



JobKeeper: The 10 Most Common Questions

WEBINARS FOR SMALL BUSINESS

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Accounting & Taxation Advisors

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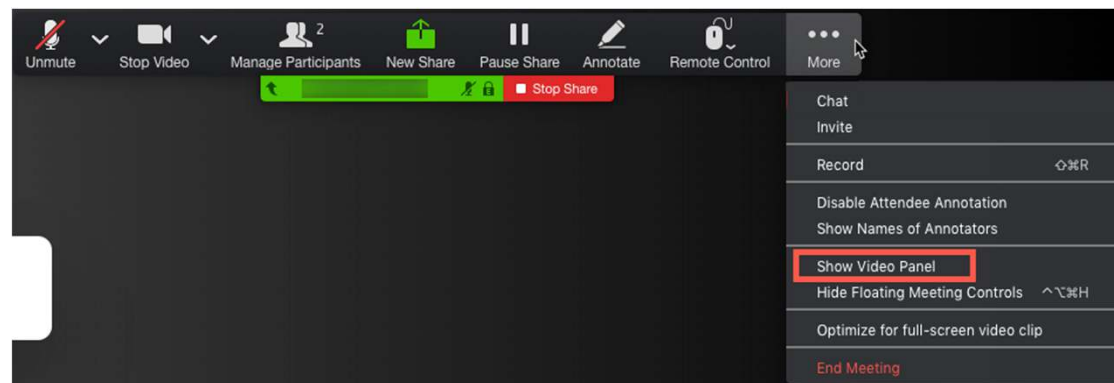
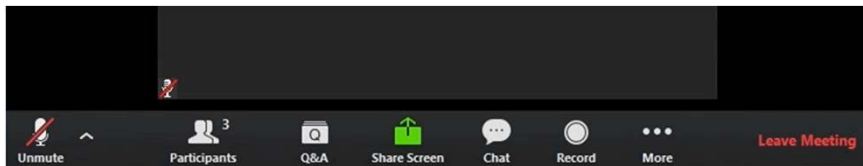
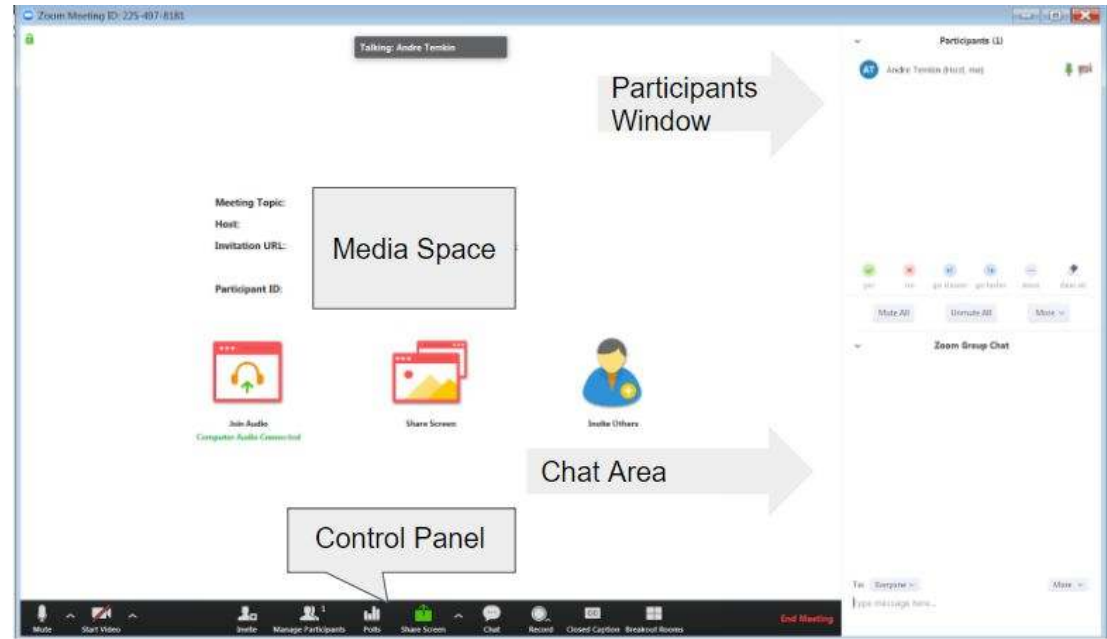


Daniel McCulloch
Associate

- Managing webinar questions
- Overseeing the running of webinar

Using Zoom features

- Click on the control panel to use the control pane
- Submit questions via the chat area
- Make sure you mute yourself



Today's Presenter



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Recap

- \$1,500 per fortnight reimbursement of wages
- Paid to employers in respect of eligible employees
- For period 30 March to 27 September 2020
 - 13 fortnights
- Payments monthly in arrears from first week in May
- **Rule – one JobKeeper payment per individual**

Recap – eligibility

1. Eligible employer requirement
2. Eligible employee requirement
3. The wage condition
4. Notification requirement

Eligible employer requirement

1. In business at 1 March 2020

2. 30% reduction in turnover

- 50% reduction if group turnover > \$1B
- 15% reduction for certain charities
- Governments and Government entities, businesses subject to the Major Bank Levy ineligible.
- Once only test – once satisfied, no need to retest.

