



## **BUSINESS SURVIVAL (COVID-19 UPDATE)**

The COVID-19 virus has certainly got everyone's attention. The social and economic effects of the "pandemic" are more evident every day, with increasing infections and, sadly, more people succumbing to the virus. Severe travel restrictions are now in place, sporting and cultural events have been cancelled, many businesses have been forced to close and panic buying of "essential" goods is continuing (the toilet paper frenzy). Unemployment for a great many people is now a fact of life and for those smaller businesses still operating, survival may well be the order of the day.

The **Federal Government has announced a number of measures which are designed to assist small to medium sized businesses and to give a small financial boost to lower income individuals.** A summary of these measures can be found on the Government Business website [HERE](#) and the Treasury website [HERE](#).

**The various State Governments are also providing assistance, primarily in the form payroll tax relief.** In WA, businesses with a payroll between \$1 million and \$4 million will receive a one-off grant of \$17,500, the payroll tax threshold to \$1 million will be fast-tracked to 1 July 2020 and medium -sized business can apply for a deferral of their 2019/20 payroll tax payment until 21 July 2020.

All SMEs should ensure that they take advantage of these assistance packages and we recommend that you contact your accountants or financial advisors so as to ensure that this is done.

For all businesses there are however other factors which also need to be considered. These include:

- the need to consider supplier and customer contracts in preparation for possible disruption caused by delay or termination in the supply chain;
- the need to consider your lease;



- the need to consider employment policies if employees are required to spend time in quarantine or required to work from home;
- the need to provide safe working conditions;
- the consequences of laying off staff;
- the need to consider your financial arrangements with your bank or financiers; and
- the need to review your existing insurance policies.

It is now obvious that there will be ever-increasing disruption to your business in the coming months. **While it is essential that you take advantage of the economic incentives provided by the State and Federal Governments, it is vital you give some thought to how the disruption may affect your employees, suppliers, customers and financiers.**

Now is the time to **review your employment policies and practices** and perhaps design some new ones to deal with any unique issues that this virus may bring to your business. At the very least, consideration should be given to your policies on leave, quarantine periods, travel, medical reviews, working from home and personal hygiene in the workplace.

If it becomes necessary to lay-off staff, you should consider the costs of doing so. The need to pay redundancy, accrued annual and long service leave and other entitlements can make this an expensive exercise but perhaps more importantly you need to consider how this will affect your continuing employees. Communication is an essential part of this process.

You should be **reviewing essential contracts** and in particular considering the "force majeure" provisions in those contracts. Delays or termination of supply can result in significant financial penalties.

There may be some possibility for **rent relief or deferment under your lease**, if you are prevented from using your premises. It is better to know these in advance and it is recommended that you enter into discussions with your landlord as soon as possible.

Some **loan and security documents have "material adverse effect" clauses** which can trigger immediate repayment obligations. Again, you need to be aware of these well in advance. Some banks are providing mortgage relief and the Government is encouraging banks to provide short term loan repayment holidays. You are encouraged to talk with your bank before you get into serious strife.

Some insurance policies provide for **business interruption cover**, you need to know whether your business will be protected by this type of insurance.

The bigger end of town have the people and resources to design and implement the necessary changes to their policies and practices, and many of them have already done so, but it is no less important for smaller businesses to consider how they will deal with these new challenges.

**With any luck, the policies put in place by the Federal and State Governments will spare the country from the worst effects of this virus, but planning for a worst case**



**scenario is never going to be a waste of time and will ensure that you have a well-considered approach if things really do go wrong.**

The Australian Government Department of Health has developed a variety of resources and publications to assist businesses. The posters contained in the publications are downloadable and intended to be used by small businesses in shopfronts to communicate with their clients and customers. They have a space at the bottom to allow small businesses to customise them. Some of these publications can be found on the following websites:

<https://www.health.gov.au/resources/collections/coronavirus-covid-19-campaign-resources>

<https://health.gov.au/resources/publications/coronavirus-covid-19-change-of-hours-poster-for-businesses>

<https://health.gov.au/resources/publications/coronavirus-covid-19-temporary-changes-poster-for-businesses>

<https://health.gov.au/resources/publications/coronavirus-covid-19-good-hygiene-practices-poster-for-businesses>

<https://health.gov.au/resources/publications/coronavirus-covid-19-temporary-closure-poster-for-businesses>

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