

PALMER & ASSOCIATES

CERTIFIED PRACTISING ACCOUNTANTS

JobKeeper Payment

What is the JobKeeper Payment?

- The JobKeeper Payment is a payment designed to help businesses affected by the economic downturn due to the COVID-19 virus to cover the costs of their employees' wages, so that more employees can retain their job and continue to earn an income. This is proposed to commence from 30 March 2020 and will apply for a period of six months.
- The JobKeeper Payment involves an employer paying at least \$1,500 per fortnight to eligible employees, and receiving a \$1,500 subsidy per eligible employee from the ATO. JobKeeper Payment is also available to eligible self-employed individuals who do not have employees. In this case, the ATO will pay the individual directly.
- Employers who pay the JobKeeper Payment to eligible employees from 30 March, are proposed to receive the first subsidy from the ATO (backdated to 30 March) in the first week of May. Payments from the ATO are made monthly, in arrears. This means that to receive the backdated subsidy in May, employer must continue pay eligible employees from 30 March.
- With regards to self-employed sole traders who employ staff themselves, it is unclear at this stage whether they will also be eligible to receive JobKeeper Payments personally.

Eligibility for JobKeeper Payment program

Which employers are eligible to participate?

Employers will be eligible to participate in the JobKeeper Payment program if their turnover will reduce by certain levels relative to a comparable period a year ago (of at least a month).

- For employers with a turnover of less than \$1 billion, turnover must reduce by more than 30%.
- For employers with a turnover of \$1 billion or more, turnover must reduce by more than 50%. Not for profit employers (including charities) and self-employed individuals (without employees¹) can also apply subject to meeting the turnover tests above.

For which employees can an employer claim JobKeeper Payment?

To be eligible, an employee must:

- Have been employed by the employer on 1 March 2020
- Be currently employed by the employer (including if stood down or rehired since 1 March 2020)
- Be employed full-time, part-time, or long-term casual (a casual employee is only eligible if employed on a regular basis for at least 12 months at 1 March 2020)
- Be at least 16 years of age
- Not be receiving JobKeeper Payment from another employer
- Be an Australian citizen, permanent resident, protected special category visa holder, nonprotected special category visa holder who has been residing continually in Australia for 10 years or more, or a subclass 444 visa holder. Employer / employee notification obligations Employers are required to notify employees that they are receiving a subsidy for them under the JobKeeper Payment program.

While most employees don't need to do anything further, the following action is required where relevant:

- Where an employee has multiple employers, they must notify that a specific employer is their primary employer (this will generally be the employer for whom the employee claims the tax-free threshold, although it is unclear if this will apply by default).
- Where an employee is not an Australian citizen, they must notify the employer of their visa status to help determine eligibility

JobKeeper Payment for self-employed individuals

Sole traders without employees are also eligible for the JobKeeper Payment provided the relevant turnover reduction test is met (eg, their turnover has reduced by more than 30%). Where a self-employed individual is eligible, the ATO will directly pay an amount equal to \$1,500 per fortnight to their bank account (paid monthly in arrears).

With regards to self-employed sole traders who employ staff themselves, it is unclear at this stage whether they will also be eligible to receive JobKeeper Payments personally.

How much will eligible employees receive?

Eligible employees will always receive at least \$1,500 per fortnight under the JobKeeper Payment program.

Eligible employees who are currently receiving more than \$1,500 per fortnight before tax from their employer will continue to receive their existing pay, unless there is a change to their employment arrangements. The employer will receive a \$1,500 per fortnight subsidy to assist with the cost of paying the employee.

Eligible employees receiving less than \$1,500 per fortnight must receive the full \$1,500 in order for the employer to receive a subsidy for them. This will include:

- Active employees who earn less than \$1,500 per fortnight
- Employees that have been stood down by the employer, and
- Employees that were terminated by their employer after 1 March 2020 but have subsequently been re-engaged by their employer.

Employees currently being paid less than \$1,500 per fortnight may therefore receive a pay rise due to the JobKeeper Payment.

Example – Full Time Employee:

Multiple employees XYZ Co employs:

- Steve, working full time earning \$4,000 per fortnight
- Penelope, who has been stood down since 1 March and is not currently being paid.

