

JOBKEEPER 2.0

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Meet the speakers



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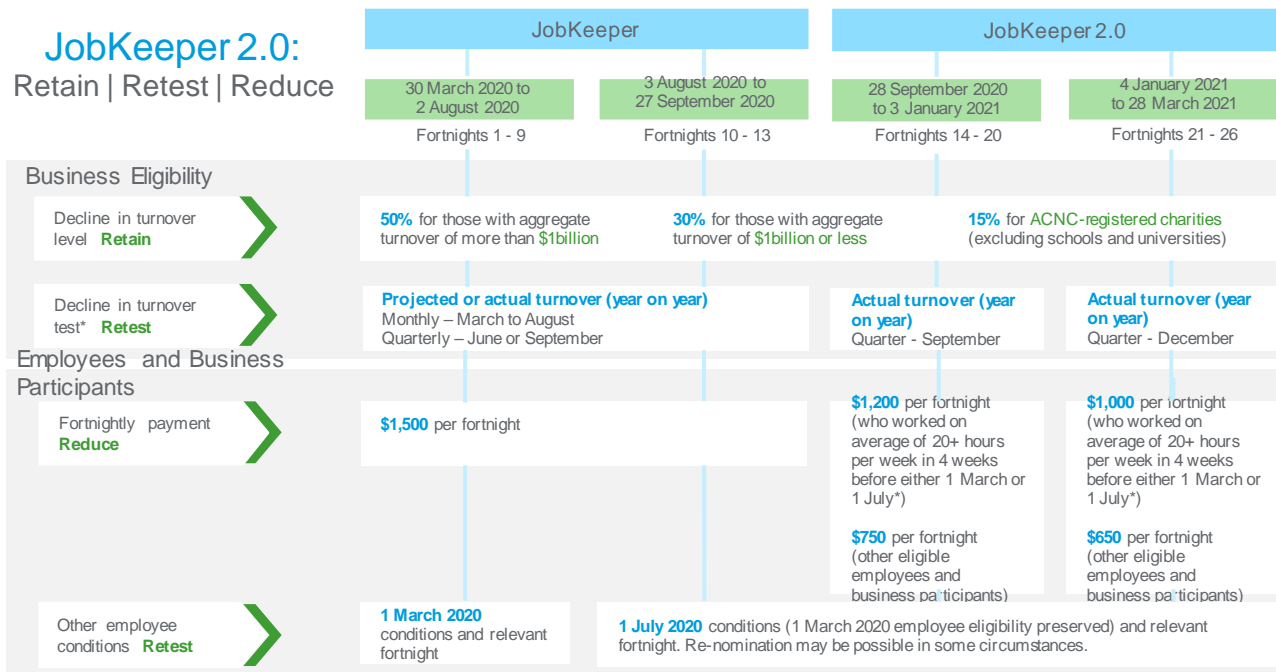
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1. Introduction / Background

- Legislative Framework
 - JobKeeper 1.0
 - Legislative Instrument registered: 9 April
 - Start date: 30 March 2020
 - End date: 27 September 2020
 - JobKeeper 2.0
 - Legislative Instrument registered: 15 September
 - Start date: 28 September
 - End date: 28 March 2021
- Focus of webinar
 - JobKeeper 2.0
- Purpose of JobKeeper 2.0

1. Introduction / Background

JobKeeper 2.0: Retain | Retest | Reduce



*For employees, refers to the four preceding weeks of pay periods. Those with 1 March 2020 eligibility to use the period with the higher number of hours worked. For business participants, those actively engaged in the business for 20+ hours per week on average during the relevant period.

