

UPDATE:

JobKeeper extension



**From our
Tax Technical Team**



Today the Federal Government announced that it would extend the JobKeeper payment at a reduced amount for another six months from October 2020 to March 2021. The estimated cost of this extension is \$16 billion.

The extension will feature a two-tiered payment.

JobKeeper payment extension key points

The JobKeeper payment rate

From 28 September 2020 to 3 January 2021, the JobKeeper payment rates will be:

- \$1,200 per fortnight for all eligible employees who, in the four weeks of pay periods before 1 March 2020, were working in the business or not-for-profit for 20 hours or more a week on average, and for eligible business participants who were actively engaged in the business for 20 hours or more per week on average in the month of February 2020; and
- \$750 per fortnight for other eligible employees and business participants.

From 4 January 2021 to 28 March 2021, the JobKeeper rates will be:

- \$1,000 per fortnight for all eligible employees who, in the four weeks of pay periods before 1 March 2020, were working in the business or not-for-profit for 20 hours or more a week on average and for business participants who were actively engaged in the business for 20 hours or more per week on average in the month of February 2020; and
- \$650 per fortnight for other eligible employees and business participants

Eligibility

- Eligibility will continue to be based on the 30%, 50% or 15% (depending on business size and if a charity) reduction in turnover test. These tests will remain the same but will need to be re-applied at the end of September 2020 and again at the start of January 2021.
- Employers will need to demonstrate they have met the relevant turnover decline in both the June and September 2020 quarters to be eligible for JobKeeper in the December 2020 quarter.
- Employers will need to demonstrate they have met the relevant decline in each of the previous three quarters ending on 31 December 2020 to remain eligible in the March quarter in 2021.

Initial comment from our tax technical team

- The reduction of the JobKeeper subsidy will test the resolve of banks to be able to support their small business customers. Banks will want their customers to be able to prove that they are able to continue making the necessary payments on loans from the bank given the reduced subsidy.
- For those businesses that are already claiming the JobKeeper subsidy, a requirement to satisfy the actual decline in turnover test for the quarters June 2020, September 2020 (and later December 2020) will mean that many businesses will fail the test and the business will no longer receive the JobKeeper subsidy. This could occur, for example, in Melbourne where a business has been able to partially reopen and now must close down. It may be that for the June 2020 quarter, the business will not have suffered a 30% decline in turnover, but in following quarters it continues to have a significant decline in turnover. Given that the effect of COVID-19 on the Australian economy continues to be severe, such businesses could struggle to survive without the JobKeeper subsidy.
- Despite the thought that the government should support selected industries, the government has decided not to do this but to simply maintain the existing decline in turnover tests (with some adjustments). This does save the complexity of having to draw boundaries between those industries that will receive the subsidy and those that won't. Such boundaries always create complexity and confusion.
- Businesses will need to assess their eligibility for the JobKeeper subsidy at the end of September, in advance. This will be a major challenge for small businesses and for those maintaining their accounting systems. Because the September turnover must be based on actual GST supplies, the accounting for hundreds of thousands of businesses will need to be kept up-to-date. This will place a good deal of pressure on small business owners, BAS agents, tax agents and accountants.