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CHARTERED ACCOUNTANTS



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Federal Government Economic Response to Coronavirus Jobkeeper payment

The following are tax-related measures included in the Coronavirus Economic Response Package (Payments & Benefits) Act 2020 (Cth) which was passed in Federal Parliament 8 April 2020:

- Under the JobKeeper Payment, businesses and not-for-profits significantly impacted by the Coronavirus outbreak will be able to access a wage subsidy from the Government to continue paying their employees. This assistance will help businesses to keep people in their jobs and re-start when the crisis is over. For employees, this means they can keep their job and earn an income.
- The JobKeeper Payment will also be available to the self-employed.
- The Government will provide \$1,500 per fortnight per employee for up to 6 months.

Eligibility

Employers (including not-for-profits) - will be eligible for the subsidy if, at the time of applying:

- their business has an annual turnover of less than \$1 billion and they estimate their turnover has fallen or will likely fall by 30 per cent or more; or
- their business has an annual turnover of \$1 billion or more (or is part of a consolidated group for income tax purposes with turnover of \$1 billion or more) and they estimate their turnover has fallen or will likely fall by 50 per cent or more; and
- their business is not subject to the Major Bank Levy.

Self-employed individuals - will be eligible to receive the JobKeeper Payment where they meet the relevant 30% turnover test.

Charities registered with the Australian Charities and Not-For-Profit Commission (ACNC) - will be eligible for the subsidy if they estimate their turnover has or will likely fall by 15 per cent or more relative to a comparable period.

The Australian Government and its agencies, State and Territory governments and their agencies, foreign governments and their agencies, local governments and wholly-owned corporations of these bodies - are **not** eligible for the Jobseeker payment.

Non-government schools and private vocational education providers - are eligible.

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FEDERAL GOVERNMENT'S ECONOMIC RESPONSE TO CORONAVIRUS –
JOBKEEPER PAYMENT

- **Partnership** - Only one partner can be nominated to receive a JobKeeper Payment along with any eligible employees, noting a partner cannot be an employee.
- **Trusts** - can receive JobKeeper payments for any eligible employees. Where beneficiaries of a trust only receive distributions, rather than being paid salary and wages for work done, one individual beneficiary (that is, not a corporate beneficiary) can be nominated to receive the JobKeeper Payment.
- **Company director that receives director fees** - An eligible business can nominate only one director to receive the payment, as well as any eligible employees. Only one person in a director capacity may receive the payment and that individual may not receive the payment as an employee.
- **Payments made to a shareholder** - An eligible business that pays shareholders that provide labour in the form of dividends will only be able to nominate one shareholder to receive the JobKeeper Payment.

Turnover test

- To establish that a business or not-for profit has faced or is likely to face the relevant fall in turnover, most would be expected to establish that their turnover has or will likely fall in the relevant month or quarter (depending on their Business Activity Statement reporting period) **relative to their turnover in a corresponding period a year earlier**. Turnover is calculated as it is for GST purposes, and is reported on Business Activity Statements. It includes all taxable supplies and all GST free supplies but not input taxed supplies.
- **New business/change in turnover** - Where a business or not-for-profit was not in operation a year earlier, or where their turnover a year earlier was not representative of their usual or average turnover, (for example, because there was a large interim acquisition, they were newly established, were scaling up, or their turnover is typically highly variable), the Tax Commissioner will have discretion to consider additional information that the business or not-for-profit can provide to establish that they have been adversely affected by the impacts of the Coronavirus.
- There will be some tolerance where employers, in good faith, estimate a 30 per cent or more or 50 per cent or more fall in turnover but experience a slightly smaller fall.
- **Consolidated group turnover > \$1 billion** - If a business is part of a consolidated group for income tax purposes, with a turnover of more than \$1 billion, the 50 per cent or more turnover test will apply to each business in that consolidated group. If the consolidated group has turnover of less than \$1 billion, the 30 per cent or more turnover test is applied to each business in that consolidated group. Individual businesses within a consolidated

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group may be eligible for the JobKeeper payment while other businesses in the group may not be eligible.

Employers must elect to participate in the scheme. They will need to make an application to the Australian Taxation Office (ATO) and provide supporting information demonstrating a downturn in their business.

Eligible employees

Eligible employers will receive the payment for each eligible employee that was on their books on 1 March 2020 and continues to be engaged by that employer

- including full-time, part-time, long-term casuals and stood down employees.
- Casual employees eligible for the JobKeeper Payment are those employees who have been with their employer on a regular and systematic basis for at least the previous 12 months as at 1 March 2020.
- An employee must be an Australian citizen, the holder of a permanent visa, or a Special Category (Subclass 444) Visa Holder as at 1 March 2020.
- The employee must also be a resident for Australian tax purposes on 1 March 2020.

Eligible employers who have stood down their employees before the commencement of this scheme will be able to participate. Employees that are re-engaged by a business that was their employer on 1 March 2020 will be eligible.

Payment process

- Eligible employers will be paid \$1,500 per fortnight per eligible employee. Eligible employees will receive, at a minimum, \$1,500 per fortnight, before tax, and employers are able to top-up the payment.

Where employers participate in the scheme, their employees will receive this payment as follows.

- If an employee receives \$1,500 or more in income per fortnight before tax, they will continue to receive their regular income according to their prevailing workplace arrangements. The JobKeeper Payment will assist their employer to continue operating by subsidising all or part of the income of their employee.
- If an employee would otherwise receive less than \$1,500 in income per fortnight before tax, their employer must pay their employee, at a minimum, \$1,500 per fortnight before tax.
- If an employee has been stood down, their employer must pay their employee, at a minimum \$1,500 per fortnight before tax.

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- **Super guarantee payments** - No superannuation guarantee payments are required to be paid on any additional payment made because of the JobKeeper Payment.
- Payments will be made to the employer monthly in arrears by the ATO.

Timing

- The subsidy will start on 30 March 2020, with the first payments to be received by employers in the first week of May. Businesses will be able to register their interest in participating in the Payment from 30 March 2020 at ato.gov.au.

NSW to provide \$10,000 grants to NSW small businesses

On 3 April, the NSW Government announced a new assistance scheme involving grants of up to \$10,000 for NSW small businesses impacted by the COVID-19 shutdown. The Government will put \$750 million into the Small Business Support Fund as the centrepiece of a third wave of support measures to keep small businesses afloat.

To be eligible, businesses will need to:

- have between 1-19 employees and a turnover of more than \$75,000
- a payroll below the NSW Government 2019-20 payroll tax threshold of \$900,000
- have an Australian Business Number as at 1 March 2020, be based in NSW and employ staff as at 1 March 2020
- be highly impacted by the Public Health (COVID-19 Restrictions on Gathering and Movement) Order 2020 issued on 30 March 2020
- use the funding for unavoidable business costs such as utilities, overheads, legal costs and financial advice
- provide appropriate documentation upon application.

Applications for a small business grant of up to \$10,000 will be available through Service NSW within a fortnight and remain open until 1 June 2020.

** Source: Economic response to Coronavirus treasury.gov.au/coronavirus**