2. JobKeeper Turnover / Eligibility

- JobKeeper 2.0 broken into 2 periods
- Entity will need to be eligible for JobKeeper 1.0 (i.e. pass the original projected Decline in Turnover Test)
- Will also need to pass new ACTUAL Decline Turnover Test
- If not eligible for Period 1 may still be eligible for Period 2

| JOBKEEPER PERIOD | FORTNIGHTS | GST DECLINE TEST PERIOD |
|--|------------------------------------|--|
| 1) October 2020 - December 2020 | 28 September 2020 – 3 January 2021 | September 2020 Quarter Vs September 2019 Quarter |
| 2) January 2021 - March 2021 | 4 January 2021 – 28 March 2021 | December 2020 Quarter Vs December 2019 Quarter |

2. JobKeeper Turnover / Eligibility

| STEP | |
|--------|--|
| Step 1 | Work out Aggregated Turnover |
| Step 2 | Determine Decline in Turnover Percentage |
| Step 3 | Work out Actual GST Turnover for turnover test period |
| Step 4 | Work out entity's current GST turnover for relevant comparison period |
| Step 5 | If Step 3 has declined by specified percentage from Step 4 then eligible for JobKeeper 2.0 |

- If entity passes JobKeeper 2.0 will pass JobKeeper 1.0 test
- JobKeeper 2.0 is based on an **ACTUAL** decline in the specified period rather than **PROJECTED** decline
- Comparable period is generally prior year quarter
- If already receiving JobKeeper 1.0 you will not need to re-enrol or reassess employee eligibility

2. JobKeeper Turnover / Eligibility

Specified percentages remain unchanged from JobKeeper 1.0

| AGGREGATED TURNOVER | TEST GST DECLINE |
|--|------------------|
| Under \$1 billion | 30% |
| Over \$1 billion | 50% |
| ACNC – registered Entities (Charities, Not for Profits) | 15% |

2. JobKeeper Turnover / Eligibility

| AGGREGATED TURNOVER | GST TURNOVER |
|---|--|
| Definition: s328-115 and 328-120 ITAA97 | Definition: s188-15 and 188-20 GST Act |
| Ordinary income derived in course of business | Value of supplies made, or likely to be made, |
| Includes turnover of affiliates and connected entities | No grouping rules apply |
| Includes business income by entities located overseas | Excludes supplies not connected with Australia |
| Includes interest if derived in ordinary course of business | Excludes input taxed supplies |

- Entities may need to reassess aggregated turnover from JobKeeper 1.0
- GST Turnover includes GST-free supplies and supplies within GST Group
- Sales of capital assets included as GST for JobKeeper 2.0 turnover test

2. JobKeeper Turnover / Eligibility

- GST Turnover remains largely unchanged from JobKeeper 1.0 however must apply Commissioner's determination about time of supply
- GST-free supplies and supplies within GST group are included in GST Turnover for JobKeeper 2.0 purposes
- Members of GST groups & unregistered entities are reporting entities
- Items **not** included in GST Turnover for JobKeeper 2.0 include
 - Input taxed supplies
 - Supplies outside Australia
 - Increasing and decreasing adjustments
 - Bad debts
- Gifts and Donations are allocated to period in which they were received

2. JobKeeper Turnover / Eligibility

- Changes to accounting method used for determining GST per Commissioner's Determination
- Determination has removed ability to choose Cash or Accruals method
- Must use method (Cash / Accrual) that was in use at time of Relevant Comparison Period (i.e. September 2019 / December 2019)
- Exceptions where
 - entity is an unregistered entity – can choose either cash or accrual
 - Entity registered after end of relevant comparison period – must use method in use at start of turnover period

2. JobKeeper Turnover / Eligibility

Example 1

| PERIOD | PY TURNOVER | CY TURNOVER | DECLINE |
|-----------------------|----------------|----------------|---------------|
| July | 270,000 | 180,000 | |
| August | 180,000 | 100,000 | |
| September | 150,000 | 70,000 | |
| Quarter – Sept | 600,000 | 350,000 | 41.66% |
| | | | |
| October | 120,000 | 80,000 | |
| November | 160,000 | 100,000 | |
| December | 250,000 | 200,000 | |
| Quarter - Dec | 530,000 | 380,000 | 28.3% |

Period 1 Eligible: YES

Period 2 Eligible: NO

2. JobKeeper Turnover / Eligibility

Example 2

| PERIOD | PY TURNOVER | CY TURNOVER | DECLINE |
|-----------------------|----------------|----------------|---------------|
| July | 270,000 | 220,000 | |
| August | 180,000 | 140,000 | |
| September | 150,000 | 100,000 | |
| Quarter – Sept | 600,000 | 460,000 | 23.33% |
| | | | |
| October | 120,000 | 80,000 | |
| November | 160,000 | 100,000 | |
| December | 250,000 | 180,000 | |
| Quarter - Dec | 530,000 | 360,000 | 32.08% |

