



CPA Australia Ltd
ABN 64 008 392 452

Level 20, 28 Freshwater Place
Southbank VIC 3006
Australia

GPO Box 2820
Melbourne VIC 3001
Australia

Phone +613 9606 9606
Freecall (Aust) 1300 737 373
Website cpaustralia.com.au

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The Hon Daniel Andrews MP
Premier
1 Treasury Place
MELBOURNE VIC 3002

Via email: ben.foster@minstaff.vic.gov.au

Cc: Barbara.Cullen@ecodev.vic.gov.au
christena.singh@ecodev.vic.gov.au

Dear Premier

CPA Australia's recommendations for additional support for businesses significantly impacted by further restrictions on their operations

CPA Australia represents the diverse interests of more than 166,000 members working in over a 100 countries and regions around the world, including around 37,000 members in Victoria. We make this submission on behalf of our members and in the broader public interest

As you acknowledged, the necessary decision you took to impose Stage 4 restrictions in Melbourne to address the COVID-19 public health crisis will have significant economic ramifications. Many businesses now face a significant threat to their existence with the imposition of these additional restrictions. This threat will no doubt also lead to widespread job losses. While current business support measures such as the JobKeeper Payment will limit job cuts and business closures, their effectiveness will be severely tested over the coming weeks.

CPA Australia is of the view that more temporary Federal and state Government support is needed to assist business through these restrictions. We have also written to the Federal Government proposing temporary support measures for business.

It should be noted that accountants will be critical to the business sector over the coming weeks. Businesses are far more likely to turn to their accountant than any other source to guide them through this current crisis and beyond. Therefore, we stand ready to assist the government in designing effective support measures.

Below are our recommendations for additional support the State Government could extend to businesses significantly impacted by the further restrictions:

A \$10,000 grant for small business

As with the bushfire recovery grant for small business, the State and Federal governments could jointly fund \$10,000 grants for small business in selected local government areas to which Stage 4 restrictions apply.

It is important that the grant be open to all small businesses, including sole traders and those that operate through partnerships or trusts. Some of the current support measures exclude these businesses.

The conditions for accessing the grant should be modified from a 40 per cent decline in turnover to a 30 per cent decline in turnover. Moreover, we do not recommend that being a JobKeeper participant should be a condition for receiving the grant. This would allow the grant to flow to businesses that did not apply for JobKeeper or have withdrawn from JobKeeper due to cashflow concerns.

The grant conditions should be designed to allow new businesses in declared areas, and businesses outside those areas, to receive the grant if they can prove significant hardship.

Small business concessional loans

As with the bushfire concessional loans for small business, the State and Federal governments could jointly fund concessional loans to viable small business in selected local government areas to which Stage 4 restrictions apply where those businesses can demonstrate they have been significantly impacted by COVID-19.

As with the bushfire concessional loans, there should be no repayments or interest for the first two years, and a concessional rate for the remaining term of the loan.

The applications should be administered through the same process as the bushfire concessional loans, with the eligibility criteria based on that for the bushfire concessional loans with appropriate modifications.

Improvements to the Business Support Fund – Expansion

The Business Support Fund – Expansion should be made accessible to a much larger number of businesses. In this challenging period, erring on the side of generosity potentially would achieve a better outcome.

The grant could be made accessible to more businesses by removing the following conditions:

- the business must employ people. To improve the equity of the grant, it should also be available to sole traders. In short, without their business, sole traders become unemployed.
- be a participant in the JobKeeper Payment. Removing this condition will allow businesses that chose not to participate in JobKeeper, because they did not have the required cash flow, to receive grant money. These businesses are likely to be at a very high risk of failure.
- be registered with WorkSafe on 30 June 2020. With the requirement to hold an ABN on 30 June 2020, this additional requirement appears unnecessary.
- be registered with a responsible Federal or State regulator. With the requirement to hold an ABN on 30 June 2020, this additional requirement appears unnecessary. Further, many businesses operate through trusts or partnerships and choose not to register their business name with ASIC. As such, they do not meet the eligibility requirements of the grant.

Further, the government could make the evidence requirements for the grant more flexible. For example, businesses are excluded from eligibility where the name on the rates notice or utility bill does not match the name of the applicant. This is especially the case for home-based business where the name on the bill is often that of the individual, not the business.

Extend the commercial rent relief scheme

The government should consider extending the commercial rent relief scheme, which includes a rent payment waiver or deferral taking into account the commercial tenants' income reduction due to COVID-19.

However, one issue with extending the Scheme is that it asks landlords to continue to take a reduction in their rental income. It should be acknowledged that many commercial landlords are private investors and small businesses themselves.

If the commercial rent relief scheme is extended, the Government should look at options to share the economic impact commercial property owners are asked to take on. For example, this could include a land tax reduction of say, 50 per cent, for land subject to commercial leases for 2020-21. Further relief could be provided to land owners by increasing the eligibility threshold for land tax relief from total taxable landholdings below \$1 million to \$5 million.

Local governments could also assist in alleviating rental pressures by reducing property rates on leased commercial properties.

The Government may also consider Singapore's model where the Government provides cash grants to commercial property owners on the condition that the grant is passed onto their SME tenant/s. The State and Federal Government could possibly jointly fund cash grants to landlords in selected local government areas to which Stage 4 restrictions apply on the condition that the grant be passed onto the SME tenant.

Payroll tax relief

The Government should consider extending its payroll tax waiver for businesses with annual taxable wages up to \$3 million until 31 December 2020.

Creating jobs

One of the great challenges emerging from COVID-19 is how to create jobs, especially for younger, less experienced workers. Past experience shows that it can be some time after a recession finishes before youth unemployment and long-term unemployment comes down.

We also expect that there will be spikes in unemployment when stimulus measures cease and other government, banking and landlord support is withdrawn.

While education and training are essential, there needs to be jobs for such people once they complete their training. As an interim measure, the government should consider increasing the size of its workforce, especially in roles that younger people can fill. As an example, in Singapore's most recent supplementary budget, it announced that the public sector is creating 15,000 jobs in 2020 by bringing forward its hiring in areas such as early childhood education, health and long-term care, as well as filling short-term needs related to COVID-19. The State Government should consider bringing forward its planned hires.

If you have any queries on this submission, please do not hesitate to contact Gavan Ord, Manager Business and Investment Policy on 0419 547 782 or gavan.ord@cpaaustralia.com.au.

Yours sincerely



Dr Gary Pflugrath CPA
Executive General Manager, Policy and Advocacy
CPA Australia