MLCO Accountant & Adviser

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JobKeeper extension

In summary

The existing JobKeeper Payment will continue as planned until 27 September 2020. The Government has announced yesterday that the payments will be extended to eligible businesses until 28 March 2021. However, there are significant changes to the regime:

- Businesses must meet new and additional decline in turnover tests (based on actual GST turnover) to access payments in two new extension periods (28 September 2020 – 3 January 2021 and 4 January – 28 March 2021);
- A tiered system of payments will apply from 27 September 2020, where the amount paid will be based on an employee's average hours worked per week before 1 March 2020. Those working on average 20 hours per week or more would be entitled to the higher tier payments and other eligible employees entitled to the lower tier payments; and
- A staged reduction in the amount of payments – from 28 September 2020 to 3 January 2021 the higher tier payment will be $1,200 per fortnight, reducing to $1,000 per fortnight for 4 January to 28 March 2021, and the lower tier payment will be $750 per fortnight and $650 per fortnight for the same periods.

This commentary is based on the initial information provided in yesterday's Treasury announcement. The detail is to be confirmed once the Legislative Instrument containing the Rules is released.

In detail

No changes to existing JobKeeper payments

The existing JobKeeper payments will continue until 27 September 2020 as planned, with the exception of child care providers whose payments came to an end from 20 July 2020 (as previously announced on 8 June 2020). However, the information collected by the ATO when processing claims for current payments includes the relevant GST turnover information that should feed into future eligibility.

Additional turnover tests

The original JobKeeper payments only required eligible businesses to meet the decline in turnover test on a one-off basis. The JobKeeper extension will require businesses to meet the decline in turnover test on an ongoing basis in order to be eligible for future payments.

To be eligible for payments for the period 28 September 2020 to 3 January 2021 businesses will need to demonstrate that their actual GST turnover has fallen by the required 30% or 50% in both the quarter ended 30 June and quarter ending 30 September 2020. There is no longer any reference to "projected GST turnover" – the eligibility test will depend solely on whether actual GST turnover in those quarters has fallen by the required percentage compared to the same quarters in 2019. For the June quarter, this is the GST turnover that registered businesses will have already reported to the ATO for the monthly JobKeeper claims already made.

The rules regarding whether the 30% or 50% decline in turnover test applies to a business remain the same (please see our previous articles on our website http://www.mlco.com.au/latest_news).

Similarly, to be eligible for payments for the period 4 January to 28 March 2021 businesses will need to demonstrate that their actual GST turnover has fallen by the required 30% or 50% in each of the quarter ended 30 June and quarters ending 30 September and 31 December 2020.

Turnover figures will be based on the BAS for standalone entities but alternative arrangements will be made for non-lodgers, e.g. GST group members.

The Commissioner will again have discretion to extend the time for making the payments to employees while businesses assess their eligibility to claim based on meeting a decline in turnover test – reflecting the time it may take to confirm eligibility as some quarterly lodgers do not need to lodge their BASs for up to eight weeks after the end of the quarter.

Tiers of eligible employees

The basic tests for determining whether an employee is eligible remain the same – see link to our previous article. However, employers will have to identify two tiers of eligible employees to determine the amount of any claim.

To claim for an eligible employee as a higher tier rate employee the eligible employee must have been employed for 20 hours or more per week on average in the four pay weeks prior to 1 March 2020. Other eligible employees can be claimed for at the lower tier rate. This means that employers will need to consider the pay for the four weeks in February 2020 to ascertain whether an eligible employee falls into the higher or lower tier rate. Where that four week period is not indicative of the normal average working hours for an employee, e.g. due to leave, volunteering during bushfires or where they were not employed for all of February, then the Commissioner will have discretion to allow for alternative tests. The Commissioner will also provide guidance where pay periods are not based on weekly periods.

Changes to amounts of payments

Firstly, tiered payments will apply based on the average hours worked by eligible employees and secondly there will be a staged reduction in the amount of payments over time. The payments can be summarised as follows:

	First extension period (28/09/2020 to 03/01/2021)	Second extension period (04/01/2021 to 28 March 2021)
Higher tier rate	$1,200	$1,000
Lower tier rate	$750	$650

The wage condition will continue to apply so employers will need to ensure that they are paying the correct amounts – noting the Commissioner's discretion to allow extensions of time for making payments while determining eligibility.

Payments by the ATO will continue in arrears in a similar fashion to the existing JobKeeper arrangements.