Period 1 Eligible: **NO**

Period 2 Eligible: **YES**

2. JobKeeper Turnover / Eligibility

No changes to the following from JobKeeper 1.0

- Ineligibility Tests (i.e. business did not commence until after 1 March 2020)
- Meaning of eligible employee from latest amendment
- Requirement to meet wage conditions
- Specified percentage
- Special rules relating to service entity arrangements
- Ability for ACNC entities to elect to exclude government grants from turnover
- Integrity rules
- Enrolment processes
- Timing of monthly payments from ATO
- Rules preventing more than one employer claiming same employee
- Monthly Declarations
- Tax treatment of JobKeeper payments

3. JobKeeper Turnover - Alternative Test

| | ALTERNATIVE GST TEST |
|---|---|
| 1. Business commenced after first day of relevant comparison period but before 1 March 2020 | Multiply average monthly GST turnover by 3 for use as comparison period. Starting from month after first commenced business. |
| | Use 3 months immediately prior to 1 March 2020 instead of usual comparison period |
| 2. Business acquisition or disposal that changed GST turnover | Multiplies current GST turnover from month immediately after event by 3. Uses that figure for comparison period. If no whole month use month prior |
| 3. Business restructure that changed GST turnover | |
| 4. Substantial increase in current GST turnover by 50% in 12 months or 25% in 6 months or 12.5% in 3 months | Uses 3 months current GST turnover instead of current turnover for relevant comparison period |

3. JobKeeper Turnover - Alternative Test

| | ALTERNATIVE GST TEST |
|---|--|
| 5. Affected by drought or natural disaster | Uses current GST turnover for the same period in the year immediately before the declaration instead of current GST turnover for a relevant comparison period |
| 6. Irregular Turnover | Multiply average monthly GST turnover by 3 for use as comparison period. Starting from month after first commenced business. |
| 7. Sole trader / partnership with sickness, injury or leave | Multiplies GST turnover for the month immediately before which the event took place by 3 and uses that figure instead for relevant comparison period |
| 8. Temporary cessation of trading during relevant comparison period | Use a relevant comparison period that is either the same quarter from the year before (e.g. September 2018 quarter, rather than September 2019), or use the three months immediately before the cessation. |

Outline of alternative turnover tests which came out 23 September.

4. JobKeeper Rates / Amounts

| | CONDITION FOR HIGHER RATE | ORDINARY REFERENCE PERIOD |
|---------------------------------|--|---|
| Employees | 80 work hours or more (including paid leave / public holidays) | 28 day pay period cycle ending at the end of the most pay cycle prior to 1 March or 1 July 2020 |
| Eligible Business Participant | Total hours actively engaged in business was 80 hours or more | February 2020 |
| Eligible Religious Practitioner | Total hours individual spent doing activities covered by s12B(2)(b) was 80 hours or more | February 2020 |

- JobKeeper 2.0 changes the rates based on employees hours worked
- The 80 Hours test is based on working hours for the period of:
 - Last 28 day pay cycle prior to 1 March 2020 OR
 - Last 28 day pay cycle prior to 1 July 2020
- Where on monthly payroll employer will need to pro rata to 28 days
- Alternative Periods available in certain circumstances

4. JobKeeper Rates / Amounts

Alternative Periods available for **employees** in the following circumstances

| | CIRCUMSTANCES | ALTERNATIVE PERIOD |
|---|---|---|
| 1 | Total hours in period did not represent usual hours of work | Most recent 28 pay period cycle ended before 1 March / 1 July which shows typical work hours |
| 2 | Employee was not employed during all or part of period | First 28 day pay period cycle ending on or after 1 March / 1 July with consecutive pay cycles |
| 3 | Employment commenced before 1 March / 1 July however first pay cycle ended on or after 1 March / 1 July | |
| 4 | Business changed hands and employee was not employed for all or part of period (hours worked at previous employer do not count toward 80 hours) | |

