Countdown is on: 100 days until JobKeeper stops

Bradd Morelli, National Managing Partner, Jirsch Sutherland

One of the federal government's most popular initiatives, JobKeeper, comes to its official end on September 27, 2020 – that's just 100 days from tomorrow. But there are concerns whether SME owners and directors will be ready to operate without assistance by this time.

The Australian Bureau of Statistics found 72 per cent of businesses have taken a revenue hit as a result of COVID-19, while 73 per cent of businesses have sought support, including wage subsidies, rent renegotiations, and deferred loan repayments. With such a high number of affected businesses, there is concern around what will happen when the government support is pulled.

"We're experiencing an event that's both macro and micro in nature," Bradd Morelli, Jirsch Sutherland National Managing Partner says. "Directors need to be proactive about setting their business back on the right course – and that includes getting your accounts in order, meeting taxation and superannuation compliance and seeking professional help from a qualified adviser."

Jirsch Sutherland suggests eight questions business owners can ask themselves now:

1. Cash flow: What is my cash-flow situation like now and what will it be like after stimulus ends?

2. Revenue streams: Will my revenue streams recover and are there opportunities for new streams?

3. Staff: Can I afford to keep staff on post-JobKeeper?

4. Deferred liabilities: Can I meet deferred payments? (e.g. rent, mortgage)

5. Tax obligations: Do I have the money to pay tax when it falls due?

6. Superannuation Guarantee: Do I have enough money to meet the next superannuation payment?

7. Worn out/no mojo: Do I want to hang on or have I lost my passion for the business?

8. Personal guarantees: Are my personal assets at risk? (e.g. personal savings, house, car)

“It’s crucial to understand that personal guarantees don’t fall away,” says Morelli. “Business owners should be aware of ‘sleeping personal guarantees’ that will raise their heads later, such as leases, make-goods, trade credit applications, finance, and credit card debts. Any debt-deferral decision may exacerbate liabilities, which could put personal assets at greater risk.”

‘New normal’

Cameron Allen, Partner, Marsh & Partners

Cameron Allen is a Partner with Marsh & Partners. He says with the restrictions lifting, business are trying to get back to “normal” and are potentially missing opportunities as they are not looking at things as they are now, but as they were before.

“As an example a restaurant may not reopen as [the limit in some states of] 20 people is not enough to make money,” Allen says. “But they are failing to take into account the JobKeeper wage subsidies, rental reductions, and electricity reductions on offer. If you look at the current break-even for the business, they may actually be profitable even with very few customers.”

Allen believes that over the long term, the number of insolvencies will increase as a result of COVID-19. “When clients come to us with cash-flow difficulties or large assessments from the ATO that they weren’t expecting, we spend a lot of time explaining their options to them, and this includes options around insolvency.”

He adds the type of support he’d like to see long term for clients is around advice. “Many clients can’t afford to seek advice and therefore are trying to do everything themselves,” he says. “As a result they don’t fully understand the position they are in. Helping those businesses to get professional advice would allow them to assess their position and either find a way back

or deal with the problem."

COVID waiver

Bill Lang, Executive Director, Small Business Australia

One option being proposed by Small Business Australia executive director Bill Lang is a form of "COVID waiver".

Lang believes that there will likely be times when a business decides there's no point continuing to operate – perhaps because the financial hit they've taken is too large, or demand for their products and services have disappeared. He says if a business has to fold because of COVID-19, then rather than being declared bankrupt, which comes with a number of conditions, it should be given a "COVID waiver".

"The concept is that if a business experiences a COVID business closure, then it should not be declared bankrupt," Lang says. "And therefore the current requirements or consequences of being bankrupt or insolvent – which are quite arduous – shouldn't apply. I think it's important to make sure if a company has to pull up stumps, that they can get back on the field and start playing again quickly. The conditions that apply to an insolvency mean this isn't possible."

While Lang says he's unsure if something like a COVID waiver will be introduced, he believes there is likely to be some sensible relaxing of the current implications of bankruptcy.

"I would be very surprised if there was not something done in this area considering the hundreds of thousands of businesses and people seriously affected by COVID-19," he says.

Lang adds with the imminent end of JobKeeper and other stimulus initiatives, whether SME owners and directors will be able to carry on will depend on the industry sector, location, strength of the balance sheet and the business owner's commitment and skills. "Night clubs and dance schools would be very different from fresh food retailers with home delivery, while CBD takeaway food vendors will be different to the same type of outlet but in a suburb near high-density living.

10 ways to prepare for the post-stimulus environment

1. **Plan:** Plan for the current conditions, immediate post-stimulus environment, and for the longer term. Ensure you have a contingency plan should the economy be hit by a second coronavirus outbreak.
2. **Calculate:** Assess your current and projected cash flow.
3. **Assess staffing needs:** If your business has experienced change, it's essential to reassess staffing requirements.
4. **Reduce costs:** Where possible, cut costs to minimise the impact on your cash flow.
5. **Communicate:** With your staff, customers, suppliers, creditors. Keep them informed of any changes you may be making to your operations.
6. **Renegotiate rent/lease terms:** If you are struggling to pay your rent, speak with your landlord now to renegotiate.
7. **Funding:** Engage with your bank/lender to discuss funding needs or repayments/interest rate relief. Or seek alternative finance.
8. **Give yourself breathing space:** The Safe Harbour and Voluntary Administration regimes are designed to provide companies with breathing space and can secure leniency from creditors, buying you time to 'right the ship'.
9. **Reinvent yourself:** Prepare for the 'new dawn' – whether it's restructuring your business or restarting with a new model, strategy or market post COVID-19.
10. **Take care of your mental health:** If your mental health is being negatively affected by financial stress or having to let staff go, speak with a trusted adviser or contact Beyond Blue.