Meeting the reduction in turnover requirement

- Calculate on an entity by entity basis
- Use **GST definition** of turnover
 - Taxable and GST-free supplies
 - Exclude input taxed supplies (e.g., rent)
 - Exclude supplies not connected with Australia
- even if not registered for GST!
- 2 calculation methods:
 - Basic test
 - Alternative test

Basic decline in turnover test

- Compare:
 - current month/quarter turnover
 - with turnover for same period in 2019

$$\frac{\text{Turnover for 2020 period} - \text{Turnover for 2019 period}}{\text{Turnover for 2019 period}}$$

- Month or quarter?
 - Need not align with GST reporting period
 - Month – March 2020 to September 2020
 - Quarter – Starts on 1 April 2020 or 1 July 2020
- Actual or projected basis

Cash or accruals?

- “...we expect that you will use the GST accounting method that you normally use...
- If you normally account for GST on an accruals basis, but seek to calculate on a cash basis (or vice versa), we may seek to understand your circumstances to ensure that the calculation achieves an appropriate reflection of your turnover.
- If you aren’t registered for GST, we would expect you to use the same accounting method you use for income tax purposes”

Employer registration – selecting the right test period

- To qualify from start of scheme, i.e., for fortnights commencing 30 March and 13 April 2020
- Can compare:
 - Month of **March 2020** (actual)
 - Month of **April 2020** (actual or projected)
 - April to **June 2020 quarter** (projected)
- Must register by **31 May 2020** to claim JobKeeper fortnights for April and May

Qualifying from the start of the scheme – example

- A Co's turnover:

Month	2019 turnover	2020 turnover
March	\$40,000	\$43,000
April	\$45,000	\$40,000
May	\$43,000	\$23,000
June	\$52,000	\$25,000

- Can A Co qualify for JobKeeper from the start of the scheme?

Qualifying from the start of the scheme – example

Month	2019 turnover	2020 turnover	% down
March	\$40,000	\$43,000	n/a
April	\$45,000	\$40,000	11%
May	\$43,000	\$23,000	46%
June	\$52,000	\$25,000	52%

} **37% down**

- A Co will qualify from the start of the scheme based on the April to June 2020 quarter

Enrolment process

- How do you select the April to June 2020 quarter?

For which month in 2020 have you experienced or likely to experience a reduction in turnover?*

For which month have you experienced or are likely to experience a reduction in turnover of **30% or more?** *

- Select -

▼

- Enrolment process – no quarterly option
 - Select April being the first month of the quarter

Has your turnover for the entity for the selected month(or the quarter including the selected month) fallen, or is it likely to fall, by **30% or more?***

Has your turnover for the entity for the selected month (or the quarter including the selected month) fallen, or is likely to fall by **30% or more?** *

☐ Yes

☐ No

Enrolment process

- Only where March or April are chosen...

Number of eligible employees who have been or will be remunerated \$1,500 or more (this may include wages, tax and salary-sacrificed super) for each JobKeeper fortnight:

JobKeeper fortnight one (30 March - 12 April) *

	employees
--	-----------

JobKeeper fortnight two (13 - 26 April) *

	employees
--	-----------

- Don't include sole traders or other eligible business participants here

Eligible employees – ‘One in, all in’ principle

- If an employer decides to participate in the JobKeeper scheme, it must ensure all eligible employees are covered
- This includes all eligible employees:
 - who are undertaking work for the employer; or
 - have been stood down
- The employer cannot select which eligible employees will participate
- Will be made clearer in the rules

The wage condition – funding payments to employees

- Requires employer to pay at least \$1,500 to eligible employees
 - less PAYGW withholding and salary packaging
 - PAYGW is \$192 based on \$1,500 payment
- Reimbursed by ATO in arrears, within 14 days of month end
- **What if the employer pays the employee \$1,500 per fortnight, and is then found to be ineligible?**
- **How does the employer fund the payments in the meantime?**

The wage condition – funding payments to employees

- Bridging finance may be necessary
 - Four major banks will expedite applications
 - Dedicated hotline for customers
- Banks have said businesses may be able to use the upcoming JobKeeper payment as a basis to finance.
- *Coronavirus Economic Response Package (Payments and Benefits) Amendment Rules (No. 1) 2020*
 - Allows banks to temporarily seek confirmation with ATO about entity's election to participate in JobKeeper
 - Confirmation will only be provided on or before 22 May 2020

Later registrations

- To qualify for JobKeeper for April, must satisfy test by end of relevant fortnight.
- If don't satisfy tests for April period, can claim in a later period.
 - Payments will not be backdated
- To qualify later, turnover:
 - month can be May, June, July, August or September 2020
 - quarter can be from 1 July 2020 to 30 September 2020

