

A photograph of three business professionals (two men and one woman) sitting around a long, light-colored wooden table in a modern office setting at night. They are looking at laptops and talking. The office has large glass windows that look out onto a city skyline at night. The lighting is dim, with warm interior lights and cool blue tones from the windows.

# COVID-19

Tax policy and administration measures  
recommended by the OECD

24 April 2020

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The Organisation for Economic and Social Development (OECD) has made a series of tax policy and tax administration recommendations to national governments to assist in dealing with the impact of COVID-19. The recommendations involve providing urgent tax relief to businesses and individuals to redress short to medium-term cash flow problems, and extending latitude to taxpayers regarding compliance and payment obligations.

The measures adopted by the Australian Government are broadly consistent with the OECD recommendations:

OECD recommendation	Australian Government responses
<b>Tax policy</b>	
<b>Reviewing corporate and individual residency and permanent establishment criteria in light of COVID-19 travel restrictions</b>	<p><i>Permanent establishments</i></p> <p>The ATO has provided guidance that the COVID-19 travel restrictions will not, of itself, result in the company having a permanent establishment in Australia if it:</p> <ul style="list-style-type: none"><li>• did not have a permanent establishment in Australia prior to the COVID-19;</li><li>• there are no other changes in the company's circumstances;</li><li>• the unplanned presence of employees in Australia is due to COVID-19 travel restrictions.</li><li>• If these conditions are met then the ATO will not apply compliance resources to determine whether the company has a permanent establishment in Australia.</li></ul>

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<b>Tax policy</b>	
<b>Reviewing corporate and individual residency and permanent establishment criteria in light of COVID-19 travel restrictions</b>	<p><i>Corporate residency</i></p> <p>The ATO has provided guidance which states that if the only reason for holding or attending board meetings in Australia or directors attending board meeting from Australia is due to the COVID-19 travel restrictions:</p> <ul style="list-style-type: none"><li>• this will not by itself in the absence of other changes in the company's circumstances alter the company's residency status for Australian tax purposes; and</li><li>• the ATO will not apply compliance resources to determine whether the central management and control of the company is in Australia for tax residency purposes.</li></ul> <p><i>Individuals</i></p> <p>The ATO has provided guidance which states that a person who is not a resident for tax purposes and who remains in Australia "for some weeks or months because of COVID-19" will not become an Australian resident for tax purposes, providing that person usually lives overseas permanently and intends to return overseas as soon as that person is able to.</p>
<b>Temporarily provide more generous welfare payments and income support</b>	<p>The ATO will administer the Job Keeper payment and applications for temporary early access to superannuation. Special income support payments (such as the Job Seeker allowance) and one-off payments to low income earners will be administered separately by Services Australia.</p> <p>For businesses, the ATO will provide tax-free "cash flow boosts" between \$20,000 and \$100,000 to small and medium businesses and not-for-profit organisations, to be delivered as credits through the business activity system.</p>

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OECD recommendation	Australian Government responses
<b>Tax policy</b>	
<b>Waiving or deferring employer and self-employed social security contributions, as well as payroll related taxes</b>	<p>Payroll tax is levied by State and territory governments. Some jurisdictions (such as Tasmania and the Australian Capital Territory) have provided payroll tax relief to specific sectors affected by the shutdown, such as hospitality and tourism. All other jurisdictions (except for the Northern Territory) have granted payroll tax relief which is tiered to the businesses' taxable wages.</p> <p>Employers remain liable to make superannuation contributions on wages, however, wage "top-ups" made via the Job Keeper payment do not seem to attract superannuation liability.</p>
<b>Tax concessions and incentives for current and retired workers in health and other emergency-related sectors</b>	<p>No specific measures have been announced at this time.</p>
<b>Simplifying the procedures for making payments of and claiming relief from VAT (i.e. GST), customs or exercise duties</b>	<p>To ensure quicker access to GST refunds, the ATO encourages businesses with a GST turnover of less than \$20 million to move from quarterly reporting to monthly reporting.</p>
<b>Adjusting advance payments on the basis of a revised expected tax liability</b>	<p>The ATO is allowing businesses to vary PAYG instalment amounts to zero for the March 2020 quarter. Businesses that vary their PAYG instalment to zero can also claim a refund for any instalments made for the September 2019 and December 2019 quarters.</p> <p>Additionally, in its administration of the COVID-19 stimulus measures, the ATO may show a degree of administrative flexibility with, for example, estimating reductions in turnover to determine a business' eligibility. The ATO is deferring by up to 6 months, the payments of amounts due through business activity statement (including PAYG instalments), income tax assessments, fringe benefit tax assessments and excise.</p>



