

# Pharmacy businesses

## COVID-19 SUPPORT AND ECONOMIC STIMULUS PACKAGES

An information pack directed specifically at pharmacy owners and their businesses



# Contents

**3**

Cash boosts

**5**

Cash savings from tax commitments

**7**

Investment boosts

**8**

JobKeeper payments:  
10 must-read FAQs for  
pharmacy



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# Cash boost

## 1. CASH BOOST FOR EMPLOYERS

### a. Who can claim it?

- Your **aggregate\*** turnover must be less than \$50m.
- You must have held an ABN on 12 March 2020 AND
- Lodged your 2019 return by 12 March **OR**
- You have made GST taxable or tax-free supplies since 1 July 2018 and lodged your BAS by 12 March 2020
- Bear in mind it is the EMPLOYER who gets the cash boost. If you use a service entity for your pharmacy THAT IS WHERE THE CREDIT will go.**

*\*The term 'aggregate' is a defined term. If you have interests in various pharmacy partnerships or pharmacy entities, you should seek advice.*

*For new pharmacies who have opened since 1 July 2019, it is critical that you have lodged your BASs since opening in order to qualify. (We would presume pharmacies who have opened since 1 July 2018 have lodged their BASs to indicate they are actively in business.)*

### b. How do you get it and what is it?

- Lodge your March BAS and the ATO will take it from there.**
- It is a tax-free and GST-free payment from the Federal Government.
- There are two cash boosts.
- The first cash boost is to 30 June and you are entitled to an amount of between \$10,000–\$50,000.
- The second cash boost is for the period June–Sept 2020 and is for the same amount received in the first boost (Yes, there is a cross over in relation to the June BAS).

### c. How is it calculated?

- The First Cash Boost** – It is initially based on how much PAYGW you withheld from wages paid either in the quarter ending 31 March 2020 (quarterly lodgers) or for the month of March 2020 (monthly lodgers) followed by further amounts depending on your March payment and your PAYGW for April, May and June.
- The Second Cash Boost** is the equivalent of your First Cash Boost.

## Cash boost for employers – how does the money flow?

### The first cash boost

- See table below for how the first payment is worked out.

	Monthly lodgers	Quarterly lodgers
<b>On 28 April</b>	You receive a credit of 3 x your March PAYGW or \$10,000 whichever is the greater to a maximum amount of \$50,000.	You receive a credit equivalent to your March quarter PAYGW or \$10,000 whichever is the greater to a maximum amount of \$50,000.
<b>What happens to it?</b>	If your March BAS is a refund, you receive the refund AND the credit. The credit will not be applied to any other taxes. If your March BAS is a debit, the credit will offset the debit and you will receive the balance. The Commissioner has discretion to release a refund, even where there are other tax debts owing. If your refund is applied elsewhere, <u>contact the ATO to attempt to negotiate the release of the refund.</u>	

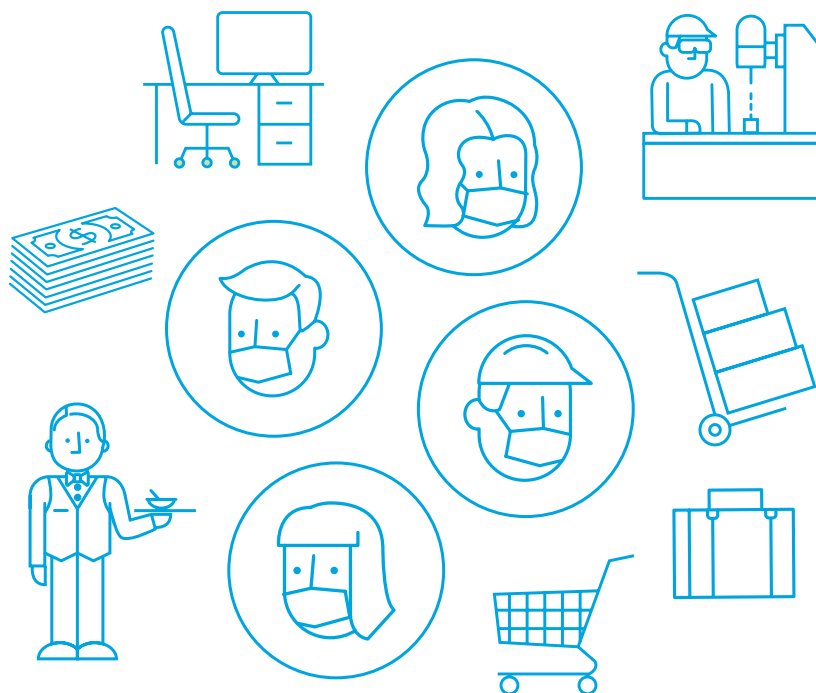
- For subsequent payments of the first cash boost.