Alternative turnover tests

- Where basic tests failed, alternative test sets a new comparison period.
- Determined by Commissioner.
- See *Coronavirus Economic Response Package (Payments and Benefits) Alternative Decline in Turnover Test Rules 2020*

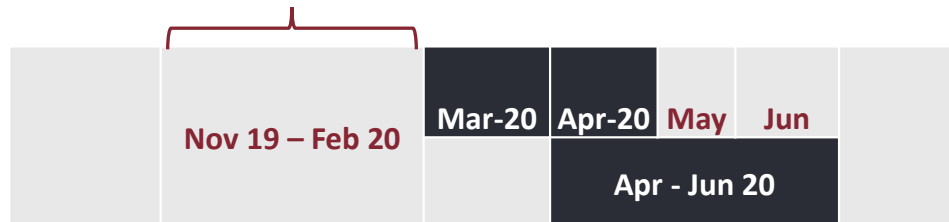
Alternative turnover tests – New Business

1. New business commenced pre 1 March 2020 but did not carry on business in comparative test period
 - Two alternatives

Alternative turnover tests – New Business

- i. Calculate average of all whole months before March 2020 since business started.
- **Monthly** test period: Monthly average
 - **Quarterly** test period: Monthly average x 3
 - e.g. Business commenced October 15

Comparative test period – monthly average



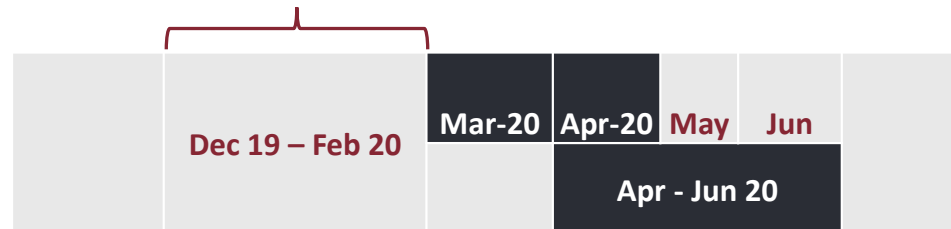
Business started 15 Oct

Alternative turnover tests – New Business

ii. Where business carried on before 1 Dec 2019

- **Quarterly** test period – calculate turnover from 1 December 2019 to 29 February 2020
- **Monthly** test period – divide by 3.
- e.g. Business commenced October 15

Comparative test period – 1 Dec 19 to 29 Feb 20



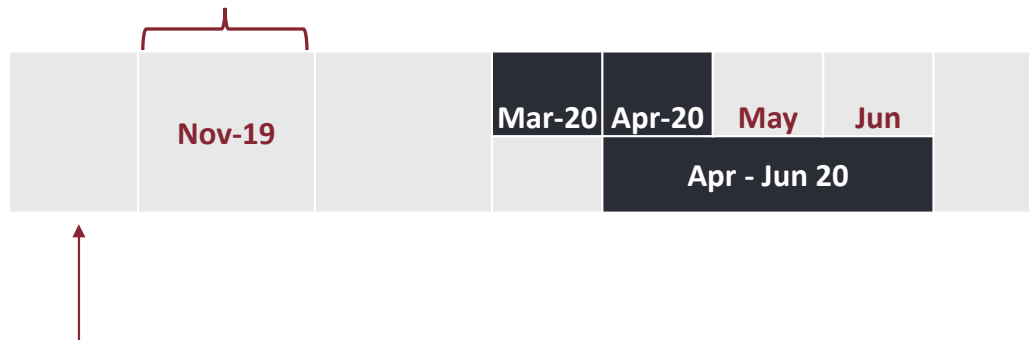
↑
Business started 15 Oct

Alternative turnover tests – Disposals, Acquisitions & Restructures

2. Disposals, acquisitions and restructures after relevant comparison period

- **Monthly** test period – see below.
- **Quarterly** test period – multiple by 3.
- e.g. Business commenced October 15

Comparative test period – month just after month of business change



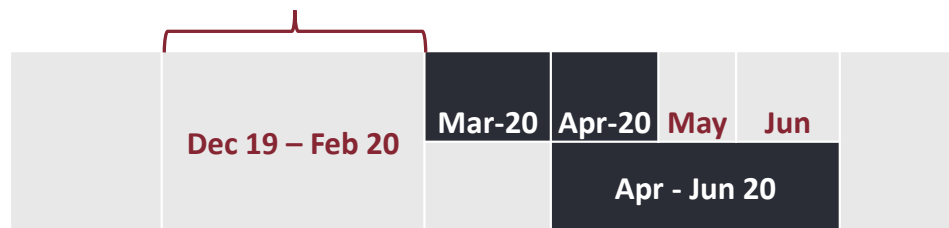
Business started 15 Oct

Alternative turnover tests – Growth Business

3. Substantial increase in turnover i.e., business had turnover increase of:

- > 50% in 12 months before test period;
- > 25% in 6 months before test period; or
- > 12.5% in 3 months before test period
- **Quarterly** test period – see below
- **Monthly** test period – divide by 3

Comparative test period – Turnover in 3 months prior to test period.

