



Determining *actual* decline in turnover under JobKeeper 2.0

On 21 July 2020, the Government announced that the JobKeeper Payment ('JKP') would be extended by a further six months to **28 March 2021** on a scaled-back dual payment basis, with businesses being required to re-assess their eligibility to remain in the scheme. The [Coronavirus Economic Response Package \(JobKeeper Payments\) Amendment Bill 2020](#) (which received Royal Assent on 3 September 2020) gave effect to the extension of the scheme to 28 March 2021.

Subsequently, the [Coronavirus Economic Response Package \(Payments and Benefits\) Amendment Rules \(No.8\) 2020](#) legislative instrument (the 'Amending Rules') was registered on 15 September 2020 (effective from 16 September 2020) setting out the new rules governing how the scheme will operate (i.e., for JobKeeper 2.0 from 28 September 2020 to 28 March 2021). Refer to the NTAA's [Extension of the JobKeeper Payment](#) document.

In support of these Amending Rules, ATO Commissioner Chris Jordan registered three additional legislative instruments on 16 September 2020, including the [Coronavirus Economic Response Package \(Payments and Benefits\) \(Timing of Supplies Made and Decline in Turnover Test\) Rules 2020 \(No.1\)](#) (the 'Decline in Turnover Amending Rules') effective from 17 September 2020.

These Decline in Turnover Amending Rules provide further detail for determining when a supply is made for the purposes of applying the **new *actual* (current) GST turnover test**.

Any entity eligible to claim JobKeeper for the first time on or after 28 September 2020 will also need to consider and satisfy the original (albeit modified) *projected* turnover test (amongst all the other pre-existing eligibility requirements). However, where such a business satisfies the new *actual* turnover test, it will generally satisfy the modified original *projected* turnover test.

The new *actual* (current) decline in turnover test only applies with respect to the six-month extension of the JKP (i.e., JobKeeper 2.0), which is broken up into **two separate extension periods**, each with different rates of JKP and also different testing periods, as follows:

- (a) **Extension Period 1** – applies to JobKeeper fortnights that start on or after **28 September 2020** and end on or before **3 January 2021**. The new additional test will be satisfied where the entity's *actual* GST turnover has declined by the required percentage (e.g., 30% for entities with an aggregated turnover of \$1 billion or less) for the quarter ending **30 September 2020**, relative to its September 2019 quarter.
- (b) **Extension Period 2** – applies to JobKeeper fortnights that start on or after **4 January 2021** and end on or before **28 March 2021**. The new additional test will be satisfied where the entity's *actual* GST turnover has declined by the required percentage for the quarter ending **31 December 2020**, relative to its December 2019 quarter.

TAX WARNING – GST attribution

The new Decline in Turnover Amending Rules provide that the calculation of *actual* (current) GST turnover is based on the **GST attribution rules** (i.e., a supply is taken to be made in a particular test period, if it would be attributed to that particular test period under the GST Act).

Broadly, this means that it aligns with how a business is required to attribute their supplies to a reporting period when completing their GST return (i.e., their BAS).

The Decline in Turnover Amending Rules also set out the basis of accounting (i.e., either a cash basis or a non-cash basis) that a business is **required** to use, depending on its circumstances (as outlined further below).

1. Determining the correct GST accounting method – cash or non-cash basis?

Unlike the original *projected* decline in turnover test (i.e., the decline in turnover test applicable prior to 28 September 2020), there is only **one method (i.e., GST attribution)** that a business can use to determine which supplies are taken to be made in a particular test period under the new *actual* (current) decline in turnover test for JobKeeper 2.0. This means that when applying the *actual* (current) decline in value test, a supply is taken to be made in a particular test period where it would be attributed to that period for GST purposes.

TAX TIP – Including supplies that are not taxable supplies

The *actual* (current) decline in turnover calculation includes supplies that are not taxable supplies (e.g., GST-free supplies). The Decline in Turnover Amending Rules notionally treat such supplies as taxable supplies (with GST notionally payable) so they can be attributed to a particular test period for the purposes of the *actual* (current) decline in turnover test.

This means GST-free supplies, supplies made by entities that are not registered (or required to be registered) for GST and supplies that are made between GST group members can be allocated to a particular test period based on the GST attribution rules (discussed further below).