4. JobKeeper Rates / Amounts

Alternative Periods available for **Eligible Business Participants** in following circumstances

| | CIRCUMSTANCES | ALTERNATIVE PERIOD |
|---|---|---|
| 1 | Total hours in period did not represent usual hours of work | Most recent 29 day pay period cycle ended before 1 March which shows typical work hours (wholly in calendar month) |
| 2 | Commenced participation in February 2020 however after 1 Feb 2020 | 29 day period starting when individual began as sole trader, beneficiary, shareholder etc |
| 3 | Conducted business in declared drought zone or natural disaster zone during February 2020 | Most recent 29 day period before 1 March during which entity did not conduct business in drought or disaster zone area (wholly in calendar month) |

29 days as looking at month of February (29 days in 2020)

There are also Alternative Periods available for Religious Practitioners

4. JobKeeper Rates / Amounts

Automatic Qualification

- Automatically grants higher payment rate where hours not readily ascertainable and one of the following applies
 - Eligible Payments totalled \$1500 or more
 - Under industrial award, enterprise agreement or individual contract etc, employee was required to work 80 hours or more
 - Based on reasonable assumption employees hours were 80 hours or more
- Readily ascertainable may mean that you
 - do not have records for that period or
 - your records are incomplete or destroyed
 - Your employees pay is based on bonus/ commission not related to hourly rate which makes it difficult to ascertain hours worked

4. JobKeeper Rates / Amounts

| FORTNIGHTS | EMPLOYEE WITH 80 HRS OR MORE | EMPLOYEE WITH UNDER 80 HRS |
|------------------------------------|------------------------------|----------------------------|
| 28 September 2020 – 3 January 2021 | \$1,200 per fortnight | \$750 per fortnight |
| 4 January 2021 – 28 March 2021 | \$1,000 per fortnight | \$650 per fortnight |

- Businesses will need to notify the ATO of the rate each employee falls under for their eligible employees
- Failure to do so will mean ineligible for payments until valid notification made
- Business must also notify employees of the rate they have declared to the ATO within 7 days
- Sole traders do not need to notify employees

4. JobKeeper Rates / Amounts

Example

| | PERIOD 1 | | PERIOD 2 |
|------------------------|----------|-------------------------|----------|
| 30 Jan – 12 Feb | 34 Hours | 26 May – 8 June | 38 Hours |
| 13 Feb – 27 Feb | 44 Hours | 9 June – 23 June | 49 Hours |
| 28 Day Hours | 78 Hours | 28 Day Hours | 87 Hours |
| | | | |
| Period 1 Wage | \$1,200 | | |
| Period 2 Wage | \$1,000 | | |
| | | | |

4. JobKeeper Rates / Amounts



4. JobKeeper Rates / Amounts

| Month | Fortnights | Wage Condition (1 employee) |
|--|-------------------------|-----------------------------|
| October (payment transition to 31 Oct) | 14) 28 Sept – 11 Oct | \$2,400 (Over 80 Hours) |
| | 15) 12 Oct – 25 Oct | \$1,500 (Under 80 Hours) |
| November | 16) 26 Oct – 8 Nov | \$2,400 (Over 80 Hours) |
| | 17) 9 Nov – 22 Nov | \$1,500 (Under 80 Hours) |
| December | 18) 23 Nov – 6 Dec | \$2,400 (Over 80 Hours) |
| | 19) 7 Dec – 20 Dec | \$1,500 (Under 80 Hours) |
| January | 20) 21 Dec – 3 Jan | \$3,200 (Over 80 Hours) |
| | 21) 4 Jan – 17 Jan | \$2,050 (Under 80 Hours) |
| | 22) 18 Jan – 31 Jan | |
| February | 23) 1 Feb – 14 Feb | \$2,000 (Over 80 Hours) |
| | 24) 15 Feb – 28 Feb | \$1,300 (Under 80 Hours) |
| March | 25) 1 March – 14 March | \$2,000 (Over 80 Hours) |
| | 26) 15 March – 28 March | \$1,300 (Under 80 Hours) |

5. Tips and traps

Calculating decline in turnover

- Monthly versus quarterly, including prior periods
- Basic test vs alternative tests
 - Substantial decline in turnover for cyclical businesses
- Time of supply
- Cash vs accruals

