

Extension of the JobKeeper Payment (3.0)

On 21 July 2020, the Government announced that due to the ongoing COVID-19 crisis, the JobKeeper Payment scheme will be extended by a further six months until **28 March 2021**, from the original end date of 27 September 2020. Then on 7 August 2020, made further changes to the JobKeeper Payments given the economic uncertainty arising from the Victorian shutdowns.

As a result, the extended JobKeeper Payment will now be made over two separate extension periods, being:

- **Extension period 1** – which covers the seven new JobKeeper fortnights that commence on **28 September 2020 and end on 3 January 2021**; and
- **Extension period 2** – which covers the six new JobKeeper fortnights that commence on **4 January 2021 and end on 28 March 2021**.

In summary the changes from 28 September 2020 are as follows:

- a two-tier payment rate will apply based on the worker's average weekly work hours;
- the current \$1,500 per fortnight payment rate will be reduced to \$1,200 per fortnight on 28 September 2020 and to \$1,000 per fortnight from 4 January 2021;
- eligible employees in the extension period now include anyone who was employed on a full time, part-time or fixed term contract at **1 July 2020 (was 1 March 2020)**;
- the decline in turnover will be retested on a quarterly basis;
- the decline in turnover test will be based on actual GST turnover;
- Under the previously announced JobKeeper 2.0, the requirement to show that eligible businesses had suffered a significant decline in turnover during **Extension Period 1** in both the June and September 2020 quarters, has now changed to a showing a decline in **ONLY** the September 2020 Quarter;
- Under the previously announced JobKeeper 2.0, the requirement to show that eligible businesses had suffered a significant decline in turnover during **Extension Period 2** in each of the three (3) quarters (June, September and December 2020), has now changed to showing a decline in **ONLY** the December 2020 Quarter;

Business eligibility & Additional Turnover Tests

Businesses and not-for-profits seeking to claim the Extended JobKeeper payments will be required to demonstrate that they have suffered an ongoing significant decline in turnover using their **actual turnover** instead of their projected GST turnover.

Assessment will generally be based on details reported in the Business Activity Statement (BAS). In broad terms, GST turnover is calculated as it is for GST purposes, and includes all taxable supplies and GST free supplies but not input taxed supplies. Further details surrounding alternative arrangements will be put in place to confirm assessment for businesses or not-for-profits that are not required to lodge a BAS (i.e. member of a GST Group).

In order to be eligible for the first JobKeeper Payment extension period of **28 September 2020 to 3rd January 2020** businesses and not-for-profits will **need to demonstrate that their actual GST turnover has fallen in the September 2020 quarter** (July, August, September) relative to comparable periods (generally the corresponding quarter in 2019), whereas under the previously announced JobKeeper 2.0, they would have been required to show that they had suffered a significant decline in turnover in both the June and September 2020 quarters.

In order to be eligible for the second JobKeeper Payment extension period of **4th January 2021 to 28 March 2021**, businesses and not-for-profits will **need to demonstrate that their actual GST turnover has fallen in the December 2020 quarter** (October, November, December) relative to comparable period (generally the corresponding quarter in 2019), whereas under the previously announced JobKeeper 2.0, they would have been required to show that they had suffered a significant decline in turnover in each of the June, September and December 2020 quarters

The above eligibility test has shifted to an easier test so eligible employers only have to show a fall in turnover in the quarter to the end of September or December, compared to the same period last year. This is a revision of the JobKeeper extension announcement made on 21 July 2020.

Where taxpayers prepare and lodge BAS on a monthly basis, they will need to aggregate the monthly numbers to determine the actual turnover for each quarter.

Businesses and not-for-profits will need to assess their eligibility for JobKeeper in advance of the BAS deadline in order to meet the wage condition (which requires them to pay their eligible employees in advance of receiving the JobKeeper payment in arrears from the ATO).

Eligible Employees:

Employees are eligible in the extension period if they:

- are 18 years or older and currently employed by an eligible employer (even if stood down and rehired)
- were employed on the following basis:
 - were (for the eligible employer) a full-time, part-time or fixed term employee at **1 July 2020 (was 1 March 2020)**; or
 - a long-term casual employee (employed on a regular and systematic basis for at least 12 months) as at 1 July 2020 and not a permanent employee of any other employer
- meet one of the following categories:
 - An Australian citizen;
 - Permanent visa holder;
 - A Protected Special Category Visa Holder;
 - A non-protected Special Category Visa Holder (residing continually in Australia for 10 years or more); or
 - A Special Category (Subclass 444) Visa Holder.
- were not in receipt of any of the following payments during the JobKeeper fortnight:
 - Government parental leave or Dad and Partner Pay under the Paid Parental Leave Act 2010; or
 - A payment in accordance with Australian workers compensation law for an individual's total incapacity for work

Only one employer can claim the JobKeeper Payment in respect of an employee. In addition 16 and 17 year olds may also qualify if they are not undertaking full time study or are independent.

From 20 July 2020, employees of a Child Care Subsidy approved service under Family Assistance Law and sole traders operating a child care service will not be eligible for the JobKeeper payment.

JobKeeper Decline in Turnover Thresholds

To be eligible for JobKeeper Payments under the extension, businesses and not-for-profits will still need to demonstrate that they have experienced a decline in turnover of:

- 50% for those with an aggregated turnover of more than \$1 billion;
- 30% for those with an aggregated turnover of \$1 billion or less; or
- 15% for Australian Charities and Not for profits Commission-registered charities (excluding schools and universities).