	Monthly lodgers	Quarterly lodgers
<b>On 28 July for quarterly lodgers and 21 May, June and July for monthly lodgers</b>	You receive a credit of your PAYGW for each of April, May and June up to a maximum amount of \$50,000. NOTE: If your March PAYGW was less than \$10,000 then you will receive \$10,000 in relation to March and nothing further in relation to the April, May and June BASs <u>unless</u> those amounts, when added to 3 x your March PAYGW, exceed \$10,000. In this instance you will receive an amount equal to (3 x March PAYGW plus April, May and June) less \$10,000.	You receive a credit equivalent to your June quarter PAYGW up to a maximum amount of \$50,000. NOTE: If your March PAYGW was less than \$10,000 then you will receive the total of your March and June PAYGW less the \$10,000 already received. If the total PAYGW is still less than \$10,000 then you will receive nothing for your last payment of the First Cash Boost.

### The second cash boost

	Monthly lodgers	Quarterly lodgers
<b>For quarterly lodgers on 28 July and 28 Oct, for monthly lodgers on 21 July, Aug, Sept and Oct</b>	You receive each month a credit of 25% of the total amount of your First Cash Boost. So in July you receive the last payment of your First Cash Boost and the first payment of your Second Cash Boost.	You receive each quarter a credit equivalent to 50% of total amount of your First Cash Boost. So in July you receive the last payment of your First Cash Boost and the first payment of your Second Cash Boost.





## 2. JOBKEEPER PAYMENTS (short version\*)

- a. Pharmacy employers whose turnover has dropped by 30% or more from March 2020 comparing to March 2019 can claim \$1,500 per fortnight for all eligible employees.
- b. Note – it's the employer who registers. If you use a service entity, that is who should register.
- c. GST Groups are ignored. It is the turnover of each member of the group that is the focus. However, where a service entity is involved, an alternative test is available to reference the combined turnover of the service entity and the pharmacy, with reference to the revenue of the pharmacy or pharmacies if the service entity provides services to more than one.
- d. The JobKeeper payments received by the business are taxable and GST-free.
- e. It ONLY applies to eligible employees with you on 1 March 2020.
- f. Owners who are not on a wage can be eligible employees.
- g. You need your eligible employees to complete a nomination form. And its one in, all in.
- h. You need to report your turnover within 7 days at the end of each month

\*NOT to be acted upon without reading the FAQs at the end of this document AND speaking to your accountant about YOUR business AND, most likely, getting some employment law advice from an employment lawyer. The FAQs contain useful links to forms and ATO information.

# Cash savings from tax commitments

## 1. DEALING WITH THE ATO

At RSM, we have to date had considerable success in dealing with the ATO on the following matters.

- a. Deferral of ATO payments for income tax, GST, PAYGW, PAYG instalments, FBT and excise for up to 6 months.
- b. Quarterly BAS lodgers may change to monthly to bring forward GST refund.
- c. Taxpayers may vary down their PAYG instalments for the March 2020 quarter and claim back PAYG instalments paid for the September 2019 and December 2019 quarters without exposure to penalties or ATO interest charges.
- d. The ATO will consider remitting interest and penalties incurred after 23 January 2020.
- e. The ATO will consider low-interest payment plans

## 2. DEALING WITH THE STATE REVENUE OFFICES

- a. Each State has announced various savings or reductions on Payroll Tax
- b. Go to [this link](#) for RSM's payroll tax calculator to assess the benefits available to you.

- c. For those of you who own property there are also various land tax savings. Go to [this link](#) for the various State Government announcements.

## 3. GOVERNMENT-BACKED LOANS TO SMALL BUSINESSES

- a. The Federal Government is looking to provide a guarantee of 50% of new unsecured loans to small business.
- b. Pharmacies with turnover of up to \$50m will be eligible to receive these new loans.
- c. Maximum size of loan is \$250,000 per borrower, over 3 years, with an initial 6-month repayment holiday and will be unsecured.
- d. Subject to lenders' credit assessment processes.
- e. Loans to be possibly in a form of line of credit, to be drawn down on an as-needs basis and interest payable on the amount drawn down.
- f. See summary in the next point which sets out the different banks' approach to this.