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<b>Tax policy</b>	
<b>Deferring or waiving taxes that are levied on a tax base that do not vary with the immediate economic cycle</b>	<p>Some Australian States and territories are providing temporary relief from land taxes and other licensing fees and charges. For example:</p> <ul style="list-style-type: none"> <li>▪ In Victoria land owners due to pay land tax in 2020 with taxable landholdings below \$1 million can defer their payment until after 31 December 2020. Liquor licensing fees for FY2019/2020 will be waived or refunded.</li> <li>▪ There are no changes to land tax in New South Wales, although the State Revenue Office will consider applications for extensions or instalment plans. Clubs and hotels in New South Wales will have gaming machine tax payments deferred from March 2020 to 1 September 2020.</li> <li>▪ There are no changes to land tax in Queensland, although fees and waivers will be granted to tourism businesses (including application fees, liquor licensing fees, registration renewal fees for tour operators, rebates on marina charges and passenger levies and the deferral of tourism lease rent payments).</li> </ul>
<b>Increasing the generosity of loss provisions</b>	<p>From 12 March 2020 to 30 June 2020, the instant asset write-off threshold is raised to \$150,000 (from \$30,000) and eligibility is extended to businesses with an aggregated turnover of less than \$500 million (from \$50 million). For eligible assets acquired and used/installed between 12 March 2020 to 30 June 2021, eligible businesses can deduct the cost of depreciating assets at an accelerated rates (depending on the size of the business).</p> <p>Additionally, a limited 15 month investment incentive to support business investment and economic growth by accelerating depreciation deductions will be introduced for businesses with an aggregated turnover of less than \$500 million. A deduction of 50% of the cost of an eligible asset on installation is available to new assets that can be depreciated under Division 40 (e.g. plant, equipment and specified intangible assets) acquired after the announcement and first used or installed by 30 June 2021.</p>
<b>Preparing for recovery through tax policy</b>	<p>The Australian Government has adopted a number of measures designed to sustain a flow of credit, including guaranteeing up to 50 per cent of short-term unsecured loans to small and medium enterprises; temporarily exempting lenders from responsible lending obligations when providing credit to small business customers; and investing \$15 billion in structured finance markets. None of these policies are administered by the ATO.</p>

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<b>Tax administration</b>	
<b>Preparation and filing of tax returns</b>	Payments due on or after 23 January 2020 can be deferred by up to six months (including payments associated with business activity statements, income tax assessments, fringe benefit tax assessments and excise). Businesses can vary PAYG instalment amounts to zero for the March 2020 quarter (due in April) and may be entitled to refunds for instalments paid in the September 2019 and December 2019 quarters.
<b>Penalties and interest charges</b>	Taxpayers impacted by COVID-19 may be eligible for a remission of interest and penalties incurred on or after 23 January 2020.
<b>Debt payment plans and extensions</b>	The ATO may vary, suspend, or cancel payment plans, and may determine not charge interest on the outstanding debt for taxpayers that struggling to meet their liabilities due to COVID-19. Taxpayers on existing payment plans are encouraged to contact the ATO.
<b>Suspending debt recovery</b>	Debt collection is "paused". This extends to garnishees, director penalty notices and the automated re-raising of non-pursued debts.
<b>Refund speed</b>	If a potential refund is stopped for manual intervention and the client is identified as impacted by COVID-19, the ATO will apply additional priority to have the refund processed as quickly as possible.
<b>Audit policies</b>	The majority of new audit activity will be paused. Existing activity will be managed on a case-by-case basis with a view to reducing the burden on genuine taxpayers. To reduce the risk of fraud, the ATO will continue its risk-based pre-issue compliance.
<b>Enhanced services and communication initiatives</b>	The ATO has set up a COVID-19 webpage, an emergency support line and has also established a temporary email contact point for COVID-19 specific queries.

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