

How Family Businesses can come out ahead – COVID-19 toolkit

August 2020





Why Family Businesses have the edge

Family values are what set you apart.

In times like this, businesses need to show empathy and that they truly value their people. Family businesses have an edge, in the way you view your team as family. Another significant advantage over other businesses is trust. You understand that trust is hard earned over years and sometimes generations. It's earned from living behaviours which typically put the interests of the family behind the business stakeholders, including customers, suppliers and employees. Effective leadership over the coming months and even years will help you to maintain trust with your stakeholders.

How you lead your family business will be crucial to come out the other side of COVID-19. Owners are often so busy in day-to-day activity that it can be hard to find time to focus on leadership. We've compiled this toolkit designed to help you navigate the crisis and minimise the impact on your business, and your family.

3 keys to success



Cash is king



Communication



Clear and strong
leadership

Family Business Isolation - To Do List:

Done	Action	Suggestion
<input type="checkbox"/>	Family Council	<ul style="list-style-type: none"> Have you been putting off your plans to set up family council meetings? Capitalise on additional time you may have to progress these meetings. Have you re-evaluated your family values? Do your family values stand up in times of crisis?
<input type="checkbox"/>	Work on your Business	<ul style="list-style-type: none"> Do you feel you are always working in your business and never have time to work on it? Now is a great time to think strategically about the direction of your business and evaluate success so far.
<input type="checkbox"/>	Action Plan	<ul style="list-style-type: none"> It's time to start working on your action plan. If you don't have an action plan, please contact us for a no charge virtual strategy session.
<input type="checkbox"/>	Risk Management Plan	<ul style="list-style-type: none"> No one was prepared for the COVID-19 pandemic. Consider what you need to put in place now to ensure your Risk Management Plan can stand the test of time. Have you left it to the Board? What family issues are there to consider? How is the communication between the Board and the Family? What could the impact be on your Board or your family name if something goes wrong? How prepared are you?
<input type="checkbox"/>	Website	<ul style="list-style-type: none"> Ask your clients for testimonials Is your website up to date? Does it tell your family business story and convey your core values?
<input type="checkbox"/>	Upskill	<ul style="list-style-type: none"> Is there a course you have always wanted to do? Is there a skill you want to learn? Are you encouraging your team to think about their own professional development?
<input type="checkbox"/>	Post COVID-19 Strategy	<ul style="list-style-type: none"> COVID-19 will come to an end as will operating in crisis-mode. Plan your strategy for the future. Whilst you are in isolation, it's time to get things in motion
<input type="checkbox"/>	Social Media Strategy	<ul style="list-style-type: none"> Does your social media platform showcase your family values? Are you maintaining engagement in the current environment? Has engagement on social media increased or decreased? Are there new mediums you would like to introduce to your social media?
<input type="checkbox"/>	Communication	<ul style="list-style-type: none"> Are you hearing what you need to from your board? How are you holding your meetings?



2020 forecast

- ✓ Prepare an updated cash flow forecast to 31 December 2020;
- ✓ Ensure you monitor your profit and loss line by line, approach suppliers for discounts, cut expenditure where you can;
- ✓ It's time to be on top of your debtors. Follow-up on all outstanding debts and ensure they are paid on time;
- ✓ Sensitivity analysis/financial modelling to be done to ensure you are considering a best case scenario, medium and worst case scenario;
- ✓ Update weekly

Negotiate

What options are available?

Australian Taxation Office

Payment plans and deferral of existing payment plans

The Australian Taxation Office are not offering automatic relief options.

If your business is affected by COVID-19, we will consider remitting interest and penalties incurred after 23 January 2020.

The ATO offer deferral of payments (income tax, GST, PAYG instalments) and quicker access to refunds.

If you would like a payment arrangement, we encourage you to contact us as early as possible as the Australian Taxation Office is working with clients to find the right solution to help you. Recently we received a payment deferral until September 2020 for an \$800k tax debt. A payment deferral is no payment required and no interest or penalties for a 6 month period.