## 4. DEALING WITH BANKS

- a. Go to [this link](#) to see a summary of the various measures announced by different banks.







# Investment boosts

## 1. INSTANT ASSET WRITE-OFFS

Pharmacies will receive an immediate deduction for **eligible assets**<sup>1</sup> costing less than \$150,000 (excluding GST credits) **first used or installed ready for use between 12 March 2020 to 30 June 2020**.

The cost threshold applies on a per asset basis, allowing an immediate deduction for multiple assets. This measure applies to both new and second-hand assets.

## 2. BACKING FURTHER BUSINESS INVESTMENT

Immediate deduction of 50% of the cost of an **eligible asset**<sup>1</sup> on installation, with existing depreciation rules applying to the balance of the asset's cost.

The asset must be acquired after announcement (12 March 2020) and first used or installed ready for use by 30 June 2021. There is no cost limit.

Only applies to new assets. Second-hand assets are not eligible.



<sup>1</sup> **'Eligible Assets'** – most tangible assets will be eligible for the instant asset write-off and backing business investment deduction, except a small number of exclusions. Among the likely excluded assets are trading stock items, land, buildings and capital works. These items all have their own tax treatment.

# JobKeeper payments:

## 10 must-read FAQs for pharmacy\*

\*the information provided here is general information only and should not be acted upon without specific written advice.

### 1. How long does the scheme run for?

- i. The Job Keeper payments will run for 26 weeks commencing the fortnight beginning 30 March 2020 and ends on 27 September 2020.
- ii. Once you are eligible to enter the scheme, you can remain in it.

### 2. Who can claim it?

- i. Generally, all pharmacy businesses subject to point iii below will be eligible employers provided you were carrying on a business as at 1 March 2020 and had an ABN on 12 March 2020.
- ii. Your aggregate turnover has to fall or expect to fall by 30% or more, unless you are over \$1bn then it's a 50% fall that is needed. (I don't think there are any pharmacy owners of this size in Australia somehow.)
- iii. **It's the EMPLOYER we are talking about. Do you use a service entity? That entity is the relevant employer.**

### 3. How do you measure fall in turnover?

- i. The decline in turnover test needs to be satisfied before you are eligible.
- ii. Once this occurs, there is no requirement to re-test in later months.
- iii. There are two types of turnover tests – a BASIC test or an ALTERNATIVE test.
- iv. The BASIC test is, well, basic. You compare turnover either for the same month this year (earliest being March 2020) vs the same month last year. You can compare any month right up to September.
- v. If you are comparing quarters, you only have the choice of two quarters – the quarter commencing 1 April or commencing 1 July.
- vi. The Eligibility can be based on PROJECTED turnover, rather than waiting for the month or quarter to end and using ACTUAL. You can't however, use a future period for a current period estimate and enrolment, eg. use a May forecast for an April enrolment.

### 4. What about using alternative periods, like, say sales from two years ago?

- i. As of 24 April, an ALTERNATIVE test very applicable to pharmacies was announced, with the rules yet to appear. The test will be applicable where an entity provides the services of its employees to one or more related entities and where those related entities carry on a business deriving revenue from unrelated third parties. The test will be by reference to the combined GST turnovers of the related entities using the services of the employer entity. This means the relevant turnover will, subject to seeing the final rules, be the turnover of the pharmacy(ies) who receive the services from the service entity.
- ii. The ALTERNATIVE test may also apply if there is not an appropriate relevant comparison period in 2019. The key words here “**appropriate relevant comparison period**”. These words do not simply mean the lack of trading in same period last year.
- iii. The Explanatory Memorandum cites examples of where the same period last year is not appropriate. For example, in that period, your turnover was down already because of say the bush fires crisis, and perhaps an appropriate relevant comparison period is turnover for the same period in 2018. So, if this is your pharmacy you could be comparing March 2018 (not 2019) with March 2020.
- iv. Rules around alternative tests have only just been released and you should seek specific advice on this issue.

### 5. So how do you get it working?

- i. Work out if you qualify based on the information above – has the relevant entity's turnover ('relevant' meaning either the employer or, if you have a service entity and wish to apply the alternative test, then it will be the turnover of the pharmacy, or pharmacies if services are provided to more than one pharmacy by the same service entity).



