

# MEDICAL INDUSTRY COVID-19 FAQ

## Navigating the Covid-19 crisis

Here at William Buck, we are more than just accountants, we're specialist advisors to the medical industry.

Each office across William Buck has a dedicated team that specialises in the health industry. Working with over 1,600 clients across Australia, our advisors help practitioners and health care corporates achieve their business and personal goals.

### FAQ

Our Team has collated frequently asked questions that concern the Medical Industry during these unprecedented times. This is only a short summary and we are here to answer all follow up questions you might have and support you actively where we can.

### 360 Degree Support during the Covid-19 crisis

Bringing together advisors from Business Advisory, Wealth Advisory, Tax and Superannuation; our team works seamlessly behind the scenes to ensure that careful consideration is given to all areas of your business or practice and personal financial affairs.

Accessibility to our advisors and the timely response to your questions are what we are known for. And, as your circumstances change, our advice will continuously adapt to your evolving needs.

The hands-on approach and accessibility of our advisors ensures that you receive 360 degree support at all times.

Contact William Buck to have all your questions answered:

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For more information visit the William Buck Covid-19 Resource Centre here:

[www.williambuck.com/covid-19-and-your-business/](http://www.williambuck.com/covid-19-and-your-business/)

*Changing  
Lives.*

# Frequently asked questions

## 1. WHAT ARE THE MAIN GOVERNMENT STIMULUS PACKAGES AVAILABLE TO ME RIGHT NOW?

### a. Government Cash Flow Boost – PAYGW concessions

This benefit will provide cash flow support to small and medium businesses and not-for-profit organisations who employ staff by providing a tax-free payment of up to \$100,000, with a minimum payment of \$20,000 for eligible businesses.

The payment will apply to businesses with turnover less than \$50 million and applies from the March 2020 Business Activity Statement.

The benefit provides up to \$50,000 to offset PAYGW tax during this period and then the same amount again in the September 2020 quarter. There is a minimum \$10,000 payment, even if the business is not required to withhold tax on their employees' wages.

In order to receive the additional payment, your business must continue to be active during the June 2020 to September 2020 period.

There are requirements and criteria around this so ensure this meets your specific circumstances.

### b. JobKeeper Payments

The package is intended to provide businesses affected from the coronavirus, with a JobKeeper payment of \$1,500 a fortnight (before tax) per employee for six months, between 30 March 2020 and 27 September 2020. Self-employed, including Sole traders and eligible business participants operating through a trust, company or partnership structure may also be able to access this payment.

Employers (including non-for-profits) & Self-Employed will be eligible for the subsidy if:

their business has turnover of less than \$1 billion and their turnover will be reduced by more than 30 per cent relative to a comparable period a year ago (of at least a month); or

their business has turnover of \$1 billion or more and their turnover will be reduced by more than 50 per cent relative to a comparable period a year ago (of at least a month); and

the business is not subject to the Major Bank Levy.

The conditions around this subsidy are very specific so please contact us if you have any concerns about the application of this to your own circumstances.

### c. PAYG Instalment Deferrals

If you are paying your income tax on a quarterly basis as a Pay As You Go (PAYG) instalment payer, you can vary your PAYG instalments on your activity statement down to NIL. You can do this by lodging a revised activity statement before your instalment is due and before you lodge your tax return for the year.

Taxpayers who vary their PAYG instalment rate or amount can also claim a refund for any instalments made during the 2019–20 financial year and the ATO have confirmed they will not apply penalties or charge interest to varied instalments for the 2019-20 financial year.

While you can vary your instalments to NIL, this is simply a deferral and any reduction in PAYG instalments paid will result in a higher tax payable (if applicable) when you come to lodge your 2019-20 tax return.

#### **d. SME Guarantee Scheme & loan repayment deferrals**

For small and medium sized businesses (those with turnover up to \$50m), the Government will guarantee up to 50% of loans which meet the following criteria:

- Maximum total size of loans is \$250,000 per borrower
- Loan will be up to three (3) years, with an initial six-month repayment holiday
- Loan will be in the form of unsecured finance, meaning borrowers do not have to provide assets as security.

These loans will be available until 30 September 2020.

