

Good morning

As part of our commitment to our clients, we have been sending regular updates on the Government's assistance/ subsidies to businesses during the COVID-19 pandemic crisis. We are working with our clients to ensure that their BAS are brought up to date, including Mar20 quarter, and lodged before 28/04/2020 for the first subsidy of the PAYG Withholding cash boost. If you need help with your BAS returns please email me. We are happy to assist you.

This email sets out further information about the turnover test for **JobKeeper payments**.

Last week legislation was passed by parliament to make the JobKeeper payments law. Treasury has released some explanatory materials about the turnover test and the decline that is required to be shown as an eligibility test for the JobKeeper payments.

#### **A: Eligibility test**

For an employer to qualify for the JobKeeper wage subsidy, one of the eligibility criteria is that:

- for businesses that have an annual aggregated turnover of less than \$1 billion, they estimate their GST turnover has fallen or will likely fall by 30% or more or
- for businesses that have an annual aggregated turnover of \$1 billion or more (or is part of a consolidated group for income tax purposes with turnover of \$1 billion or more), they estimate their GST turnover has fallen or will likely fall by 50% or more.

#### **B: Comparison period**

Treasury have said that the comparison period is **for either**:

1. any monthly period from April 2020 to the end of September 2020; OR
2. any quarterly period from April to June or July to September...compared to the same monthly or quarterly period in 2019.

Once the test is met for either **1.** a monthly period or **2.** any quarterly period, there is **no requirement to re-test** in later months or quarters.

For example, if a business assesses that its turnover will fall by 30% in April 2020 compared to April 2019...then it retains its eligibility until the JobKeeper payments to 30/09/2020 (when the JobKeeper payments will stop for everyone). This is regardless of the business turnover in the months after April 2020. There is **no** ongoing requirement to test for eligibility every month.

Where a business does not qualify in the month of April 20 (or the April – June 20 quarter), it can re-test in later months or quarters, but eligibility starts from the month that turnover drops by at least 30% - there is no backdating of the JobKeeper payments.

#### **C: Alternative tests**

Treasury's explanatory material acknowledges that comparing monthly or quarterly periods from April 2020 and onwards, to April 2019 and onwards, may not always be possible or may lead to unfair outcomes.

To this end, where the ATO is satisfied that there is no such comparison period in 2019, or there is not an appropriate relevant comparison period, the ATO Commissioner may, by legislative instrument, determine an alternative decline in turnover test.

The two alternative test examples cited in the explanatory materials:

- businesses that were not in existence for the whole of the comparison period in 2019. In the explanatory materials, the business is permitted to average its actual turnover from October 2019 when it came into existence to March 2020, and compare that average to its estimated turnover in April 2020.
- businesses that were impacted by a natural disaster during the 2019 comparison period. In the explanatory materials, the business is permitted to go back to 2017 (the most recent year when its turnover was not impacted by drought) and compare its turnover to the same eligible period in 2020.

The Commissioner retains flexibility to apply other alternative tests and take into account other unique circumstances (aside from natural disaster and start-up businesses) confronted by a business, should the 2019 comparison period not be reflective of typical turnover. Treasury, in a separate fact sheet *Supporting Business to Retain Jobs*, has stated that these alternative tests may include, for example, eligibility being established as soon as a business ceases or where a business significantly curtails its operations.

Regards,

Stefanie

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