



AFTA
Travel Industry Emergency Package
COVID-19 Response
Treasury Coronavirus Business Liaison Unit

MARCH 2020



Executive Summary

The Australian Travel industry is in dire straits as a result of the current Covid-19 pandemic crisis and the necessary restrictive measures the government is imposing to deal with the health crisis. We need to ensure the health crisis does not become an economic crisis of epic proportions.

AFTA appreciates the Government's initial *Economic Response to the Coronavirus*.

AFTA, on behalf of the travel industry, has put together a "shovel ready" package of additional economic support measures which are absolutely necessary to avoid the complete wipe-out of our industry. We would greatly appreciate the opportunity to work with government and, in particular, the *Coronavirus Business Liaison Unit* at the Federal Treasury, and explore how our package can be speedily enacted to save jobs and livelihoods now.

Our proposed package is well-targeted, proportionate and utilizes existing legislative parameters. This package is not sector-specific. We are asking for economy-wide support which will have positive effects on every small and medium size business to survive this once-in-a-generation emergency.

Overall, we commend the government for the first round of financial stimulus package announced last week. However, we believe more can and needs to be done if we truly want to mitigate the already devastating economic impact the current crisis is generating (Australia's package is approximately 1% of GDP, NZ is 4%).

AFTA and its members want to be proactive and bring to bear our business, commercial and tax experience to suggest practical ways in which the government can use the tax system architecture to support businesses weather the storm. Indeed, there are levers within the existing taxation legislation to relax administrative requirements and provide immediate relief to struggling businesses in desperate need of cash flow.

The travel sector is hurting badly. Our first priorities would be to obtain a debt covenants guarantee, activate s524 of the *Fair Work Act*, and increase the immediate cash injections needed for businesses to keep employing people. The list of potential measures below is set out in order of priority, and further details are set out overleaf:

- 1) *Debt Covenants Guarantee*: similar to bank guarantees given by the government in the context of the 2008 global financial crisis. No cost to Government. UK and Germany provide a good example on how this can be done as a practical response to the existing crisis. (AFTA can separately provide annual debt figures for major AFTA members and travel distributors);
- 2) *Employment Law*: Clarify section 524 – the Stand down provisions of the *Fair Work Act* to apply to travel businesses (ATO classifications) that "a stoppage of work for any cause for which the employer cannot reasonably be held responsible" will apply. With immediate, simple and acknowledged access to *Centrelink* for affected employees.
- 3) *Small Business Travel Agencies: IMMEDIATE Cash Injection via a loan*: using the BAS ledger and applicable to travel businesses with a Total Turn Over (TTV) of \$8m, (income max approx. \$200K) an interest applied loan (annual rate of 2%) of up to \$50,000 paid upon



application, with 12 equal payments from January 2021, with the option to pay down sooner if capable to provide emergency and simple access to the business.

- 4) *Cash injections*: based on PAYG withholding liabilities: utilise the announced measure but broaden the parameters (\$100K cap and \$500m turnover); extend to end 2020;
- 5) *Loss Carry-Back*: reinstate the repealed measure to allow FY20 and FY21 tax lodgements to apply losses to prior years (FY18 and FY19);
- 6) *BAS lodgement relief*: extend lodgement deadlines for SMEs for March, and June Quarters (FY20) and September and December Quarters (FY21)
- 7) *Extension or deferral on GST payments*: Allow deferral of payment of GST liabilities for March, June (FY20) and, Sept and Dec Quarters (FY21). GST to be remitted in 2021.
- 8) *Superannuation Emergency Withdrawals*: Allow sole traders once-off access to withdraw up to 10% of their superannuation balances (in a similar way that first home owners have once-off access). No conditions on expenditure type.

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Summary of measures proposed by Travel Sector

AIM	WHAT MEASURE	WHEN
Guarantee corporate debt covenants	<p>Government guarantee in relation to corporate debt covenants Similar to the GFC, in relation to citizen deposits guarantee, the Federal Government provides a guarantee to the banks in relation to corporate debt covenants in the travel sector</p>	Immediate, until September 2021, as covenant calculations are a hindsight
Employment law support	<p>Employment law support via s 524 (Fair Work Act) Clarify section 524 – the Stand down provisions of <i>Fair Work Act</i> to apply to travel businesses (ATO classifications) that “a stoppage of work for any cause for which the employer cannot reasonably be held responsible” will apply. Access to Centrelink for affected employees.</p>	Immediate, until Dec 2020
Immediate Cash Flow Assistance for Small Travel Agencies Low Interest Loans	<p>Small Travel Agencies Low Interest Loans <i>Small Travel Agencies to receive an EMERGENCY and IMMEDIATE Cash Injection via a loan. Applied via the BAS ledger and applicable to travel businesses with a Total Turn Over (TTV) of \$8m. Total Turnover is the annual amount of CASH that passes through the business, this is not the reportable income of the business. The majority of this Cash is received on behalf of another party as an agent on behalf of the consumer. The reportable income taken as an average of the net profit before interest and tax would be \$150K.</i></p> <p>An applicable interest annual rate of 2% would be applied to the loan amount and be paid via the BAS return in 12 equal payments (based on the value of the loan taken) from January 2021, with the option to pay down sooner if capable to provide emergency and simple access to the business.</p>	Immediate, until December 2021
Cash flow assistance for businesses: Federal Government initiatives	<p>Boosting cash flow for employers (Round #2) Extend cash injections cap (\$100K up from \$25K) and for higher turnover companies (\$500m up from \$50m).</p> <p>Extend until end 2020.</p>	Covers amounts withheld between 1 January – 31 December 2020
Cash flow assistance for businesses: GST initiatives	<p>Boosting cash flow via loss carry-back Reinstate the previous loss carry-back provisions to allow current year losses to be carried back to FY18 and FY19. Minor amendments to previous law required.</p>	Allow loss carry-back for FY20 and FY21 (for 2 previous years, FY18 and FY19)

	<p>Boosting cash flow via PAYG Instalment penalty waiver Exercise ATO discretion/amend law to remove penalties for errors in PAYG Instalments Variations. Effectively allow businesses to vary PAYG Instalments to zero immediately (for March and June Quarters) and allow refunds of instalments made in Sept and Dec 2019 Quarters, where FY20 year loss is forecast. Removal of penalties for incorrect forecasts will enable variations to be lodged in good faith.</p>	Immediate, until Dec 2020
	<p>Boost cash flow via extension of BAS lodgement deadlines Allow deferral of lodgement of BAS for March, June (FY20) and, Sept and Dec Quarters (FY21) for small and medium enterprises.</p>	Immediate, until Dec 2020
Cash flow assistance for businesses: GST initiatives	<p>Boost cash flow via GST liability deferral Allow deferral of payment of GST liabilities for March, June (FY20) and, Sept and Dec Quarters (FY21). GST to be remitted in 2021.</p>	Immediate, until Dec 2020
Cash flow assistance to businesses: Superannuation	<p>Boost cash flow via once-off access to superannuation balances Allow sole traders once-off access to withdraw up to 10% of their superannuation balances (in a similar way that first home owners have once-off access). No conditions on expenditure type.</p>	Immediate, until Dec 2020