In addition, the Australian Banking Association (ABA) has confirmed that banks will also offer a loan repayment deferral of six (6) months, where a business has been affected by COVID-19.

You should contact your bank with to determine your eligibility for the SME Guarantee Scheme or loan repayment deferrals.

#### **e. Commercial Rent Concessions**

The Government announced a mandatory Code of Conduct (the Code) to be implemented by all states and territories. The Code sets out guidelines on good faith leasing principles. These principles shall apply to commercial tenancies, including retail, office and industrial; they will not apply to residential tenancies.

The Code will apply for the same time frame as the JobKeeper initiative, that is, until 27 September 2020.

The overarching principle seems to be that landlords must share the burden of the economic downturn with commercial tenants.

The code will apply in circumstances where the tenant satisfies the following criteria:

- They are a small to medium business i.e. turnover less than \$50 million; and
- They (or the landlord) are eligible for the Governments JobKeeper scheme.

#### **Key features of the code:**

- Landlords are to offer to reduce rent in proportion to the reduction in the tenant's business. The rent reductions may be in the form of waivers and deferrals up to 100% of the amount ordinarily payable. Each lease must be dealt with on a case-by-case basis, considering all relevant factors regarding the tenant's business and the current lease agreement.
- Landlords must not terminate leases nor draw on a tenant's security.
- Landlords must pass on any reductions in outgoings e.g. rates or land taxes, to tenants.
- Tenants must honour lease agreements and remain committed to the terms of their leases.
- Rental waivers must constitute no less than 50% of the total reduction in rent payable over the COVID-19 pandemic period and a greater amount in certain scenarios. However, tenants may waive this requirement by agreement should the landlord and the tenant wish to make alternate arrangements.
- Payment of rental deferrals by the tenant must be amortised over the balance of the lease term and for a period of no less than 24 months, whichever is greater, unless otherwise agreed by the parties.

## 2. HOW DO I APPLY FOR JOBKEEPER?

Firstly you need to determine that you meet all the eligibility requirements in order to apply for JobKeeper.

1. Decline in Turnover by at least 30%;
2. A number of Alternate Tests are also available;
3. Eligible employees and/or Eligible business participant (Sole Trader/Partner in partnerships/adult beneficiary in Trust/Director or Shareholder in company)
4. Completed Employee nomination notices for each employee you are intending to claim for. Note that an employee can elect not to be nominated.

Once you are satisfied on these requirements you can enrol with the ATO.

This can be done via the Business Portal using your myGovID or your Tax Agent can assist with this. As part of the enrolment process you will be required to provide the below information to the ATO

1. Which month you expect to have a decline in turnover
2. How many employees you expect to apply for
3. Your bank account details for payment of JobKeeper

You will then need to identify the employees with the ATO from 4<sup>th</sup> May, this will either be done via your payroll software, the Business Portal or via the Tax Agent Portal.

For further details about the JobKeeper subsidy contact us.

## 3. HOW DOES THE CASH BOOST WORK? DO I NEED TO APPLY?

The 'Boosting Cash Flow For Employers' will be delivered to businesses that employ staff, including doctors and practices, as credits to their activity statements for the periods March 2020 to September 2020.

The credits are calculated based on the PAYG withheld from employees' salary and wages during March 2020, April 2020, May 2020 and June 2020. The calculation of the amount differs depending on whether the business lodges their activity statements quarterly or monthly.

The minimum entitlement is \$10,000 and will be available provided the business pays salary and wages during the relevant periods, even if there is no PAYG withheld. The payments will be delivered in two stages, with each stage providing total credits of a minimum of \$10,000 up to a maximum of \$50,000. This means that you could be eligible for total credits of up to \$100,000 over the two stages.

In the initial cash flow boost (first stage), quarterly lodgers will be eligible to receive a payment of 100% of the PAYG withheld for the quarters ending March 2020 and June 2020. To provide a similar treatment to quarterly lodgers, monthly lodgers will be eligible to receive a payment of 300% of their March 2020 PAYG withheld, and 100% of the April 2020, May 2020 and June 2020 PAYG withheld. The maximum total entitlement for the first stage is capped at \$50,000 and the minimum entitlement is \$10,000 provided the business pays salary and wages during the relevant periods, even if there is no PAYG withheld.