If a business or not-for-profit does not meet the additional turnover tests for the extension period, this does not affect their eligibility prior to 28 September 2020.

The JobKeeper Payment will continue to remain open to new recipients, provided they meet the eligibility requirements and the turnover tests that apply during the relevant JobKeeper Payment period.

JobKeeper Payment Rate

The JobKeeper Payment rate is to be reduced and paid at two rates:

From 28 September 2020 to 3 January 2021, the JobKeeper Payment rates will be:

- **\$1,200 per fortnight** for all eligible employees who, in the four weeks before 1 March 2020 or 1 July 2020, were working in the business or not-for-profit for 20 hours or more a week on average, and for business participants who were actively engaged in the business for 20 hours or more per week on average in the month of February 2020; and
- **\$750 per fortnight** for other eligible employees and business participants who were working for less than 20 hours a week on average.

From 4 January 2021 to 28 March 2021, the JobKeeper Payment rates will be:

- **\$1,000 per fortnight** for all eligible employees who, in the four weeks before 1 March 2020 or 1 July 2020, were working in the business or not-for-profit for 20 hours or more a week on average and for business participants who were actively engaged in the business for 20 hours or more per week on average in the month of February 2020; and
- **\$650 per fortnight** for other eligible employees and business participants who were working for less than 20 hours a week on average.

Businesses and not-for-profits will be required to nominate which payment rate they are claiming for each of their eligible employees (or business participants).

The Commissioner of Taxation will have discretion to set out alternative tests where an employee or business participant's hours were not usual during the February and/or June 2020 reference period (the period with the higher number of hours worked is to be used for employees with 1 March 2020 eligibility). For example, this will include where the employee was on leave, volunteering during the bushfires, or not employed for all or part of February or June 2020.

The JobKeeper Payment will continue to be made by the ATO to employers in arrears. Employers will continue to be required to make payments to employees equal to, or greater than, the amount of the JobKeeper Payment (before tax), based on the payment rate that applies to each employee. This is called the wage condition.

Extension of the JobKeeper In Practice

Carmen owns and runs the City Café. Carmen started claiming the JobKeeper Payment for her eligible staff and herself as a business participant when the JobKeeper Payment commenced on 30 March 2020. At the time, Carmen estimated that the projected GST turnover for City Café in April 2020 would be 70 per cent below its actual GST turnover in April 2019. To be eligible for the JobKeeper Payment from 30 March 2020 to 27 September 2020, Carmen needed to show the turnover for the City Café was estimated to decline by at least 30 per cent.

As a monthly BAS lodger, Carmen submitted her BAS for the City Café in July, August and September. For each of these, her actual turnover was as follows:

	2020	2019
July	110,000	200,000
August	140,000	200,000
September	<u>150,000</u>	<u>200,000</u>
Total for September quarter	400,000	600,000

Decline for September quarter: 33 per cent

The actual turnover decline for the September 2020 quarter is greater than 30 per cent, so City Café is eligible for the JobKeeper Payment for the period of 28 September 2020 to 3 January 2021.

Business continued to improve for the City Café, and actual turnover for the December 2020 quarter was 20 per cent less than the December quarter 2019, so the City Cafe was no longer eligible to claim the JobKeeper for the second extension period starting from 4 January 2021.

Working out the JobKeeper Payment rate to be claimed

In the scenario above, Carmen also needs to calculate how much to claim for each of her staff, and for herself as a business participant.

As Carmen was working full-time at the café herself throughout February 2020, she is entitled to claim \$1,200 per fortnight from 28 September 2020 to 3 January 2021, as an eligible business participant.

She has three full-time employees who are also eligible to be paid \$1,200 per fortnight because they each worked 20 hours or more per week throughout February 2020.

Carmen has an employee, Chris, who works part-time with different hours every other week: 14 hours one week; and 22 hours the next week. During the two pay fortnights prior to 1 March 2020, Chris was employed for 36 hours in each fortnight. On average, Chris worked less than 20 hours per week for City Café. Carmen is eligible to claim \$750 per fortnight for Chris, from 28 September 2020 to 3 January 2021.

Cathy is an eligible employee who worked on a long-term casual basis during February 2020 and June 2020. To determine what rate of JobKeeper Payment to claim for Cathy, Carmen looks at pay records for the two fortnightly pay periods before 1 March 2020 and 1 July 2020. She sees that Cathy was employed on average less than 20 hours per week, so Carmen claims \$750 per fortnight for Cathy, from 28 September 2020 to 3 January 2021.

Carmen also started employing Charles, who works part-time, from June 2020 when business started picking up again. Because Charles was employed at City Café before 1 July 2020, Carmen looks at pay records for the two fortnightly pay periods before 1 July 2020 to determine the rate of JobKeeper Payment to claim for Charles. Charles was employed on average less than 20 hours per week for this period, so Carmen claims \$750 per fortnight for Charles, from 28 September 2020 to 3 January 2021.



The information supplied in this memorandum has been sourced from numerous publications available to The Mischel & Co Group of Companies including the Australian Taxation Office website and other tax specialist.

The content of this information memorandum is general information only and hasn't taken your circumstances into account. It's important to consider your particular circumstance before deciding what is right for you as it does not reflect all legislation and announcements but simply highlights those points which we believe are most likely to affect our clients.

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