Office of State Revenue

Land Tax

States and Territories offer land tax relief. [More information here](#)

Payroll Tax

Unpacking the JobKeeper subsidy. [More information here](#)

Banks

Flow of Credit

- Coronavirus SME Guarantee Scheme
 - For businesses with aggregated turnover up to \$50m
 - Government guarantee of 50% to support new short-term unsecured loans used for working capital
 - Maximum of \$250,000 per borrower
 - Loan will be up to 3 years, with an initial 6 month repayment holiday
 - Will commence by early April 2020 and be available until 30 September 2020
 - Banks are offering rates of around 4.5%
-

Loan Repayments

- Small Business Assistance Package
 - Details still to be confirmed
 - Deferral of loan payments for affected small businesses for 6 months
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Employees

'JobKeeper' wage subsidy

- The Jobkeeper package has been extended to 28 March 2021.
- The payment rate of \$1,500 per fortnight for eligible employees and business participants will be reduced to \$1200 per fortnight from 28 September 2020 and to \$1,000 per fortnight from 4 January 2021.
- Rates will decrease for employees who work less than 20 hours per week.
- From 28 September 2020, businesses will be required to reassess their eligibility with reference to their **actual** GST turnover in the June and September quarters 2020. Businesses will need to demonstrate that they have met the relevant decline in turnover test in both of those quarters to be eligible for the Jobkeeper Payment from 28 September 2020 to 3 January 2021.
- For businesses to be eligible from 4 January to 28 March 2021, businesses will need to meet the relevant decline in the turnover test with reference to their actual GST turnover in each of the June, September and December quarters 2020.

Apprentices

- Wage subsidy of 50% of apprentices and trainees wages for the period 1 January 2020 to 30 September 2020
- Maximum of \$21,000 per eligible apprentice or trainee
- Businesses with < 20 employees
- Larger businesses that re-engage an eligible out-of-trade apprentice or trainee (ie those let go by businesses with < 20 employees)
- Requires a registration process from early April in a form still to be confirmed.

Cashflow Boost

- For businesses (including NFPs and charities) with aggregated turnover up to \$50m
- Two Cash Flow boosts (in the form of a credit), each equal to a minimum of \$10,000, maximum \$50,000
- The first available in the March to June 2020 period equal to 100% of PAYG withheld for quarter lodgers
- Monthly lodgers will receive a credit of 300% of PAYG withheld in the March 2020 activity statement
- Available from 28 April 2020, credit amount to be delivered via ATO upon lodgement of the BAS. Where this places the business in a refund position, the ATO will deliver the refund within 14 days
- For example:
 - January to March 2020 BAS: total PAYG withholding is \$30,000 – you will get a refund or credit in the Integrated Client Account, on the basis that the \$30,000 has already been remitted to the ATO April to June 2020 BAS: total PAYG withholding is \$30,000 – you will receive a \$20,000 refund or credit in the Integrated Client Account (as this takes you to your \$50,000 limit)
- The second tax flow boost available to active businesses in the June to September 2020 period from 28 July 2020, which will be equal to the total of the initial Cash Flow boost (up to a total of \$50,000).
- As this stimulus package is based on PAYGW, for owners paying themselves trust distributions or dividends, these payments will not be covered.**

Monthly BAS

We have estimated the payment/credit that the business would be entitled to receive. The below analysis would assist you in budgeting your cash flow position over the coming months.