To qualify for the additional cash flow boost (second stage), the business must continue to be active. Quarterly lodgers will be eligible to receive 2 further credits, each equal to 50% of their initial cash flow boost. The credits will be made after lodgment of their June 2020 and September 2020 activity statements.

As an example, if a business had a total initial cash flow boost of \$40,000 and remained active, they would receive a \$20,000 additional cash flow boost after lodging their June 2020 activity statement and another \$20,000 after lodging their September 2020 activity statement.

They would receive up to \$80,000 provided they remain eligible. There are different reporting and payment cycles for monthly lodgers however over the period of time the benefit paid would still be consistent with quarterly lodgers.

If you have any questions regarding your eligibility please contact us.

#### **4. I AM TRADING UNDER A MEDICAL COMPANY BUT NOT AN EMPLOYEE – WHAT BENEFITS ARE AVAILABLE TO ME?**

If the company meets the turnover test and all other eligibility requirements then the company may be able to claim the JobKeeper payment for you as a shareholder and/or director of the company.

This could mean a payment to the company of \$1,500 per fortnight up until the end of September 2020.

The company may also be eligible to defer any PAYG Income Tax instalments and claim back any instalments already paid.

#### **5. I AM AN EMPLOYEE WORKING UNDER A MEDICAL COMPANY – CAN I CLAIM JOBKEEPER?**

If the company meets the turnover test and all other eligibility requirements then the company may be able to claim the JobKeeper payment and use it to subsidise your income through your normal payroll cycle.

#### **6. I AM TRADING AS A SOLE TRADER – CAN I CLAIM JOBKEEPER? (NOTE THE EXCEPTION FOR HOSPITAL EMPLOYED DOCTORS)**

The JobKeeper program may be available to Sole Traders but they have to satisfy the eligible business participants rules and the significant business participant rules. Details of these rules are available on the ATO and the William Buck websites. These eligibility provisions are very similar to the other JobKeeper eligibility provisions however include additional eligibility criteria. Two of the main ones are:

##### **Employment**

If a Sole Trader is employed in addition to his/her business income as a sole trader, JobKeeper will not be available to them unless the employment is a casual employment arrangement.

That is, if you are a medical professional that operates his/her private work via an ABN as a sole trader, you will not be eligible for JobKeeper payments as a sole trader if you are also employed in a public hospital for your public work unless the employment is a casual employment arrangement.

This “employment exclusion” is not depended on whether or not the employer is eligible or applying for the JobKeeper program.

However, if your employer is an eligible employer and you are an eligible employee under the JobKeeper program, you may be eligible to receive JobKeeper payments as an employee and will need to liaise with your employer to ensure you participate in the program.

In any case, you can only receive JobKeeper payments from one source if you are eligible both as a sole trader and an employee, but not both.

#### **Lodgement of income tax return or Business Activity Statements**

A sole trader must also comply with the following conditions:

- A sole trader is not entitled to the business participant JobKeeper payment unless he/she had an ABN on 12 March 2020 (or later time allowed by Commissioner);

and

- Either:
  - An amount was included in the sole trader's assessable income for 2018-19 income year in relation to carrying on a business and The Commissioner had notice of that amount on or before 12 March 2020 (or a later time allowed by the Commissioner); or
  - The sole trader made a taxable supply in a tax period starting on or after 1 July 2018 and ending before 12 March 2020 and The Commissioner had notice of the taxable supply on or before 12 March 2020 (or a later time allowed by the Commissioner). Certain assumptions can be made in situations such as where the entity makes GST-free supplies.

The tax return for the 2018-19 income year is usually due 15 May 2020 if you use a tax agent. As such, it is possible that you have not yet lodged your 2019 income tax return and will need to rely on the fact your business lodged a business activity statement for a period post 1 July 2018.

In the case you are a sole trader who lodges an annual GST return (not quarterly BAS), but have not lodged either your 2018-19 income tax or your 2019 annual GST return by 12 March, you will not be eligible for JobKeeper under these rules and may need to rely on the commissioner for an extension to the 12 March 2020 deadline. At this stage, it is unclear how a "later time as allowed by the commissioner" will be administrated.

