

Suite 1, Level 1
2-8 Burwood Highway
Burwood East 3151
PO Box 4352
Burwood East 3151
Victoria, Australia
ABN 18 286 766 279

T +61 3 9808 7377
F +61 3 9808 7399
E admin@kyriacou.com.au
W www.kyriacou.com.au



Arthur Kyriacou & Co.

COVID-19 Summary – APRIL 2020

THE JOBKEEPER PAYMENT SCHEME

As Australians respond to the challenges of COVID-19, staying connected has never been more important.

Covid-19 has challenged nearly every aspect of our lives, both personally and in business. The government has taken unprecedented steps to try and manage the issues of a health crisis and an economic crisis at the same time.

Our team is dedicated to assist you through these times to ensure you have access to the available Government initiatives and support.

The JobKeeper defined

The Australian Government has announced a \$130 billion JobKeeper payment to help keep more Australians in jobs and support businesses affected by the significant economic impact caused by the Coronavirus.

Around 6 million workers will receive a fortnightly payment of \$1,500 (before tax) through their employer.

The payment ensures eligible employers remain connected to their workforce and will help businesses restart quickly when the crisis is over.

Eligible businesses that elect to participate will receive a payment of \$1,500 per fortnight per eligible employee to support the people they employed as at **1 March 2020** who are retained in employment.

The subsidy will be paid for a maximum period of six months (**i.e., from 30 March 2020 up until 27 September 2020**). It will be paid to eligible businesses monthly in arrears, with the first payments to employers commencing from the first week of May 2020.

How we can assist you

The JobKeeper payment scheme is by far the largest form of support offered by the government to businesses affected by COVID-19.

While the payments will support with the running of your business and will assist you to restart quickly after the crisis is over, there is an obligation to attend to various administrative requirements in order to access the scheme.

We will work with all our clients to ensure that the necessary processes are adhered to, by the due dates.

We want to assist you through this process to ensure you receive the eligible benefits as quickly as possible.

As this is a large project, in order to attend to all the necessary administrative requirements as efficiently as possible, please ensure you:

- Liaise with us as soon as possible to clarify your eligibility for the scheme and the required process;
- Arrange a meeting with us (via phone or at our office) to discuss your situation and the completion of all required tasks;
- Ensure you have obtained and completed the JobKeeper Employee Nomination Notice forms and / or the JobKeeper nomination notice for eligible business participants – excluding sole traders as soon as possible;

FAQs

We have included a series of 'Frequently Asked Questions' (FAQs) to assist you to determine your eligibility for the scheme for Employers, Employees and Businesses including Sole Traders.



Frequently Asked Questions (FAQs)

Source: <https://treasury.gov.au/coronavirus/jobkeeper> / Source: NTAA – The JobKeeper Payment

When is an employer eligible for JobKeeper?

Employers will be eligible for the subsidy if:

- their business has a turnover of less than \$1 billion and their turnover will be reduced by more than 30 per cent relative to a comparable period a year ago (of at least a month); or
- their business has a turnover of \$1 billion or more and their turnover will be reduced by more than 50 per cent relative to a comparable period a year ago (of at least a month); and
- the business is not subject to the Major Bank Levy.

The employer must have been in an employment relationship with eligible employees as at **1 March 2020**, and confirm that each eligible employee is currently engaged in order to receive JobKeeper Payments.

Not-for-profit entities (including charities) and self-employed individuals (businesses without employees) that meet the turnover tests that apply for businesses are eligible to apply for JobKeeper Payments.

How to measure whether the turnover of a business is \$1 billion or less?

When determining if the annual turnover of a business is \$1 billion or less, for the purposes of working out whether the applicable decline in turnover threshold is 30% or 50%, it is the entity's **aggregated turnover** that must be considered.

In this context, an entity's '**aggregated turnover**' is the same as what is used when determining if an entity is a small business entity ('SBE'), which includes the **annual turnover** of an entity that is connected with' or an 'affiliate' of the entity. Broadly, an entity's annual turnover is the total ordinary income derived by the entity in the ordinary course of carrying on a business, excluding dealings between the entity and its connected entities and affiliates.

Specifically, an entity will be subject to the higher decline in turnover threshold of **50%** if the entity's aggregated turnover is either:

- likely to exceed \$1 billion for the *current* income year; **or**
- actually exceeded \$1 billion in the *previous* income year.

Establishing whether the projected GST turnover of a business has fallen or is likely to fall

In determining whether the turnover of a business has fallen (or is likely to fall) by at least 30% (or 50% as the case may be), the business would generally need to show a decline in its **projected GST turnover** in the current period (i.e., either a month or quarter) relative to its **current GST turnover** in the corresponding period in the 2019 income year.

The concept of 'projected GST turnover' and 'current GST turnover' for these purposes have been modified to apply to the **period** (i.e., either a month or a quarter) rather than the month, with the GST grouping provisions to be disregarded as well.



Specifically, the **modified 'current GST turnover'** is determined at the *end* of the period and takes into account the total value of all supplies made by the entity **during that period**, excluding input taxed supplies, supplies that are not for consideration and supplies that are not made in connection with the enterprise that the entity carries on.

The **modified 'projected GST turnover'** is determined at a time *during* a particular period and takes into account the total value of all supplies made, or are likely to be made, by the entity **during that period**, excluding input taxed supplies, supplies that are not for consideration and supplies that are not made in connection with the enterprise that the entity carries on.