Stimulus	Month ended	Basis of calculating cash payments/credits	Date of payments/credits*
Boosting Cash Flow for Employers payments (Max \$50k)	March 2020	Maximum of 300% of withholding tax on the business's employees' salary and wages	from 21 April 2020
	April 2020	Maximum of 100% of withholding tax on the business's employees' salary and wages	from 21 May 2020
	May 2020		from 21 June 2020
	June 2020		from 21 July 2020
Subtotal (A)			
Additional payments (Max \$50k)	June 2020	Maximum 25% of the subtotal (A) for each month	from 21 July 2020
	July 2020		from 21 August 2020
	August 2020		from 21 September 2020
	September 2020		from 21 October 2020
Subtotal (B)			
Grand total (A+B)			

* upon employers lodging eligible upcoming activity statements

Quarterly BAS Stimulus	Quarter ended	Basis of calculating cash payments/credits	Date of payments/credits*
Boosting Cash Flow for Employers payments (Max \$50k)	March 2020	Maximum 100% of withholding tax on the business's employees' salary and wages	from 28 April 2020
	June 2020		from 28 July 2020
Subtotal (A)			
Additional payments (Max \$50k)	June 2020	Maximum 25% of the subtotal (A) for each quarter	from 28 July 2020
	September 2020		from 28 October 2020
Subtotal (B)			
Grand total (A+B)			

* upon employers lodging eligible upcoming activity statements

- The payments are tax-free, there will be no new forms and payments will flow automatically through the ATO.

Frequently asked questions

Can trusts receive the 'JobKeeper' payment?

Trusts can receive JobKeeper payments for any eligible employees. Where beneficiaries of a trust only receive distributions, rather than being paid salary and wages for work done, one individual beneficiary (that is, not a corporate beneficiary) can be nominated to receive the JobKeeper payment.

I am a company director that receives director fees. Am I eligible?

An eligible business can nominate only one director to receive the payment, as well as any eligible employees. Only one person in a director capacity may receive the payment and that individual may not receive the payment as an employee.

I am a shareholder. Am I eligible?

An eligible business that pays shareholders that provide labour in the form of dividends will only be able to nominate one shareholder to receive the JobKeeper payment.

What happens if I don't have the money to continue paying my eligible employees until the payments are made?

The JobKeeper payment is a reimbursement scheme that will be paid by the ATO monthly in arrears.

In cases where this may present cash flow difficulties, those businesses may want to speak to their bank to discuss their options. The banks have said businesses may be able to use their upcoming JobKeeper payments as a basis to seek credit, in order to pay their employees until the scheme makes its first payments.

What advice can you give families to avoid knee jerk reactions to this crisis and hold steady with their long term strategy?

In uncertain times it is easy to react quickly, but it is important you never lose sight of your long term strategy. What you need to consider:

- Every decision, you need to consider is it in line with your family values?
- Is this decision in line with your long term vision?
- Is the funding required in line with your desired debt/equity risk appetite?
- Ensure you have a voting mechanism in your family constitution, so you have speed to market but also a sounding board for these decisions.
- Consider the challenges brought by the COVID-19 crisis as opportunities – it may have identified areas of weakness within the business model such as not having back-up suppliers, appropriate IT systems, or not having clear lines of communication established.
- Reach out to your advisors for support – for a sounding board, to brainstorm ideas, or to discuss action plans to work through issues faced.
- Use data to assess continued impact and exposure, focus on business critical, cash flow positive activities in case the crisis lasts longer than expected.
- The unknown can equate to fear. Communication is vitally important during this time, particularly at the board level. Are you asking the right questions of management? Are you getting the information you need to make continued informed decisions, short term and long term?

Director Obligations

Amend the Corporations Act 2001 (Cth) to establish the following temporary mechanisms:

- Increase threshold creditor can take action to \$20,000 and give companies 6 months to respond
- Relief for directors from personal liability for trading while insolvent
- Targeted relief for companies dealing with unforeseen events that arise as a result of the coronavirus

Will be provided over the next 6 months, currently ending 30 September 2020. The Government has not announced to date whether they will extend these provisions or not.



A group of people, including adults and children, are seen from behind, huddled together in a grassy field. They are all wearing light blue t-shirts. The background shows a line of trees under a warm, golden sunset sky. The text is overlaid on the left side of the image.

We understand
times are tough,
your team are
like your family.
We are here to
help.

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