## 7. AS A SOLE TRADER DOCTOR WHAT ELSE COULD I CLAIM?

Below is a list of other concessions and government support packages for you to consider:

- If you employ staff as a sole trader, you may be eligible for the boosting cash flow for employer scheme
- You may be able to change your GST reporting cycle from quarterly to monthly to bring forward potential GST refunds
- You may be eligible for payroll tax deferral/waiver subject to the specific conditions in your state
- You can vary your PAYG income tax instalment to match your trading conditions and may even be able to ask for a refund for overpayment of income tax paid in the September and December 2019 quarters
- Your business may access the instant asset write off concession
- You may access the SME loan guarantee scheme to assist with management of your business' working capital via an unsecured loan with special payment terms (loan amount is up to \$250,000 subject to banks' specific policies)
- If you are leasing your premises and eligible for the JobKeeper program, you may qualify to negotiate with your landlord a waiver and a deferral of a portion of your rent using the cabinet mandatory code of conduct – SME commercial leasing principals during COVID-19
- Different support grants and other concessions are available from each state and all have different eligibility criteria. You should check your state's government website for more details:
  - Queensland: <https://www.qld.gov.au/>
  - NSW: <https://www.revenue.nsw.gov.au/>
  - VIC: <https://www.sro.vic.gov.au/>
  - SA: <https://www.revenuesa.sa.gov.au/>
  - WA: <https://www.wa.gov.au/organisation/departments-of-finance>
  - NT: <https://coronavirus.nt.gov.au/>

## **8. DO I HAVE TO CLAIM JOBKEEPER FOR ALL MY STAFF? WHAT IF I DON'T WANT TO CLAIM IT FOR ALL OF THEM?**

The Treasurer and ATO have confirmed that if you (as the employer) elect to participate in the JobKeeper Scheme, you must include all eligible employees in the scheme. This includes all eligible employees who are undertaking work for you or have been 'stood down'.

This means that you cannot nominate some eligible employees to receive the payment, and not others. This 'one in, all in' rule has been described as a key feature of the scheme

## **9. IF MY INCOME ISN'T DOWN 30% NOW BUT DROPS IN LATER MONTHS CAN I APPLY LATER?**

If you or your business do not initially meet the decline in turnover test to receive the first fortnightly payments from 30 March 2020, the business can start receiving the JobKeeper Payment at a later time once the decline in turnover test has been met. The JobKeeper Payment applies from when you become eligible.

Businesses can receive the JobKeeper Payments up to 27 September 2020.

You can apply for the JobKeeper Payment if you reasonably estimate that your GST turnover will fall by the required threshold relative to your GST turnover in a corresponding period a year earlier.

Accordingly, it can be said that to qualify for the first JobKeeper Payment for the fortnight 30 March 2020 to 12 April 2020 and the fortnight 13 April 2020 to 26 April 2020, you can use the turnover for any of the following periods:

- GST turnover for March 2020 with GST turnover for March 2019
- projected GST turnover for April 2020 with GST turnover for April 2019
- projected GST turnover for the quarter starting April 2020 with GST turnover for the quarter starting April 2019.

Any projections would need to be done on a reasonable basis and we recommend this be prepared and documents in consultation with your Tax Agent. If you need assistance with projections, please contact us.

## **10. I PAY A SERVICE FEE TO RENT ROOMS – CAN I GET THIS REDUCED?**

The Government has announced a mandatory code of conduct for commercial tenancies to support business affected by coronavirus. The Code of Conduct deals with commercial tenancy arrangements. Service arrangements generally include the provision of services in addition to leasing space and as such, our understanding is that these arrangements will fall outside this Code of Conduct.

If you are purely paying a rental for rooms, the application for the reduction of rent will be linked to your ability to access the Jobkeeper subsidy. That is, if your income has decreased by 30% or more, then you may contact your Landlord and request for a reduction in a portion of rent and a deferral of the balance for the period that you have been affected.

Even if you are paying a service fee, we believe that it is still prudent to seek to negotiate a reduction in any service fee with your service provider.

## **11. THE PATHOLOGY COMPANY THAT RENTS A ROOM IN MY CLINIC HAS REQUESTED A RENT REDUCTION? WHAT SHOULD I DO?**

The National Cabinet Code of Conduct (“NCCC”) was released on the 7th of April and it provides a guide/structure for Rent Relief, so that, Landlord and Tenant have a platform to negotiate in the wake of COVID-19 pandemic.