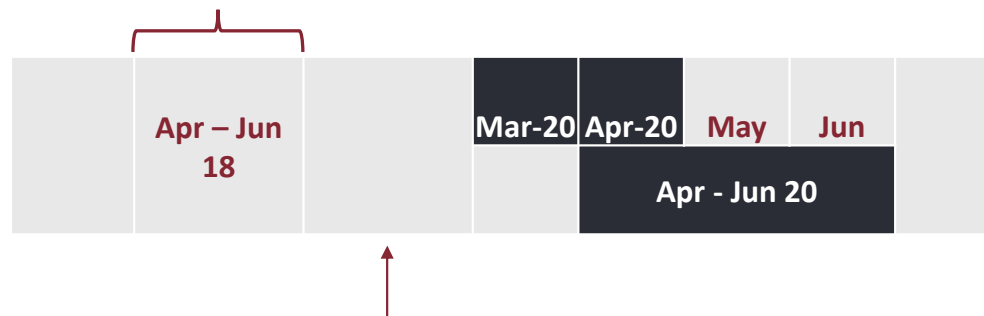


Alternative turnover tests – Drought, Natural Disaster

4. Drought or natural disaster – i.e., business in drought declared or declared natural disaster zone.

- e.g. drought declared 15 March 2019, April to June 2020 test period

Comparative test period – equivalent period in year before year drought or disaster was declared.



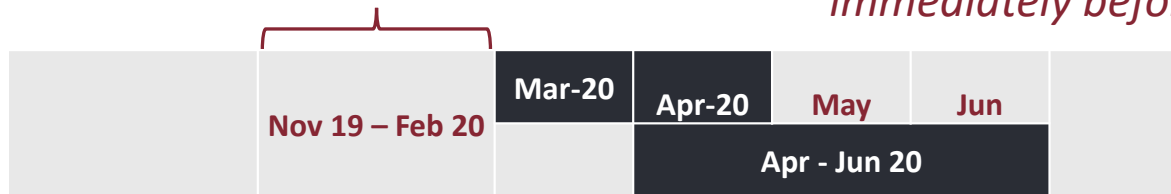
Drought declared 15 Mar 19

Alternative turnover tests – Irregular Turnover

5. Irregular turnover in 12 months before test period:

- turnover of lowest quarter ending in the period < 50% of highest turnover quarter ending in the period; and
- turnover is not cyclical
- **Monthly** test period – see below.
- **Quarterly** test period – multiple by 3.
- e.g. Assume March 2020 test period

Comparative test period – Use average monthly turnover for 12m immediately before test period.

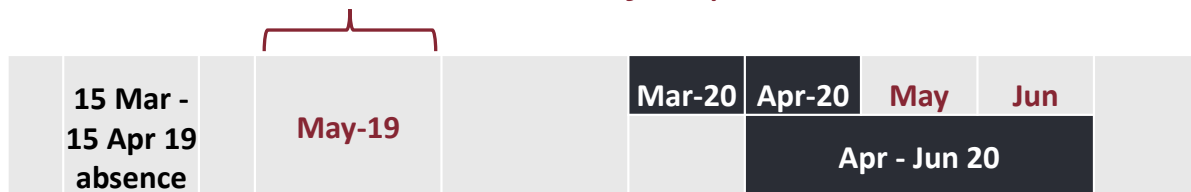


Alternative turnover tests – Illness/Injury

6. Absence of sole trader or partner (< 5 partners) with no employees:

- due to sickness, injury or leave.
- **Monthly** test period – see below.
- **Quarterly** test period – multiple by 3.

Comparative test period – use turnover in month immediately after person returned to work.



Holiday 15 March 19 for a month, assume Apr 20 test period

Alternative turnover tests

- What about:
 - Business has not yet received income, but COVID-19 has delayed future income?
 - Entity makes input tax supplies and COVID-19 has significantly reduced income?
 - Separate divisions in the one entity?
- Not covered by an alternative test.
- There doesn't appear to be Commissioner's discretion.
- No JobKeeper relief

