The Mischel & Co. Group
Accountants & Advisors

Extension of the JobKeeper Payment –

The Australian Taxation Office recently released its guidance on JobKeeper 2.0 and we now have a clearer picture of the JobKeeper 2.0 extension program that began at the end of September.

The JobKeeper Payment has been extended and is available for eligible businesses from 28 September 2020 until 28 March 2021.

There are two separate extension periods.

- Extension 1: from 28 September 2020 to 3 January 2021
- Extension 2: from 4 January 2021 to 28 March 2021

For each extension period, an **additional actual decline** in turnover test applies and the rate of the JobKeeper payment is different in each extension period.

The key changes for employers are:

- changes to JobKeeper payment rates for employees based on the total hours each employee worked during their reference period
- there will be a tier 1 and a tier 2 JobKeeper payment rate for eligible employees
- a requirement for the business to demonstrate a decline in **actual GST turnover** with a comparable period.
- if you have any outstanding BAS statements, you need to lodge them for the September 2019 and December 2019 quarters as soon as possible (or for equivalent months, if you report monthly).

If you are already receiving JobKeeper payments for your eligible employees and/or business participant, you don't need to re-enrol.

You will need to pay your eligible employees and/or business participant at least the new JobKeeper amount that applies to them each JobKeeper fortnight.

What Doesn't Change

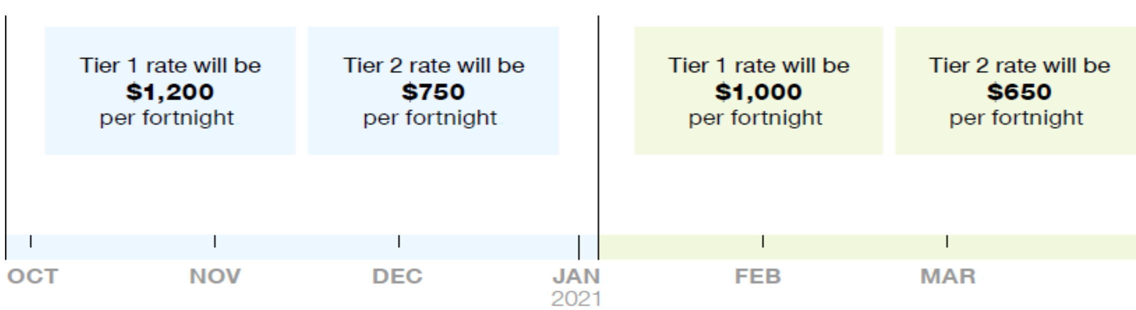
To claim for fortnights in the JobKeeper extension 1 or 2:

- You don't need to re-enrol for the JobKeeper extension if you are already enrolled for JobKeeper for fortnights before 28 September 2020.
- You don't need to reassess employee eligibility or ask employees to agree to be nominated if you are already claiming for them before 28 September 2020.
- You don't need to meet any further requirements if you are claiming for an eligible business participant, other than those that applied from the start of JobKeeper.
- You'll need to continue to complete your JobKeeper monthly business declaration on time to be reimbursed for payments you made in the previous month.

NEW JOBKEEPER RATES

There will be two tiers of payment rates under JobKeeper 2.0 **Note: These rates are before tax.**

- From 28 September 2020 to 3 January 2021
  - Tier 1 – $1,200 per fortnight (before tax)
  - Tier 2 – $750 per fortnight (before tax).
- From 4 January to 28 March 2021
  - Tier 1 – $1,000 per fortnight (before tax)
  - Tier 2 – $650 per fortnight (before tax).



JOBKEEPER PAYMENT TIERS

The rate of the JobKeeper payment in each extension period will depend on the number of hours:

- an eligible employee works, or
- an eligible business participant is actively engaged in the business.

The payments will be split into two (2) tiers

Tier 1 rate applies for:

- eligible **employees** who worked for **80 hours or more in the four weeks of pay periods** before either 1 March 2020 or 1 July 2020, and
- eligible **business participants** who were **actively engaged in the business for 80 hours or more in February 2020** and provide a declaration to that effect

The 80 hours would include:

- Actual hours the eligible employee worked;
- Hours eligible employee were on paid leave; and
- Hours eligible employee were paid for absence on a public holiday.

Tier 2 rate applies for:

- All other eligible employees and eligible business participants

A full-time employee who has been employed for their full 28-day reference period will usually satisfy the 80-hour threshold.

Closer examination may be required for eligible employees that are:

- part-time
- long-term casuals
- not paid on an hourly basis
- Stood down

Employers and Business will need to nominate the rate (Tier) they are claiming for each eligible employee(s) and/or eligible business participant and they must ensure they pay eligible employees the right amounts.

Actual hours worked

Actual hours worked means the actual hours of work performed by your eligible employee in their employment with you. This may be different than your employees' contracted hours, ordinary hours or the hours they have been paid for.

For example, any overtime performed by your employee in the course of their employment in their 28-day reference period will count towards the 80-hour threshold. It is the actual hours of overtime performed that count.

