

No business is immune to COVID-19

Practical tips for your business during a global emergency

COVID-19 is first and foremost a global health emergency, and the top priority for governments, business leaders and individuals is human safety and well-being. However, the pandemic is having a growing impact on global and Australian Businesses. While stimulus packages have recently been released by the [Federal](#) and [NSW](#) Governments, it's clear that the impact of COVID-19 on SME businesses will require more than the governments can provide.

Business leaders should ensure they are well prepared for the impact that the pandemic and associated issues will have on their businesses.

With the scientific and medical community providing excellent resources on containing the virus, we've used our expertise to provide practical advice on what you can do now to identify risks and proactively safeguard your business.

The following advice is general in nature:

GENERAL BUSINESS PLANNING AND MONITORING

- **Cash** - Planning and monitoring your cash resources will be important. Ensure you know what it costs to keep the doors open and the cover you have for these costs – see Cash flow section below.
- **Recording keeping** - Keeping your accounting records up to date will ensure you have real time information about your business on which to make informed decisions.
- **KPI's** - Track and compare the Key Performance Indicators (KPI's) for your business. KPI's are early warning systems of potential areas of concern for example, are sales, gross margin and employee productivity on track? What action can you take behind a KPI?
- **Expenses** - Keep a tight rein on expenses - what is discretionary vs necessary spending?
- **Capital expenditure** - Re-assess capital expenditure plans. Tax deductions for instant asset write-offs yielding lower tax bills in the future should be weighed against the need for short term cash.
- **Rent and leases** - If you pay rent to a third party consider seeking support or a reduction for a short period of time.
- **Forecasting** - Recast your budget with assumptions that reflect current and expected trading conditions. Put in place various scenarios to test the outcomes. What are the implications if sales drop by 20%, 30% or 40%?



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CASH FLOW

- **Monitoring** - Update your cash flow and consider what level of detail is required and how often to track (daily vs weekly). Consider also stress testing the cash flow with different scenarios, for example what happens to cash balances if debtor days increase from 40 to 60 days?
- **Customers** - Work proactively with your customers to understand their ability to pay and the likely timing of cash collections. If they are struggling, agree a plan with them. Consider using fee funders to finance new or outstanding invoices for customers meaning you get paid up front while your customer can spread the payment over a longer period.
- **Suppliers** - Seek extensions where possible to pay creditors/suppliers. Can you get better terms? Remember, although conversations can be difficult everyone is facing the same difficulties, so communication is key.
- **Superannuation** – While the Australian Tax Office (ATO) may be lenient with extensions on tax instalments (see below), employee superannuation does not fall into this category. There are harsh penalties that can be applied to employers and their directors where superannuation is not paid. This is not a commitment you should defer.
- **Additional funding** - Consider using premium funding for large commitments such as insurances etc.

ATO ASSISTANCE AND SUPPORT

- **Tax extensions** - If required request an extension of time to lodge and pay tax obligations. We are in regular contact with the ATO in this regard and are happy and ready to assist you. We have already seen the ATO offer extended payment terms to our clients impacted by COVID-19.
- **Profitability variations** - Consider whether your FY 2020 profitability will be lower than the previous year and prepare a variation of PAYG company tax instalments for the March or June quarters if appropriate. We are ready to assist if required.
- **GST** - Businesses on a quarterly GST cycle may elect to change their GST reporting period to monthly if that assists with obtaining quicker GST refunds.
- **Interest and penalties** - The ATO has also indicated it will consider remitting interest and/or penalties incurred after 23 January 2020 for any businesses affected by COVID-19.

GOVERNMENT INCENTIVES AND SUBSIDIES

Federal

The Federal Government has released a \$17.6b stimulus package. The package includes the following initiatives:

- Instant asset write-off for capital expenditure up to \$150,000 for businesses with turnover less than \$500 million. The asset must be installed ready for use prior to 30 June 2020.
- Investment incentive through accelerated depreciation.
- Cash flow support for repayments of up to 50% of PAYG withholding for March to June 2020 to a maximum of \$25,000.
- Apprentice and trainee support.

Find out more about the Federal Government's stimulus package [here](#). Scott Morrison is set to announce new measures on 19 March 2020, we will update you as more information becomes available.

NSW

The NSW Government has also announced a number of initiatives to support small business. The most significant of which is a deferral of payroll tax. The incentives include the following:

- Waiver of payroll tax for businesses with payrolls of up to \$10m. Payroll tax will be waived for three months to 30 June 2020 (full details to be confirmed).
- The payroll tax threshold is expected to be raised to \$1m for the 2021 financial year.
- Waiving a number of Government fees and charges.

Find out more about the NSW's stimulus package [here](#).

BANKING

- **Financing needs** - Consider whether your current finance or debt facilities are sufficient to cover for any cashflow shortfalls.
- **Loan repayments** - Consider the impact of any slow down on your ability to meet loan repayments and to meet financial and reporting covenants.
- **Act early** - If you believe you will require additional funding or will likely breach covenants speak to your bank early and work with them to develop a plan. Early indications from the banks are that they would like to work proactively with businesses to support them through the current challenges.

Contact us for assistance.

EMPLOYEES

- **Communication** - Clearly communicate your plans with your employees and provide regular updates as things evolve. Employees are looking to you to take a leadership role. Be clear about your position on sick leave entitlements, working from home and the need if required for leave without pay.
 - **Remote working systems** - Determine whether employees are able to work from home and will your systems support working from home? Conduct stress testing of your remote access/VPN systems to determine if they can cope and develop work around solutions,
- Make sure your staff are ready to work from home immediately if circumstances change overnight and have a means to contact all employees remotely (i.e. SMS, WhatsApp, Skype and Zoom to name a few). Ensure employees have adequate internet access.
- **Key People** - Identify employees with critical skills for the business and make sure they are flexible in how they can work.
 - **Reduce costs** - Reduce contractors and/or overtime where possible to minimise any discretionary people costs.

SUPPLY CHAIN

Talk to your key suppliers about their plans and their ability to continue to deliver. Consider alternatives and what can be done to ensure continuity of supply.

CUSTOMERS / CLIENTS

Liaise directly with your customers to understand the likely flow on / impacts to your business and theirs. Where you have agreed orders or work in place, confirm that this is still going ahead as you have agreed.

While visiting client sites can be problematic, use electronic conferencing platforms to keep providing the agreed services remotely.

CONTINGENCY PLAN

It's important as the crisis evolves that you have considered your businesses contingency plan. While this plan should be specific to your business, a good example of a [Contingency Checklist](#) has been developed by CPA Australia.

Contingency plans should incorporate scenarios that you would not normally contemplate given the world-wide crisis that is evolving. Thinking outside the box is a must.

IF YOU'RE IN FINANCIAL DIFFICULTY SEEK ADVICE EARLY

As the crisis unfolds, some business will undoubtedly fall into trouble. If you are unsure how your business is faring, ask the following questions:

- Can the business pay your creditors, employees and tax obligations as they become due?
- Do you have resources to support the business in the coming months?

If you worried about trading whilst insolvent, please speak to us early.

BE CONSIDERED

The ideas above are examples of the matters that should be considered when developing a plan to navigate the issues arising from COVID-19.

While there is no one-size-fits-all approach the key is to have a plan that addresses your circumstances. Be proactive about your response, remain calm and seek help if you require it.

As we have seen in the past with financial crisis, the emergency will end and those businesses with a robust plan of action are likely to hit the ground running when the economy starts to pick up.

Should you wish to discuss any of the items set out above with an experienced business advisor please contact me directly or call our office on 02 8263 4000.