Service entities – how do the rules apply? – example

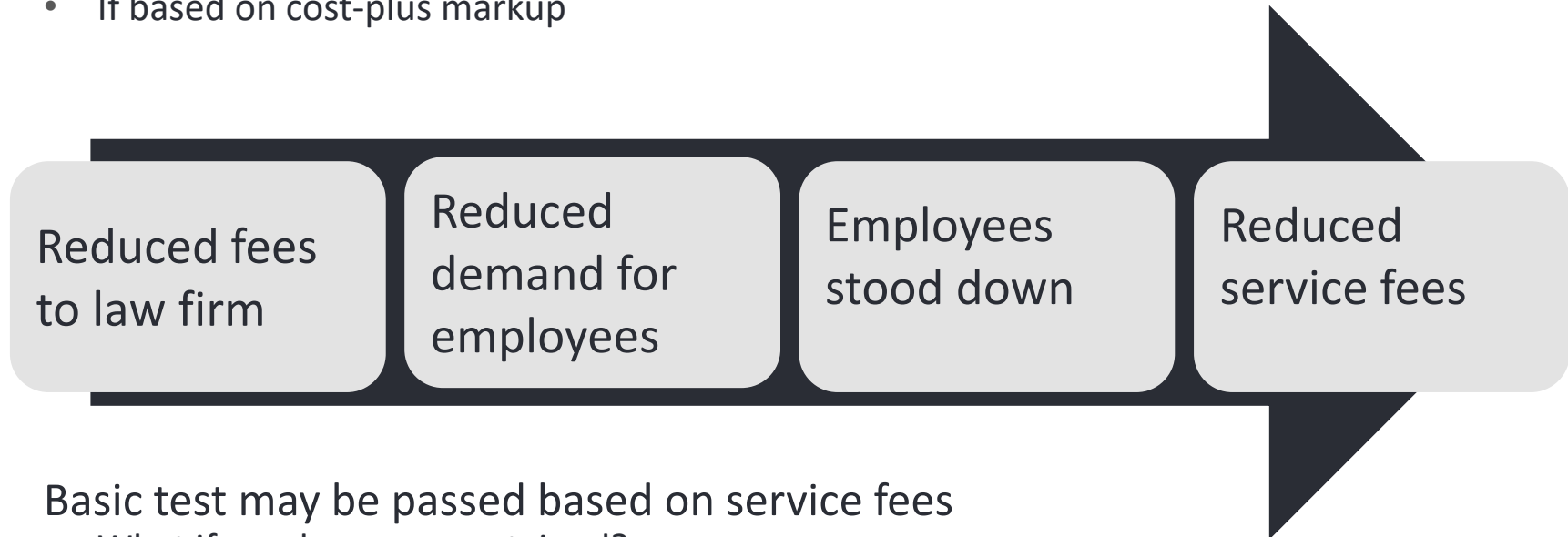
- Des and Mark are partners in a small suburban legal partnership, set up in 1999 and registered for GST (group turnover < \$1B)
- They have a service trust, units held by their respective discretionary trusts
- The service trust employs the 5 admin staff, some full time, some part time – no casuals, and two part time solicitors
- Average mark up 30%

Example – cont'd

- The partnership has not suffered a drop in turnover during March but anticipate that the turnover will drop off in April by > 30%.
- **What Jobkeeper entitlements is the partnership and/or the service trust entitled to?**
- **Partnership**
 - has no actual employees
 - can nominate one partner as an eligible business participant
- **Service trust**
 - will it have > 30% decrease in turnover?

Example – cont'd

- How are the service fees determined?
 - If based on cost-plus markup



- Basic test may be passed based on service fees
 - What if employees are retained?
 - What if service fees have been paid in advance?

Service entities – managing the cash flow – example

- Des and Mark's service entity may pass basic test if service fees are adjusted.
- How does service entity fund payments to employees?
- Service fee usually \$75K/month.
- Revised to \$50K/month based on services.
 - Issue tax invoice and transfer cash
- Service entity needs \$75K/month to fund wages.
 - \$25K shortfall.
 - Related party loan to service entity of \$25K/month.
 - Document loan and separately transfer cash

Service entities – where the basic test can't be passed

- Government has announced **alternate** decline in turnover test.
- Will apply where:
 - entity provides services of its employees to one or more related entities
 - related entities carry on business deriving revenue from unrelated third parties
- Test will instead use combined GST turnovers of related entities using services of the employer entity.

Labour hire firms – what is the position?

- Workers are only eligible in respect of their direct employer
- Who directly employs the workers?
 - Generally, the labour hire firm is the employer.
 - Where this is the case, assess eligibility at that level.
 - has labour hire firm suffered > 30% drop in turnover

Labour hire firms – what is the position?

- What about works engaged as contractors?
 - If truly ‘independent contractor’, then not employed by the labour hire firm.
 - Workers may be eligible as employees of their own entities or as eligible business participants.
 - Includes payments made to personal services entities
 - If employee under common law:
 - Firm may be eligible for JobKeeper in respect of the worker
 - BUT potentially exposed for claim for other employee entitlements

Eligible employees – full time students

- The Government has announced that:
 - full time students aged 16 and 17; and
 - who are not financially independent,
- Are not eligible for the JobKeeper Payment.
- Clarification will apply prospectively, not retrospectively.
 - an eligible employer that has already met the wage condition in respect of such an employee could remain entitled to a JobKeeper Payment for that fortnight.

Can an ineligible employee become eligible?

- Eligible employee must advise their employer that they agree to be nominated as an eligible employee.
 - JobKeeper employee nomination notice
- Employer cannot nominate that employee until the notice has been signed and returned.
 - Return of notice may dictate when that employee becomes eligible.
- Managing late notices
 - Practical solution
 - Risks

Can an ineligible employee become eligible?