Paid leave

Hours of paid leave means the actual hours of leave:

- taken by your eligible employee in the 28-day reference period, and
- paid for in their employment with you.

Paid leave includes (but is not limited to) the following types of recognised paid leave entitlements that must be provided by you:

- personal or carer's leave
- annual leave
- long service leave
- employer-paid parental leave

It does not matter if your eligible employee takes their leave at full pay or half pay, or through a purchased leave arrangement. You still count the total number of hours covered by the leave taken. For example, if your employee takes 8 hours of annual leave at half pay, you count 8 hours towards their 80-hour threshold, not 4 hours.

Paid leave does not include hours you agree to allow your employee to take off such as:

- time take off in lieu by an employee instead of being paid overtime
- rostered days off.
- Unpaid leave is **not** counted towards the 80-hour threshold.

28-Day Reference Period

There are different options for the 28-day reference period that you must use to test whether your employee satisfies the 80-hour threshold.

Your 28-day reference period or periods are based on when your pay cycle ends and therefore won't be the same for all employers or employees.

Use either:

- the pre-March period which is the 28 days which finish on the last day of the last pay cycle that ended before 1 March 2020, or
- the pre-July period which is the 28 days which finish on the last day of the last pay cycle that ended before 1 July 2020.

Your pay cycle for an employee may not be the same as the period between the dates you actually pay them. For example, the amount you pay an employee each Friday may be for the hours they worked in a week ended on the previous Wednesday. In this case your employee's pay cycle is the week ended on Wednesday.

Assuming a fortnightly pay cycle applies to an eligible employee as an example:

28-day period ending at the end of the most recent fortnightly pay cycle before 1 March 2020	Hours Worked	28-day period ending at the end of the most recent fortnightly pay cycle before 1 July 2020	28-day period ended before 1 July 2020
27 January 2020 - 9 February 2020	37	1 June 2020 - 14 June 2020	20
10 February 2020 - 23 February 2020	48	15 June 2020 - 28 June 2020	30
Total hours in reference period	85	**Total hours in reference period**	50

- An employer can choose the most beneficial reference period.
- The employee only needs to satisfy the 80-hour threshold in one of the 28-day reference periods. If the 80 hours requirement is satisfied in either reference period, the higher payment rate applies.
- If the pay cycle is longer than 28 days for (for example monthly), a pro-rata calculation is required (i.e. total hours x 28/31).

Example 2 – A monthly pay cycle

Kalindah runs a business and has 12 employees. The business has a monthly pay cycle, which ends on last day of each month. The most recent pay cycle that ended before 1 March was the pay cycle ended 29 February. The 29 February pay cycle covered the period 1 February to 29 February 2020, being 29 days. The most recent pay cycle for Kalindah's business that ended before 1 July ended on 30 June and covered a period of 30 days.

Kalindah establishes the total hours for each of her employees during the two pay cycles and adjusts the result by multiplying the total hours by (28 ÷ number of days in the cycle), to pro-rata a 28-day reference period.

Jedda worked 142.5 hours in Kalindah's business during the pay cycle ended 29 February 2020. He was also entitled to 7.5 hours for public holidays and took 15 hours of paid leave. His total hours for the pay cycle was 165. Jedda's pro-rata hours for the pre-March period was $165 \times 28 \div 29 = 159$ hours.

During the pay cycle ended 30 June 2020, Jedda worked 75 hours and was entitled to 7.5 hours for public holidays. Jedda took no paid leave during this pay cycle. His total hours were 82.5 and his pro-rata hours for the pre-July period was $82.5 \times 28 \div 30 = 77$ hours.

Kalindah nominates Jedda for the higher rate based on the 159 hours calculated in the pre-March period.

ALTERNATIVE REFERENCE PERIOD

There may be circumstances where the pre-March or the pre-July reference periods are not suitable for some of your eligible employees.

If your employee does not satisfy the 80-hour threshold in the standard pre-March or pre-July reference periods, you should consider whether they satisfy it using an alternative reference period.

This applies if

1) when compared to an earlier 28-day periods, the pre-March or the pre-July reference period is not representative of that eligible employee's total number of hours in a similar 28-day period.
2) the start of your eligible employee's employment was on or before 1 March or 1 July 2020 but their first pay cycle ended on or after 1 March or 1 July 2020.
3) your eligible employee was not employed by you during all or part of the pre-March or pre-July reference period.

The alternative reference period is the first 28-day period ending on or after 1 March 2020 or 1 July 2020 that wholly occurs during:

- consecutive pay cycles, or
- a pay cycle of the employee.

If the employee was stood down in that first 28-day period, then use the first 28-day period starting on the first day of a pay cycle on or after the reference time in which they were not stood down.

Please contact this office to discuss if this alternative test applies to you.

Example 3 – Employed part-way through the reference period

Cleaning Co hired Ernie to work for 25 hours per week on 12 June 2020 as a permanent employee.