For initial consideration is that the concession is meant to apply to small and medium businesses which have been impacted by the pandemic to the extent they are eligible for the JobKeeper subsidy and their turnover on a group basis is less than \$50M. As such, we do not believe that the large pathology companies meet the criteria for these concessions.

Consideration should also be given to the current government freeze on new pathology leases and the requirement for pathology leases to be at a market value.

The terms of an existing commercial lease need to be maintained during this period unless concessions apply.

The NCCC contains a number of guiding principles, but the ones immediately relevant to your situation can be summarised as follows:

- Where it can, rent should continue to be paid, and where there is financial distress as a result of COVID-19 (for example, the tenant is eligible for assistance through the Job Keeper program), tenants and landlords should negotiate a mutually agreed outcome
- There will be a proportionality to rent reductions based on the decline in turnover to ensure that the burden is shared between landlords and tenants
- There will be a freeze on rent increases (except for turnover leases)
- There will be a prohibition on landlords charging interest on unpaid rent
- There will be a prohibition on landlords from making a claim to a bank guarantee or security deposit for non-payment of rent
- Ensure that any legislative barriers or administrative hurdles to lease extensions are removed (so that a tenant and landlord could agree a rent waiver in return for a lease extension)

The NCCC also contains guidelines governing the treatment of the rent reduction. In short:

- At least 50% of the rent reduction should be treated as a rent waiver (gift)

The balance of the rent reduction should be treated as a deferral (loan) from the landlord to the tenant

- The rent deferral will be amortised over the term of the lease or 24 months, whichever is the greater. The amortisation period will not commence until after the pandemic period is over PLUS a reasonable recovery period.

The NCCC does not provide loan relief or support to the landlord. We also expect that landlords will expect reasonable information from their tenants before accepting rent relief under the code including:

- The email from the ATO, acknowledging application for JobKeeper.
- A statement from an accountant, on their letterhead, setting out the reduction in the turnover and that they have verified this reduction through examination of the books and records of their client;
- Being provided with copies of the tenant’s BAS for the period in question and the corresponding period of the prior financial year:
- Cash Books, Sales-invoices, Practice reports etc.... in other words, relevant documents to your industry.



## 12. ARE ANY OF THE GOVERNMENT STIMULUS PAYMENTS TAXABLE?

### a. Government Cash Boost – PAYGW concessions

No. All cash flow boosts are tax free (non-assessable non-exempt income) and are not required to be paid back when the business' cash flow improves. However, if the business has been paid more cash flow boosts than it is entitled to, it will be required to repay the excess. Also, the boost is not subject to GST as the business is not making or agreeing to make a supply for the payment.

### b. JobKeeper

Yes. JobKeeper payments are taxable to the employee, as they are paid by employers, rather than the government. The JobKeeper payments received by employers from the Tax Office will also be assessable to them but a deduction for the corresponding Job-Keeper funded wages can also be claimed as a tax deduction by employers. Also, the subsidy is not subject to GST and employers can not claim credits on the payments received from the Tax Office.

### c. JobSeeker

Yes. The JobSeeker payments are considered taxable income and will be taxed in the hands of the recipients (depending on their individual circumstances and applicable tax bracket). When claiming the payment, recipients are given the choice by Centrelink to have tax directly withheld by them on the payments.

### d. PAYGI - Tax Instalment Deferrals

No. As the name indicates, this measure only defers the tax and there is no financial benefit (other than the timing of the payment) which could possibly lead to an amount being assessed for tax.

### e. Other state-based concessions

No. All state-concessions such as the payroll and land tax reliefs will not result in income tax being triggered. However, taxpayers are entitled to claim a tax deductions for the amount of land or payroll tax paid so if an amount is deferred, reduced or refunded, the amount of tax deductions claimed by the taxpayer will also inevitably be reduced for that income tax year.

## **ANY OTHER QUESTIONS – CONTACT WILLIAM BUCK – YOUR MEDICAL SPECIALIST BUSINESS ADVISORS – WE ARE HERE TO HELP.**

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