Identifying who is an 'eligible employee'

A business can only claim a JobKeeper Payment in respect of an employee who is an **'eligible employee'**.

Importantly, an employer that elects to participate in the JobKeeper Scheme is required to include **all** eligible employees in the scheme (unless the employee advises the employer they do not wish the employer to claim the JobKeeper Payment on their behalf).

Eligible employees are employees who:

- are currently employed by the eligible employer (including those stood down or re-hired);
- were employed by the employer at 1 March 2020;
- are full-time, part-time, or long-term casuals (a casual employed on a regular basis for longer than 12 months as at 1 March 2020);
- are at least 16 years of age;
- are an Australian citizen, the holder of a permanent visa, a Protected Special Category Visa Holder, a non-protected Special Category Visa Holder who has been residing continually in Australia for 10 years or more, or a Special Category (Subclass 444) Visa Holder; and
- are not in receipt of a JobKeeper Payment from another employer.

If an employee receives the JobKeeper Payment, this may affect their eligibility for payments from Services Australia as they must report their JobKeeper Payment as income.

Additionally, before an entitlement to the JobKeeper Payment arises, the ATO requires an employer to complete a **JobKeeper employee nomination notice** to notify eligible employees that the employer intends to participate in the scheme, and ask the employees to agree to be nominated and receive payments from them as part of the scheme.

If an eligible employee has multiple employers who each send them a nomination form, they can only accept a nomination from one employer (such that only one employer is entitled to a JobKeeper Payment on their behalf).

Employers must pay eligible employees at least \$1,500 per fortnight – the 'wage condition'

The JobKeeper Scheme will ensure that eligible employees receive a gross payment (i.e., before tax) of **at least \$1,500 per fortnight** for the duration of the scheme. Employers are able to pay eligible employees more than this amount, based on the employees' usual pay arrangements.



The minimum \$1,500 (before tax) payment requirement will operate as follows:

- (a) **If an employee has been receiving at least \$1,500** in gross salary income per fortnight since 30 March 2020, they will continue to receive their regular income according to their prevailing workplace arrangements. In this case, the JobKeeper Payment will effectively subsidise the first \$1,500 of the employee's gross fortnightly salary income.
- (b) **If an employee has been receiving less than \$1,500** in gross salary income per fortnight since 30 March 2020, the employer must pay the employee a **'top-up' payment** to ensure the employee has been paid at least \$1,500 per fortnight to be eligible to receive the JobKeeper Payment. This means some employees will receive more than their ordinary salary and wages derived from the employer.

When can a business claim the JobKeeper Payment for a business participant?

The JobKeeper Scheme also recognises that certain participants in a business (such as a sole trader) have also been affected by the economic downturn caused by the Coronavirus.

Accordingly, in order to provide a benefit to such business participants, payments can also be made to an entity in respect of what is referred to as an **eligible business participant** (i.e., generally controlling individuals who are not employees of their business).

Note that a non-profit body cannot receive a JobKeeper Payment in respect of an eligible business participant.

A 'business participant' is an individual who is **actively engaged** in the business carried on by the entity (i.e., in the operations and activities of the entity) and is either:

- a sole trader;
- an individual partner of a partnership;
- a director or individual shareholder of a company; or
- an adult beneficiary of a trust.

While a business may have more than one business participant, it can only nominate **one** of these individuals (who becomes the 'eligible business participant') in respect of whom it can receive a JobKeeper Payment. No nomination is needed where the individual is a sole trader.

Further, a JobKeeper Payment can only be claimed by an eligible business in respect of the nominated eligible business participant where **all** of the relevant conditions are satisfied, some of which include:

(a) The business meets the decline in turnover test (broadly, where its turnover has fallen, or is likely to fall, by at least **30%** or **50%**, as the case may be).

(b) The business had an **ABN on or before 12 March 2020** (or such later time that the Commissioner allows) and either the business entity:

- had an amount included in its assessable income for the 2019 income year and it was included in their income tax return lodged on or before 12 March 2020 (or such later time as allowed by the Commissioner); or
- made a supply during the period 1 July 2018 to 12 March 2020 and provided this information to the Commissioner (i.e., in a BAS that was lodged) on or before 12 March 2020 (or such later time as allowed by the Commissioner).



(c) The relevant **business participant** was:

- actively engaged in the business (i.e., in the operations and activities of the entity) as at 1 March 2020;
- not entitled to another JobKeeper Payment, either as a nominated eligible business participant of another business (e.g., as a director or beneficiary) or as an eligible employee;
- **not** a permanent employee of any other employer;
- at least 16 years of age as at 1 March 2020; and
- on 1 March 2020, either:
 - a resident of Australia for *social security* purposes (e.g., an Australia citizen, a holder of a permanent visa or a holder of a protected special category visa); or
 - a resident of Australia for *tax* purposes and was a holder of a Subclass 444 (Special Category) visa.

Am I required to pay PAYGWH and Superannuation on the Jobkeeper payment?

You must pay a minimum of \$1,500 per fortnight to your eligible employees, withholding income tax as appropriate. The \$1,500 per fortnight per employee is a before tax amount.

Where an employee is paid more than \$1,500 per fortnight, the employer's superannuation obligations will not change. Where an employee is having their wages topped up to \$1,500 per fortnight by the JobKeeper Payment, it will be up to the employer if they want to pay superannuation on any additional wages paid by the JobKeeper Payment.

Disclaimer

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