- An eligible employee cannot be in receipt of:
 - government parental leave or Dad and partner pay
 - a payment in accordance with Australian worker compensation law for an individual's total incapacity for workduring the JobKeeper fortnight
- Where:
 - an employee stops receiving such payments, and
 - meet the other eligibility requirements,they will be eligible for subsequent fortnights

How to ensure the SG obligations are satisfied

- Employer must make SG contributions for any amount payable to an employee in respect of their **actual employment**
- SG contributions not required on:
 - Extra payments made by employer to satisfy wage condition; and
 - Amounts paid to an employee that has been stood down.
- New rules yet to be introduced.

Example

- Samantha is a sole trader beauty therapist with 2 part-time employees, Stefan and Bella
- As a result of COVID-19, Samantha was forced to close her shop, and stand down her employees
- Samantha assesses that she is eligible to apply for the JobKeeper payment
- Samantha makes payments of \$1,500 per fortnight to Stefan and Bella
- Samantha is not required to provide SG coverage for the period payment are being made to staff and they are not working

Example

- Adam owns a real estate business with two employees
- Anne is full-time, salary before tax each fortnight \$3,000
- Nick is part-time, salary before tax each fortnight \$1,000
- Business has dropped off by 30%
- Adam registers and provides details of eligible employees to ATO

Example cont'd

- **Anne**
 - If Anne continues to work full time she will continue to get her salary of \$3,000 per fortnight
 - SG will be on \$3,000
 - Adam will get subsidy of \$1,500 fortnight
- If Adam needs Anne to drop her hours back to say 40%, she will get salary of \$1,200 plus top up of \$300
- SG on salary of \$1,200, but not on top up
- Adam will get \$1,500 subsidy

Example cont'd

- **Nick**
 - If Nick continues to work part time he will continue to get his salary of \$1,000 per fortnight
 - SG will be on \$1,000
 - For Adam to get the subsidy, he will need to pay Nick an additional \$500 per fortnight
 - Adam will get \$1,500 subsidy
 - SG will then be on salary of \$1,000 and not on top up of \$500

JobKeeper in respect of business owners

- Business owners are either:
 - **Employees**
 - Employed by their company or trustee
 - Partnerships **do not** employ their partners, even if a partners' salary is received
 - **Non-employees**
 - Sole traders
 - Partners in partnerships
 - Beneficiaries of trusts
 - Directors or shareholders of companies

Business owner employed by their entity

- Company or trust will be eligible if usual eligibility requirements are met.
 - Potentially all employee owners are eligible.
- There is a requirement to pay out the amount to the individual.
- **Can amounts be paid by way of journal entry?**

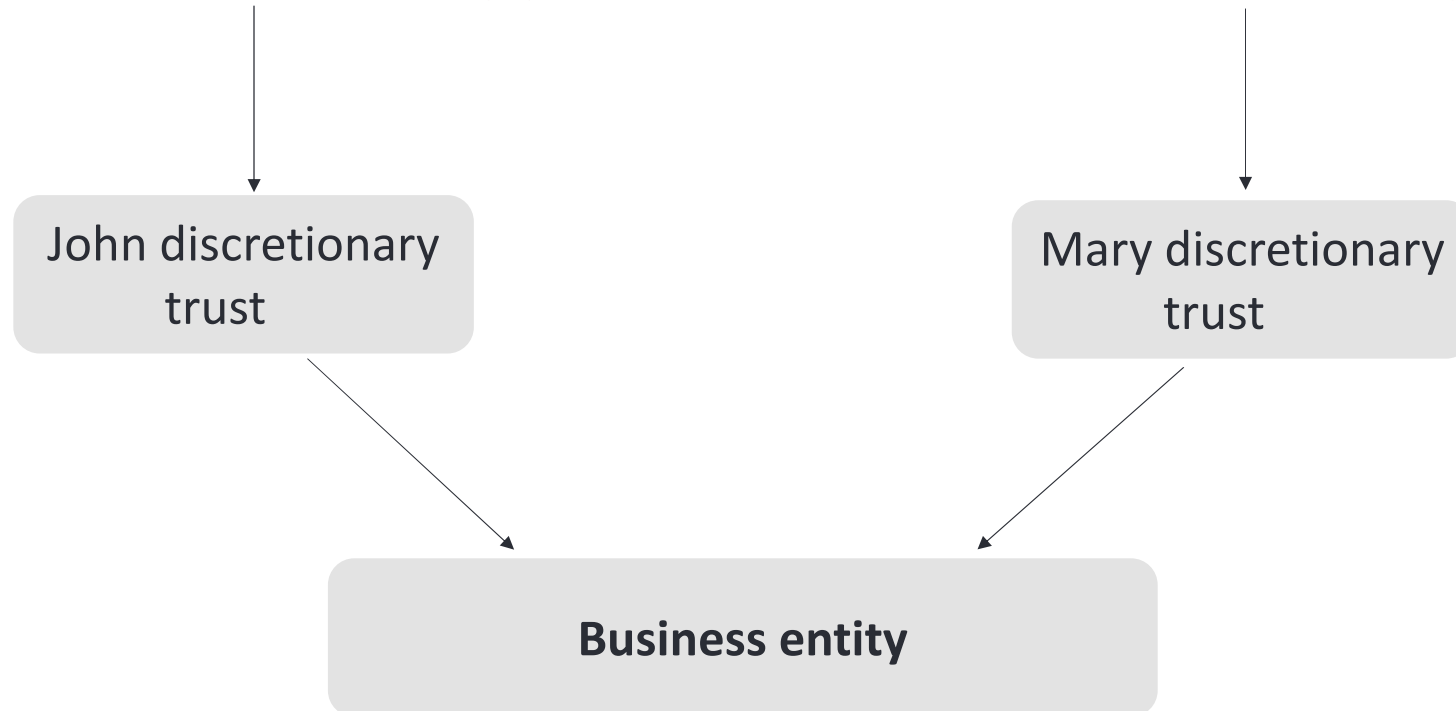
Business owner not employed by their entity

