

Government's new \$66 billion package will take coronavirus economic life support to \$189 billion

Written by Michelle Grattan, Professorial Fellow, University of Canberra

Small and medium-sized businesses will get up to \$100,000 in cash payments in the government's second stage of emergency assistance, worth a huge \$66 billion, to cushion businesses and individuals as the coronavirus cuts a swathe through Australia's economy.

The package, to be announced Sunday, will bring to a massive \$189 billion the official injection of cash and credit to prop up businesses, protect jobs where possible and assist those whose jobs can't be saved as well as welfare recipients and low income earners.

It is equivalent to a whopping 9.7% of GDP. This compares with Canada's stimulus of 4.5% of GDP; Hong Kong's 4.5%, and South Korea's 4%.

The \$189 billion includes the government's initial \$17.6 billion stimulus package – dwarfed by its successor - and \$105 billion in credit measures from the Reserve Bank and the government announced last Thursday.

Read more: [**More than a rate cut: behind the Reserve Bank's three point plan**](#)

With the Australian COVID-19 tally of cases above 1000, the government is already flagging there will need to be a third package as the economy spirals down in the wake of the sweeping measures to try to contain the virus's spread. The restrictions are expected to become tougher in coming days and weeks.

The second stage package includes, apart from the wage subsidy, a loans guarantee to help keep enterprises operating. It also contains extensive income support and other measures, details of which are not yet available.

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The tax free cash payment of up to \$100,000 will be available to businesses with turnovers below \$50 million and also to eligible not-for-profit charities.

It will cost \$25.2 billion. In its first package, the government announced a cash payment equal to 50% of tax withheld, up to \$25,000 in payments and with a minimum of \$2000. That was worth \$6.7 billion, making the combined total of the two \$31.9 billion.

Under the latest measure, a business will get a payment equal to 100% of the tax it withholds from its workers' wages, up to a maximum of \$100,000.

Eligible businesses will be able to get a minimum \$20,000 even if they are not required to withhold tax.

The government estimates about 690,000 businesses, employing about 7.8 million people, will be helped, as well as some 30,000 not-for-profit enterprises.

The measure is front-end loaded, to get the assistance flowing as soon as possible.

The government will also announce a "coronavirus SME guarantee scheme" for small and medium-sized businesses. This is to complement the \$8 billion in measures the banks announced last week to defer small business loan repayments for six months.

Read more: [*Budget delayed until October, and new restrictions on indoor gatherings in latest coronavirus decisions*](#)

The federal government will guarantee 50% through the participating bank of an eligible loan to

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a small or medium-sized business hit by the impact of the virus. The \$20 billion government guarantee will be able to support lending of \$40 billion to these enterprises.

Loans will be used for working capital and be unsecured. The guarantee will cover loans granted within six months, from April 1. It will apply to new or existing customers of banks and non-bank lenders.

Lenders will not be charged a fee for accessing the scheme, and it will be repayment-free for six months. The maximum loan will be \$250,000, for a term of up to three years.

The scheme will not apply to re-financing present customers – they will benefit from the banks' announcement of last week.

Scott Morrison was blunt about how bad things will get. "We're already seeing the devastating economic impact coronavirus is having for Australia's local businesses. Unfortunately it is going to get worse before it gets better, but it will get better.

"Many of our restaurants and bars, our hotels and tourism operators, our hairdressers and beauty salons and our events companies already feeling the brunt of the economic impact of coronavirus. This is about finding a way for them and their workers to build a bridge to the other side of this crisis," he said.

"There is a lot of pain coming but we're going to cushion the blow as best we can.

"We want to help businesses keep going as best they can or to pause instead of falling apart," he said.

"In the event that someone does regrettably lose their job because of the coronavirus, it's very important that business give their workers the confidence that this is just temporary, and that when they reopen their doors and get back to business that they will want to get them back on

the payroll as soon as possible.”

“Australia’s small and medium businesses are the engine room of our economy. When they hurt, we all hurt.

“The plan we’re rolling out is focused on building a bridge for as many of those businesses and their workers as we can to get them over this crisis. That means supporting wages for small businesses so they don’t need to let go of their staff and ensuring that during the crisis small businesses know we have their backs on their bank loans,” Morrison said.

Read more: [Grattan on Friday: We are now a nation in self-isolation](#)

Treasurer Josh Frydenberg said: “These are extraordinary times requiring extraordinary measures”.

Victoria has just announced a \$1.7 billion assistance package for businesses.

Michelle Grattan does not work for, consult, own shares in or receive funding from any company or organisation that would benefit from this article, and has disclosed no relevant affiliations beyond their academic appointment.

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