Determining turnover

- Adjustment events
- GST-free supplies and input taxed supplies – what about supplies that are both, such as some financial supplies?
- Insurance proceeds
- Supplies between GST group members
- Capital asset proceeds
- Supplies performed overseas

5. Record keeping, governance and risk management

- Specific requirements under the Payments and Benefits Act:
 - **Pre-payment obligations** under section 15 – “*The entity must keep records that enable the entity to substantiate any information that the entity provided to the Commissioner in relation to the payment before the entity was paid the payment*”.
 - **Post-payment obligations** under section 16 – “*If the rules require the entity to keep records that substantiate any information that the entity provides to the Commissioner in relation to the payment after the entity was paid the payment, then the entity must keep those records*”.
- General record-keeping requirements:
 - Section 382-5 of *Taxation Administration Act 1953*, generally 5 years
 - Various specific tax-related requirements under ITAA and GST Act, amongst others
 - *PS LA 2005/2* and penalties under section 288-25 of Schedule 1 to the TAA (and remission under 298-20 of Schedule 1 to the TAA)
- Better practice – ATO’s *Tax risk management and governance review guide* and Justified Trust reviews
- Reputational risk with employees and public (e.g., JobKeeper theft)
- Record substantiation
 - Amount of turnover and decline in turnover
 - Reconcile turnover and wage costs to other documents produced which ATO may refer to in a review e.g. financial reports, OSR lodgements.
 - Identify eligible employees from HR records but cross check to STP data
 - Can reasonably rely on employee declarations unless contradicts information you have

5. ATO reviews – sample questionnaire

Some standard questions:

- Do you have JobKeeper Employee Nomination Notices in respect of all your eligible employees?
- What test did you use to determine your eligibility for JobKeeper?
- If you used the modified basic test or alternative test, explain why you used this test.
- The turnover test period you used for your calculation:
 - For your calculation did you rely on projected turnover or actual turnover?
 - Briefly outline how your business was impacted over the past 6 months and the ongoing expected impacts?
- Provide records you have kept that show how you have calculated your decline in turnover.
 - how the GST turnover for the relevant periods was identified
 - the assumptions and adjustments used to calculate the decline in turnover
 - The area/s in your organisation that prepared these calculations.
 - The area/s in your organisation that reviewed and approved these calculations.
- The involvement of any external advisors and who they were.

5. ATO reviews – what happens next?

Generally, three possible results:

1. ATO accepts JobKeeper claim
 2. ATO rejects claim but exercises discretion to not require repayments of past amounts
 3. ATO rejects claim and requires repayment of historic amounts (possible prosecution for fraud)
- Penalties (TAA)
 - Interest (section 10 of JobKeeper Act)
 - Broader reputational risks – how does this impact ATO's risk rating under justified trust methodology?
 - Dealing with employee expectations

6. Takeaways

JobKeeper Amounts

- Different rates for fortnights starting 28 September and 4 January
- Different rates for employees working under 80 hrs in test period
- Alternative period tests
- No interchange between higher and lower rates – rate based on hours worked in reference period or alternative reference period
- Notify once – no further testing from 4 January 2021 to 28 March 2021 required (same reference period as 28 September 2020 to 3 January 2021)

6. Takeaways

JobKeeper Turnover / Eligibility

| Previously Enrolled in JobKeeper | NOT Previously Enrolled in JobKeeper |
|---|--|
| Not required to re-enrol | Need not have previously enrolled in JobKeeper to apply original DIT test after 27 September |
| Additional Actual Decline In Turnover (DIT) test does not affect JobKeeper entitlements arising before 28 September | Need not have received JobKeeper payments in an earlier period |
| Not required to apply original DIT test again but required to satisfy additional Actual DIT test from 28 September | Required to satisfy both original DIT test and the additional Actual DIT test from 28 September. |

Make sure you familiarise yourselves with the new alternative GST turnover tests and how they operate.

6. Takeaways

Registration / Deadlines

- Entities must notify the ATO whether they are claiming the higher or lower rate for each eligible employee
- Failure to notify ATO of higher or lower rate – not eligible for payments until valid notification made
- Entities (other than sole trader) must notify employees as to whether the higher or lower rate applies to them – within 7 days of notifying the ATO



Questions
and answers?

Thank you for your time and attention.

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