

# PALMER & ASSOCIATES

CERTIFIED PRACTISING ACCOUNTANTS

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## JobKeeper Extension – IMPORTANT INFORMATION

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On 21 July 2020, the Government announced that JobKeeper would be extended by a further six months from 28 September 2020 to 28 March 2021 on a scaled-back basis, with businesses being required to reassess their eligibility to remain in the scheme.

Given that this extension will occur in a couple of weeks, we thought it would be important to highlight some of the changes that will happen to JobKeeper from 28 September 2020.

### **RE-SATISFY THE DECLINE IN TURNOVER TEST**

To qualify for the JobKeeper after 27 September 2020 businesses must satisfy two separate decline in turnover tests, being:

- **Test 1: the original projected GST decline in turnover test** – a comparison of the projected GST turnover of any of the calendar months from March 2020 to December 2020 (or any of the June 2020, September 2020 or December 2020 quarters) against the actual GST turnover of the relevant 2019 comparison period; and
- **Test 2: the new actual GST decline in turnover test** – the new actual GST decline in turnover test only applies with respect to the six-month extension of JobKeeper and is broken up into two separate extension periods, as follows:
  - a) **Extension Period 1** – applies to JobKeeper fortnights that start on or after 28 September 2020 and end on or before 3 January 2021. The test will be satisfied where the entity's actual GST turnover has declined by 30% for the quarter ending 30 September 2020, relative to its September 2019 quarter.
  - b) **Extension Period 2** – applies to JobKeeper fortnights that start on or after 4 January 2021 and end on or before 28 March 2021. The test will be satisfied where the entity's actual GST turnover has declined by 30% for the quarter ending 31 December 2020, relative to its December 2019 quarter.

Please note that for businesses that are already receiving JobKeeper payments, you would have already satisfied Test 1 to be eligible to receive payments before 28 September 2020. Therefore, you will only Test 2 would need to be satisfied with regards to the decline in turnover tests.

### **HOW TO CALCULATE DECLINE IN ACTUAL TURNOVER**

To calculate the decline in turnover you must look at the accounting basis you use on your Business Activity Statements:

- **If you use the cash basis** – you must work out all turnover you have **physically received** for the applicable period (quarter ended 30 September 2020 for Extension Period 1 or 31 December 2020 for Extension Period 2) and compare that the turnover you physically received in the relevant 2019 period

- **If you use the non-cash (accruals) basis** - you must work out all turnover you have *invoiced but may not have received* for the applicable period (quarter ended 30 September 2020 for Extension Period 1 or 31 December 2020 for Extension Period 2) and compare that the turnover you invoiced in the relevant 2019 period
- **If you are not registered for GST** – you can choose either of the cash or non-cash (accruals) methods to calculate your decline in turnover
- **If you have changed methods during the year** – you must use the method that was used when your September 2019 BAS was lodged

Please note that you are unable to pick and choose which accounting method you use to work your decline in turnover.

Alternative tests for determining actual decline in turnover may be available in some circumstances where the above tests do not accurately reflect the decline in turnover of an entity. These will apply in a similar way to the alternative tests for the original decline in turnover test. However, they must be applied on the basis that the turnover test period is a quarter. The ATO is yet to release any information on alternative tests at this stage, however they are expected to in the coming days.

### **CHANGES TO PAYMENT RATES AND WAGE CONDITIONS**

From 28 September 2020, a two-tiered payment system will apply with respect to Jobkeeper as set out below:

|                    | <b>28 Sep 2020 to 3 Jan 2021</b> | <b>4 Jan 2021 to 28 March 2021</b> |
|--------------------|----------------------------------|------------------------------------|
| <b>Higher Rate</b> | \$1,200 per fortnight            | \$1,000 per fortnight              |
| <b>Lower Rate</b>  | \$750 per fortnight              | \$650 per fortnight                |

### **ELIGIBILITY CRITERIA FOR HIGHER AND LOWER RATES**

The payment rate applicable to an employee is determined by reference to the actual hours the employee worked, had paid leave and paid absence on public holidays over an applicable 'reference period'.

There are two standard reference periods for all employees:

- The 28-day period ending at the end of the most recent pay cycle for the employee ending before 1 March 2020 (i.e. the last two fortnightly pay periods that ended before 1 March 2020)
- The 28-day period ending at the end of the most recent pay cycle for the employee ending before 1 July 2020 (i.e. the last two fortnightly pay periods that ended before 1 July 2020)

To work out the which rate applies to each individual employee, you need to work out the total hours worked by that employee for each of the two above reference periods. Whichever reference period has the largest number of hours worked for the employee, that is the period that is used to calculate the rate.

- **Higher rate** – If an employee's total hours were 80 hours or more for the employer over an applicable 28-day reference period, then the employer is entitled to the higher rate in respect of that employee.
- **Lower rate** – If the total hours of work and equivalent paid leave are less than 80 hours over the applicable 28-day reference period, the lower rate applies. It is the responsibility of the employer to determine the number of hours that count towards the threshold for an eligible employee, based on existing records that are already maintained in respect of that employee.

In instances where a 28-day reference period may not be suitable (e.g. if an employer has a monthly pay cycle) the Commissioner has the discretion to determine an alternative reference period.

## **NOTIFICATION REQUIREMENTS**

To qualify for the Jobkeeper extension, entities are required to comply with separate notification requirements for their eligible employees and/or business participants.

As most of these notification requirements must be done in the approved form, it is anticipated that the ATO will release the appropriate forms to be completed by eligible entities in due course.

From 28 September 2020, employers must provide details to the ATO relating to eligible employees and also the applicable rate for which they are eligible.

Where an employer fails to notify the Commissioner of the applicable payment rate in respect of an employee for Jobkeeper fortnights commencing on or after 28 September 2020, they will not receive payment until a valid notification is made. This applies regardless of whether the employer has been receiving Jobkeeper in respect of the employee prior to 28 September 2020.

In addition, employers must also notify their employees in writing within seven days of advising the ATO of the payment rate applicable to the employee.

If you have any queries regarding the Jobkeeper Extension past 28 September 2020, please don't hesitate to contact our office.

Our aim is to provide relevant information to inform and help create opportunities for our clients. Please note: many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation of the information's applicability to their particular circumstances. If you require further information regarding the contents of this newsletter please do not hesitate to contact our office.