- ii. Have eligible employees complete the required Nomination Notice which you are required to keep on file (not lodge). Find this notice at [www.ato.gov.au/Forms/JobKeeper-payment---employee-nomination-notice](http://www.ato.gov.au/Forms/JobKeeper-payment---employee-nomination-notice)
- iii. **On April 20 you formally enrol and provide more details about your business.**
- iv. The Job Keeper program works on "fortnights". For the month in which you qualify, you need to commence paying eligible employees a minimum of \$1,500 per fortnight before tax. If employees receive more than this, you need do nothing extra in this regard. If they receive less, you will need to increase their pay. Superannuation is only payable on their normal pay, not on the increase. It is optional at your discretion if you wish to pay super on the increase.
- v. **If you are saying that March has fallen by 30% then you need to ensure you are paying employees from 1 April the required amounts under the scheme. By the end of April, you will need to have paid eligible employees \$3,000.**
- vi. **If you are commencing participation in the scheme immediately then you must start paying your employees in accordance with the program from 30 March and you have until 26 April to provide the ATO with your election to participate.**

## 6. Who are eligible employees?

- i. On 1 March the person was over 16 years of age and employed by you full time, part time or as a long term casual on a regular and systematic basis over 12 months as at 1 March (or – for casuals – where this pattern doesn't exist, you have offered that person work and it has been accepted often enough over the period) AND is an Australian tax resident (beware of those employees on visas). **This means you cannot claim the payment for employees you have hired AFTER 1 March.**
- ii. **Seek advice if you are unsure if any employee meets the definition.**
- iii. **If you have stood down employees since that date, you are eligible to claim for them provided you pass on the payment to them** (even if you don't re-hire them) and they complete the nomination form. If they are on the Centrelink benefit, they will need to notify Centrelink.
- iv. An employee can only claim from one employer.
- v. Staff in receipt of paid parental leave pay under the Paid Parental Leave Act 2010 are not eligible. They may of course become an eligible employee if they cease to receive these payments and are back on the payroll.
- vi. An employee with one or more full time or part time jobs are free to nominate any one of those employers.
- vii. **If you are a sole trader, partner in a partnership or a non-wage-earning company director and are active in the business, then you too can register and the**

**business can receive the \$1,500 payment for you.** You can find out more about their eligibility at [www.ato.gov.au/General/JobKeeper-Payment/Sole-traders-and-other-entities](http://www.ato.gov.au/General/JobKeeper-Payment/Sole-traders-and-other-entities)

## 7. How is the JobKeeper payment treated?

- i. The receipt by the employer is not subject to GST but is taxable income.
- ii. Any component of the Job Keeper payment that is paid to an employee is to be paid to them through your payroll system as wages and taxed accordingly.

## 8. How much do I pay an eligible employee?

- i. If an eligible employee (someone who you claim a Job Keeper payment for) is on less than \$1,500 per fortnight, then you are required to bring their pay up to this amount, payable through your payroll system. So if an employee was on say \$500 a week, you would receive \$1,500 per fortnight from the ATO and have to pass on \$500 per fortnight (or \$250 per week) onto the employee and tax them on \$750 per week.
- ii. If an eligible employee is on more than \$1,500 per fortnight, there is no change to their pay and you retain the full \$1,500 (and this is taxable income to you).
- iii. Amounts received in respect of a nominated business owner who does not normally get a wage from the business can simply be retained by the business if the nominated owner does not wish to take a wage. (Refer guidelines at the ATO link in point 6.)

## 9. What about superannuation?

- i. Superannuation is only formally required to be paid on the employee's normal pay.
- ii. It is at your discretion as to whether you pay super on the top-up component up to the \$1,500 mark. (Using the previous example, super on the extra \$250 per week would be discretionary.)
- iii. If you are paying an employee who was employed as of 1 March but has since been stood down and remains stood down, then ANY superannuation is at your discretion.

## 10. What else does a business owner have to do?

- i. **You will need to report your GST turnover for each month in respect of which you receive Job Keeper payments and the projected turnover of the following month.**
- ii. The purpose of reporting the turnover, it is mooted, is not to check on estimates but to collate data around economic impact.
- iii. **These numbers must be reported within 7 days of the end of the reporting month. The turnover will be either of the employer or the related pharmacy(ies), if the alternative test noted above is applicable.**

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