XYZ Co is eligible for the JobKeeper Payment due to reduced turnover and all employees are eligible.

XYZ Co registers for JobKeeper Payment effective from 30 March 2020. XYZ Co must:

- Continue to pay Steve \$4,000 per fortnight as per existing employment arrangements.
- Start to pay Penelope \$1,500 per fortnight. The ATO will then pay XYZ Co a subsidy of \$3,000 per fortnight for the two eligible employees (monthly in arrears with payments starting from 1 May, backdated to 30 March).

Example – Part Time Employee:

Part time employee ABC Co employs Jeff, who works on a part-time basis earning \$800 per fortnight. ABC Co is eligible for the JobKeeper Payment due to reduced turnover and Jeff is an eligible employee.

ABC Co registers for JobKeeper Payment effective from 30 March 2020. ABC Co must increase payments made to Jeff from \$800 per fortnight to \$1,500 per fortnight. The ATO will then pay ABC Co a subsidy of \$1,500 per fortnight for the eligible employee (monthly in arrears with payments starting from 1 May, backdated to 30 March).

Employees currently being paid less than \$1,500 per fortnight may therefore receive a pay rise due to the JobKeeper Payment.

Example – Sole Trader:

Self-employed individual Jan is a sole trader with no employees. Her turnover in March 2020 compared with March 2019 has reduced by more than 30% and she is therefore eligible for JobKeeper Payment.

Jan registers for JobKeeper Payment effective from 30 March 2020. The ATO will directly pay Jan an amount equal to \$1,500 per fortnight (monthly in arrears with payments starting from 1 May, backdated to 30 March).

Employees with multiple employers

An eligible employee with multiple employers can only receive JobKeeper Payment for their employment with their primary employer. However, income earned from their other employment does not impact on their JobKeeper Payment.

Example:

Jim works:

- Part time for Gardening Supplies Pty Ltd, earning \$1,200 per fortnight.
- Part time for Landscape Solutions Pty Ltd, earning \$600 per fortnight.

Both employers are eligible for the JobKeeper Payment program and Jim is an eligible employee. Jim claims the tax-free threshold with Gardening supplies PTY Ltd and it is his primary employer.

Gardening Supplies Pty Ltd registers for JobKeeper Payment effective from 30 March 2020. It must increase payments made to Jim from \$1,200 per fortnight to \$1,500 per fortnight. The ATO will then pay Gardening Supplies PTY Ltd a subsidy of \$1,500 per fortnight for the eligible employee (monthly in arrears with payments starting from 1 May, backdated to 30 March).

Landscape Solutions Pty Ltd cannot claim the JobKeeper Payment in respect of Jim. However, Jim can continue to work part-time for Landscape Solutions PTY Ltd and receive \$600 per fortnight, with no impact on the \$1,500 JobKeeper Payment received from Gardening Supplies Pty Ltd.

Is JobKeeper Payment taxable?

Yes.

The payments made to eligible employees are taxable for the employee, with the employer withholding an estimate of tax as normal.

The subsidy received by an employer under the JobKeeper Payment program is also assessable income of the employer, however this is offset by the fact that the salary and wages paid to employees (including due to the JobKeeper Payment) are tax deductible. JobKeeper Payment paid to eligible self-employed individuals is also taxable.

Does the employer have to keep paying Super Guarantee?

Superannuation Guarantee (SG) obligations continue as normal for existing salary and wages (that are ordinary time earnings) payable to employees.

However, where the amount paid to an employee was less than \$1,500 per fortnight, and is then increased to \$1,500 per fortnight to meet JobKeeper Payment requirements, it is not compulsory for the employer to pay SG in respect of this additional amount.

Example:

Kim is employed on a part time basis earning \$1,000 per fortnight with ABC Co (which is eligible for the JobKeeper Payment). To receive the subsidy for Kim, ABC Co must increase her pay to \$1,500 per fortnight. While ABC Co must keep paying SG on \$1,000 per fortnight, it is not required to (but can voluntarily) make SG contributions for the additional \$500 per fortnight in increased pay.

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