- Entity may qualify under the business participation entitlement.
Eligibility requirements:
 1. Eligible entity
 2. Eligible business participant
- Only one non-employee nominated per business.
- No requirement for the entity to pay out the amount to the eligible business participant.

Business owner not employed by their entity

John (beneficiary) ✗

Mary (beneficiary) ✗



Business owner not employed by their entity – eligible entity

- On **1 March 2020**, carried on a business in Australia
- Not a not-for-profit entity
- Satisfies the 30% / 50% fall in turnover test
- ABN and proof of business at **12 March 2020**
- **How to satisfy proof of business?**
 - Had business income in 2018-19 and either:
 - lodged 2018-19 tax return by 12 March 2020; or
 - lodged a BAS for any tax period that started after 1 July 2018 and ended before 12 March 2020.

Problems with the proof of business requirement

- To satisfy **proof of business** requirement, must have:

- lodged 2018-19 tax return by 12 March 2020;
 - BUT not yet due!

OR

- lodged a BAS for any tax period that started after 1 July 2018 and ended before 12 March 2020.
 - What if not registered for GST?
 - What if annual lodger for GST? Not yet due!

Relying on the Commissioner's discretion for meeting conditions at 12 March 2020

- Only applicable to claims in respect of **eligible business participants**, NOT employees.
- JobKeeper rules say ATO will have discretion to provide for later time after 12 March.
 - Treasury is yet to provide guidance.
 - Similar rules and discretion applies under Cash flow boost.
- ATO indicated that entities eligible for extended deadline under lodgment program will be eligible for discretion.
 - Similarly with automatic deferrals due to bushfires.

Business owner not employed by their entity – eligible business participant

- Individual not employed by the entity.
- **Not a permanent employee of another entity**
- Actively engaged in the business carried on by entity (at 1 March 2020 and for the fortnight claimed).
- Age, residency, etc requirements met
- They are one of the following:
 - a sole trader
 - a partner in the partnership
 - an adult beneficiary of the trust
 - a shareholder or director in the company.
- Nomination requirements met.

Example

- Sandra has a physiotherapy practice.
- She is also employed time to time at the local hospital.
- As a result of COVID-19, Sandra's turnover has dropped by the requisite 30% or more.
- **Can Sandra qualify for JobKeeper in respect of her business?**

Example

- It depends on how she is employed by the hospital
- If Sandra is part-time, she will not qualify as an eligible business participant
- This is the case notwithstanding she is not eligible to receive JobKeeper payments from the hospital
- If Sandra's employment is casual, she may qualify as an eligible business participant

What needs to be done?

- **By 8 May** – pay eligible employees \$1,500 for each fortnight to claim for April
- **By 31 May** – enrol to claim JobKeeper for fortnights in April and May
- Send a **JobKeeper employee nomination notice** to all eligible employees for completion and return
 - Need not be lodged, just keep on file
- Ensure eligible business participant has completed and return nomination notice (if applicable) – not relevant to sole traders

What needs to be done?

- **From 4 May** – identify eligible employees
 - Once only requirement
 - Maintain list each month
 - Excludes eligible business participants
- **Within 7 days of identifying employees**
 - notify each eligible employee
 - keeps eligible employees informed about the process

How are eligible employees identified?

- STP employers can do this:
 - In their payroll software
 - First confirm software has been updated with JobKeeper functionality
- Through Business Portal/Online Services for agents
 - For STP employers, a list of employees will be prefilled from STP reports.
 - Additional employees can be added.
 - Non-STP employers can manually enter each employee, their TFN and date of birth.

Monthly JobKeeper Declaration report

- Each month, business must:
 - reconfirm eligibility and eligible employees (if any).
 - provide current GST turnover for the month and projected turnover for the next month.
- Can be made by:
 - business through the business portal; or
 - their agent through online services for agents.
- Required within 7 days of month end.
 - What systems are in place to extract data?

