive to support business investment and economic growth over the short-term, by accelerating depreciation deductions (including those claimable by sole traders). It provides a deduction of 50 per cent on installation, with existing depreciation rules applying to the balance of the asset's cost. It applies to eligible new assets acquired from 12 March 2020 and first used or installed by 30 June 2021, and claimed through lodged tax returns.

FOR MORE INFORMATION

For more information on the Australian Government's Economic Response to the Coronavirus visit treasury.gov.au/coronavirus.

The definition of a sole trader is explained at ato.gov.au/Business/Starting-your-own-business/Before-you-get-started/Choosing-your-business-structure/Sole-trader.

Sole traders who have employees, apprentices and trainees are eligible for additional payments. Please see the *Cash flow assistance for businesses* fact sheet for more information on these measures.

Please visit business.gov.au for a broader range of resources that outline the support available.