Cleaning Co pays Ernie every Monday for his work in the week that ended on the previous Thursday. As Ernie was employed before 1 July 2020 Cleaning Co should use the pre-July reference period to work out if Ernie meets the 80-hour threshold. The pre-July reference period is from 29 May 2020 to 25 June 2020 as that is the 28 days which finish on the last pay cycle that ended before 1 July 2020.

However, Ernie was not employed by Cleaning Co during all the pre-July reference period. This means Ernie has met the condition for this alternative reference period to apply.

The alternative reference period for Ernie will be the period from 12 June 2020 to 9 July 2020. This period is used because it is the first 28-day period ending on or after 1 July 2020 which consists of consecutive pay cycles for Ernie.

Example 4 – First pay cycle ends on or after 1 March or 1 July

Earthworks Pty Ltd (Earthworks) hired Malcolm as a full-time permanent employee on 29 June 2020.

They pay Malcolm every second Monday for his work in the week that ended on the previous Friday.

As Malcolm was employed with Earthworks on 1 July 2020 and his first pay cycle ends on 10 July 2020 (which is after 1 July 2020), he meets the condition for this alternative reference period to apply.

The alternative reference period for Malcolm will be the period from 27 June 2020 to 24 July 2020. This period is used because it is the first 28-day period ending on or after 1 July 2020 which consists of consecutive pay cycles for Malcolm.

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KEY DATED AND ACTIONS FOR EMPLOYERS

28 September 2020:

- JobKeeper 1 ends
- JobKeeper extension period 1 starts and the payment rates change for eligible employees & business participants depending on the hours worked during the reference period.

Between 1 and 14 October 2020:

- Final monthly business declarations for JobKeeper 1.0 needs to be completed so you can be reimbursed for September fortnights (JobKeeper FN 12 and FN 13).

Between 1 and 31 October 2020:

- Check and submit the business actual decline in turnover to the ATO online to be eligible for JobKeeper extension period 1.
- Make sure you have a copy of the JobKeeper employee nomination notice for each eligible employee.

31 October 2020:

- (Transitional) final day to meet the wage condition for JobKeeper fortnights from 28 September 2020 and 12 October 2020 (JobKeeper FN 14 and FN 15).

Between 1 and 14 November 2020:

- Complete a monthly business declaration and notify the ATO which payment tier is being claimed for each eligible employee.

ACTUAL DECLINE IN TURNOVER

To be eligible for the extension of the JobKeeper payment, Eligible Employers must demonstrate that their:

- The ACTUAL decline in turnover test (not projected GST turnover) is satisfied for **JobKeeper extension 1** when your current GST turnover for the quarter ending 30 September 2020 (July, August and September) has declined by the specified shortfall percentage in comparison to your current GST turnover for the quarter ending 30 September 2019; and
- The ACTUAL decline in turnover test (not projected GST turnover) is satisfied for **JobKeeper extension 2** when your current GST turnover for the quarter ending 31 December 2020 (October, November and December) has declined by the specified shortfall percentage in comparison to your current GST turnover for the quarter ending 31 December 2019.

Consistent with existing rules, participating businesses and not-for-profits will need to demonstrate:

- 30% fall in turnover (for an aggregated turnover of $1 billion or less)
- 50% fall in turnover (for an aggregated turnover of more than $1 billion)
- 15% fall in turnover (for ACNC-registered charities other than universities and schools).

Unlike when you calculated the original decline in turnover test, you do not use your projected GST turnover for the relevant quarter being tested. You use your current GST turnover.

To work out which supplies you have made in the turnover test period, you must use the accounting basis you used for GST reporting purposes. For many businesses registered for GST, this calculation will match the 'total sales' reported at G1 on your BAS minus GST payable (1A), where applicable.

If you are not registered for GST, you will work out your turnover using either the GST cash or non-cash basis of accounting.

ENROLLING AFTER SEPTEMBER

You can enrol for JobKeeper until the program closes, provided you meet the eligibility requirements. You will need to enrol by the end of each month to claim reimbursements for JobKeeper fortnights in that month.

NEW JOBKEEPER FORTNIGHTS

You must pay all your eligible employees at least the JobKeeper amount per fortnight, even if they earn less than this. When paying eligible employees, you do not need to adjust your pay cycle through your existing payroll solution.

If you usually pay your employees less frequently than fortnightly, the payment can be allocated between fortnights in a reasonable manner.

JobKeeper Fortnight	Period relating to each JobKeeper Fortnight	Employees are paid on or before
12	31 August – 13 September	13 September
13	14 September – 27 September	27 September
14	28 September – 11 October	31 October
15	12 October – 25 October	31 October
16	26 October – 8 November	8 November
17	9 November – 22 November	22 November
18	23 November – 6 December	6 December
19	7 December – 20 December	20 December
20	21 December – 3 January 2021	3 January 2021

We will continue to provide more information as and when it becomes available.

Please feel free to contact this office should you have any questions in relation to the new announcements.

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 affects our clients.

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