Alignment with BAS reporting

- Ensure reported information is reconciled to BASs
- ATO are likely to use BAS information as a compliance check of a business's entitlement
- ATO has stated it won't use monthly reporting to verify claims
 - Prudent to reconcile actual turnover with projections
 - No guidance from ATO as to how anti-avoidance rules might apply where there are variances from projections

How to project GST turnover in advance

- Generally assessment made part way through period
- What is expected for remainder of that period?
- ATO states that relevant considerations include:
 - period during which business is not expected to trade due to closure or restrictions
 - recent patterns in trading that are expected to continue
 - revised business plans
- Exclude turnover from structural changes
- Document calculation to support eligibility

Registering if there are uncertainties on information

- Not all registration decisions will be black and white
- Uncertainty as to whether 30% reduction in turnover will be achieved – do we register?
- Could we defer registration?
 - Certainty v cash flow
- No retrospective clawback where forecasts differ to actuals:
 - Provided projection was “reasonable”
 - Evidence of forecast calculations

Tensions with June 30 tax planning

- Business will be reporting financial year information within days of 30 June.
- 2 issues:
 - 1. Are there systems in place to capture data quickly after each period?
 - 2. Can end of month / end of year invoicing be closed off soon after period end?
- Where tax planning adjustments are made, will these have been reported in monthly turnover reports?
 - e.g., inter-entity charges, management fee, etc

Get it wrong and the ATO is likely to come calling

- Give me the money back!
- Joint & several liability
- Integrity Provisions
 - Positive obligations
 - Employer must certify information
 - Obligation to assess employee eligibility
 - Obligation to advise ATO of change in circumstances
 - Audit & Compliance
 - Audit reviews
 - Cross match to Services Australia
 - Data matching with other agencies to identify false claims or ineligible employees
- Penalty Provisions
 - Administrative penalties – up to 75%
 - Failure to comply with tax law – up to 12 month imprisonment
 - Breach of the Criminal Code, obtaining financial advantage by deception – up to 10 years imprisonment



Next steps - how we can help you

- DIY – Use our checklists – Cost **FREE!**
- Need assistance? As tax agents we are required to undertake certain procedures to satisfy reasonable care and competency. We are estimating we could do most businesses for \$500+GST so we will charge this as a minimum, however as some businesses will require more analysis on the reduction of turnover or employee numbers, we will invoice based on the time incurred. But with \$19,500 per employee at risk, if you are not sure, it is better to get the advice

Upcoming Webinar sessions

Get started now!

- Friday 8th May – Business Planning
- Mothers Day 'Kate Christie' Time Management specialist – Fundraiser
- Friday 15th May – Xero Payroll refresher
- More to come!

Doing nothing should not be an option!

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ME FIRST with Kate Christie

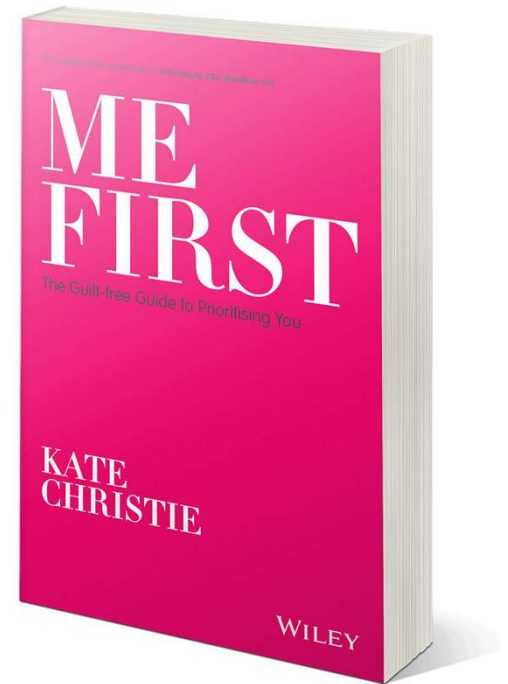
Author of **'Me First, The Guilt Free Guide To Prioritising You,'** we're thrilled to have Kate Christie spend an hour with us sharing practical exercises & techniques to identify where your time is wasted and how to create at least 30 hours per month to invest in yourself.

WHEN: Sunday 10th May @ 3pm (1hr) with Q&A

COST: \$25pp

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All funds will be donated and dollar matched by SMART to women's charity Clothes 4U, an organisation dedicated to assisting women in need on the Mornington Peninsula.





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Questions



Our Leadership Team



Shannon Smit
Managing Director

Shannon Smit is a CEO and founding director who thrives on breaking the mould of the standard. She's lived in 4 different countries and 6 different cities. she talks a mile a minute, has ideas faster than a speeding bullet and has nailed the art of multitasking. Likes travelling the world. Loves being a soccer mum to her two boys.

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Paul Cunningham
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Paul Cunningham is a chartered accountant with a slight obsession with cricket. President of his local club, he's played there since his teenage years, perfecting his skills as the ultimate batsman. Is a highly competitive pop quiz and trivia participant. When not on the pitch he's playing doting dad to his young daughter.

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Daniel McCulloch
Associate

Daniel McCulloch is a chartered accountant who gets a kick out of saving his clients money. Likes German Shepherds. Loves hanging with his daughter. Spends his free time playing golf or indulging his passion for anything fast on two wheels. Not known for his ability to do the two of these together.

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Thank you!

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