

MANAGING YOUR CASHFLOW DURING COVID-19

COVID-19 has certainly brought the tourism and hospitality sectors to a standstill. The South Australian Tourism Commission (SATC) is focussed on supporting businesses and partners to not only get through the crisis but rebound strongly once the recovery process commences.

A series of fact sheets, written by Deloitte for the SATC have been developed to build capability and resilience in South Australia's tourism and hospitality industries.

Each fact sheet is organised under three key themes - *respond*, *recover* and *thrive* - with the aim of ensuring that businesses are ready to welcome visitors as soon as travel restrictions are lifted.

Cash flow management should be an integral element of a business' overall COVID-19 risk assessment and action planning in the near term. Cash is king for businesses during this period. There are many actions a business can implement to improve its immediate cash position.

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UNDERSTANDING YOUR CASH POSITION

During the forthcoming period, it is critical for all businesses to have a detailed understanding of their cash inflows and cash outflows.

We suggest preparing an Excel spreadsheet which includes all expected cash flows over the next 13 weeks on a weekly basis. This Excel spreadsheet would include:

- Any forecast cash expenditure
- Any forecast cash receipts you may receive
- Any payments you may receive related to government support packages that are available

Based on the above analysis, form a considered view of how long you will be able to continue making payments out of current cash reserves, or by using existing debt facilities that may be available to the business.

If you do not have sufficient cash reserves, this analysis should help you understand what amount of costs you need to remove or delay to reduce the cash drain to buy more time (potentially 6+ months).

UNDERTAKE A DETAILED ANALYSIS OF YOUR COSTS

If you are in a situation where your analysis shows that you do not have sufficient cash reserves, we suggest undertaking a detailed analysis of your costs.

For all material cash expenditure, we suggest analysing whether:

- It is a cost that is critical to the ongoing operations of your business or whether it is a “discretionary” cost that may be able to be reduced or eliminated
- The payment can be delayed until a later date either under existing terms with suppliers or through negotiation

If the survival of your business is at stake, there should be no “sacred cows”. This means that you need to consider all options to reduce cash outflows, including (but not limited to):

- Stop all discretionary spending
- Postpone all capital expenditure
- Stop the use of contractors
- Use all government initiatives that may be available (e.g. speak to the ATO regarding payment plans)
- Seek support from larger suppliers and customers (e.g. any corporate customers you may have)
- Sell non-critical assets if you are able to

TAKE TIGHT CONTROL OVER CASH

Even once you have a good understanding of your current cash position and have considered all options to minimise cash outflows, it is important to take very tight control over your cash. Some possible measures you may wish to consider include:

- Ensure only one person has the ability to authorise payments
- Monitor cash collections daily by prioritising customers with the largest debts first
- Prioritise “business critical” payments
- Consider reducing how often you make payments
- Offer early payment discounts to anyone who owes you money. Focus on cash, not profit

FEDERAL AND STATE GOVERNMENT STIMULUS PACKAGES TO ASSIST WITH CASHFLOW

BOOSTING CASH FLOW FOR EMPLOYERS

- Applies to employers with aggregated annual turnover of less than \$50 million
- These businesses will receive a tax-free payment of between \$20,000 and \$100,000 from the ATO in two phases, with a maximum payment under each phase of \$50,000

JOBKEEPER PAYMENT AND SUPPORTING APPRENTICES AND TRAINEES

Refer to the fact sheet and video tutorial on [Managing and Supporting your staff during COVID-19](#).

SOUTH AUSTRALIA PAYROLL TAX RELIEF

- Businesses with payroll of less than \$4 million will not pay any payroll tax from April to September 2020 (period of six months)

SOUTH AUSTRALIAN LAND TAX RELIEF

- Businesses/investors with outstanding quarterly land tax bills for FY20 can defer payments for six months

ATO – DEFERRAL OF TAX LIABILITIES

- PAYG: Variation of PAYG instalment rates to zero for the March quarter and refunds available for the September 2019 and December 2019 quarters to provide liquidity
- Deferral of tax payments: Deferral, by up to six months, of payments due through business activity statements, including GST, FBT, PAYG-withholding, PAYG-instalments and excise
- Remittance of interest and penalties: Remittance of any interest and penalties, incurred on or after 23 January 2020, that have been applied to tax liabilities
- Monthly reporting: Businesses on a quarterly reporting cycle may apply to opt into monthly GST reporting in order to get quicker access to GST refunds they may be entitled to

CONSIDER ALL IDEAS TO BRING CASH RECEIPTS FORWARD

For a large number of tourism and hospitality sector businesses, current restrictions will mean that at present you are unable to provide the same services you usually provide (and therefore “earn” revenue).

To help your business bounce back as quickly as possible and to help manage short-term cash flow, businesses should consider ideas to bring in new or keep existing customers during this time.

For customers who may be looking to obtain a refund for a booking they have made, consider whether you are able to offer them flexibility to re-book for a future date, offer free or heavily discounted “add-ons” or discounts to keep their current booking as an alternative to them cancelling.

We also suggest considering whether you are able to offer vouchers at discounted prices to new or existing customers for them to pay now, but to use in the future.

CONSIDER WHICH REVENUE STREAMS TO FOCUS ON

Even once the worst of the impacts of COVID-19 are behind us, the timing of recovery for tourism and hospitality businesses may vary. For example, there is likely to be a difference in the timing of the recovery for your business depending on the source and proportion of your customers, i.e. are they South Australians, from interstate or overseas.

As you plan for a post-COVID-19 world, consider whether there may be a benefit in pivoting your strategy to focus more on revenue streams that are primarily domestic for a period of time.



THRIVE – PREPARE FOR THE NEXT NORMAL

Some of the cash management learnings gained during this period may be implemented on an ongoing basis to improve how your business manages its cash. Examples include:

- Re-evaluate which costs within your business are critical and prioritise which discretionary costs make your business more profitable or add the most value to your business
- Shift the costs you have within your business from “fixed” to “variable” where possible
- Maintain and keep up to date the cash forecasting Excel model that you have built



WHERE DO I GO FOR MORE INFORMATION?

For more information regarding cash flow assistance for business, [click here](#).

For more information regarding the South Australian Government payroll tax and land tax relief measures, [click here](#).

For more information regarding the ATO – deferral of liabilities support measures, [click here](#).

South Australian Tourism Commission (SATC) has engaged Deloitte to provide business support to the South Australian tourism industry following the COVID-19 pandemic.

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This fact sheet is current as at 2 April 2020 and does not address changes subsequent to this date.

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South Australian
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