Depending on the applicable GST accounting basis, supplies should be allocated as follows:

- (a) **Cash basis** – supplies are attributed (i.e., taken to be made) when the business receives payment for them. This means that where only a part-payment is received, the supply is only taken to be made to the extent of the payment received.
- (b) **Non-cash (accruals) basis** – supplies are attributed (i.e., taken to be made) to the period a business receives **any** payment, or when an invoice was issued (if this was prior to the receipt of any payment).

Furthermore, **a business cannot generally ‘pick and choose’** which accounting method (i.e., a cash or non-cash basis) it applies when determining its *actual* (current) GST turnover under JobKeeper 2.0. This is because the Decline in Turnover Amending Rules require a business to adopt the GST attribution basis applicable to their circumstances so as to determine whether supplies are attributable to a **particular test period**.

For these purposes, a **particular test period** can include:

- **turnover test periods** (i.e., September 2020 and/or December 2020 quarters);
- **relevant comparison periods** (i.e., September 2019 and/or December 2019 quarters); or
- **another test period** relevant to an alternative decline in turnover test (*Note: The ATO website is currently advising that it will soon provide further guidance in relation to how the alternative decline in turnover tests will apply in relation to JobKeeper 2.0*).

These rules ensure that businesses use the same accounting method when working out their *actual* (current) turnover for each particular test period.

Additionally, the Decline in Turnover Amending Rules also operate so as to ensure that businesses not registered for GST have an accounting basis for attribution for these purposes.

Specifically, the Decline in Turnover Amending Rules require a business to adopt the following rules regarding the GST accounting (attribution) methods:

1. If a business is **not registered for GST** during either test period – the entity may choose to account on a cash basis or a non-cash basis, which must be applied consistently to all applicable test periods (e.g., to both September 2019 and September 2020).
2. If an entity has **always been registered for GST** and never changed its GST accounting basis – it needs to use *that* accounting basis.

Determining *actual* decline in turnover under JobKeeper 2.0

3. If a business is **registered for GST at the beginning of the relevant comparison period** – the entity needs to use the accounting basis from the **first tax period** of the *relevant comparison period*. For example, for the September 2019 comparison period, this would generally be the **month of July 2019** for *monthly* lodgers or the **September 2019 quarter** for *quarterly* lodgers.
4. If a business **became registered for GST during the relevant comparison period** – the entity needs to use the accounting basis from the **first tax period** of the *relevant comparison period*. For example, for the September 2019 comparison period, this would generally be the **month of July 2019** for *monthly* lodgers or the **September 2019 quarter** for *quarterly* lodgers.
5. If a business **changed its accounting basis during or after the start of the relevant comparison period** – the business needs to use the accounting basis from the **first tax period** of the *relevant comparison period*. For example, for the September 2019 comparison period, this would generally be the **month of July 2019** for *monthly* lodgers or the **September 2019 quarter** for *quarterly* lodgers.
6. If a business **cancelled their GST registration during or after the relevant comparison period** – the entity needs to use the accounting basis from the **first tax period** of the *relevant comparison period*. For example, for the September 2019 comparison period, this would generally be the **month of July 2019** for *monthly* lodgers or the **September 2019 quarter** for *quarterly* lodgers.
7. If a business **registered for GST after the end of the relevant comparison period** – the entity needs to use the accounting basis at the beginning of its *turnover test period* (i.e., generally the September 2020 quarter or the December 2020 quarter).

2. Calculating *actual* (current) GST turnover

While the concept of *actual* (current) GST turnover is defined in the GST Act, it was modified for JobKeeper 1.0 purposes, and such modifications have **not** changed under JobKeeper 2.0.

Broadly, *actual* (current) GST turnover is the amount of sales, **excluding** supplies such as:

- GST included in sales to customers;
- input taxed supplies (e.g., residential rental income);
- sales not connected with an enterprise (e.g., the sale of a private car);
- sales that are not made for payment (unless it is a taxable supply to an associate);
- payments for no supplies (e.g., JobKeeper payments);
- gifts and donations (except for payments made to DGRs and ACNC-registered charities); and
- sales not connected to Australia (other than those connected with external territories such as Norfolk Island).

Additionally, if an entity is part of a GST group, it calculates its GST turnover as if it wasn't part of the group, meaning supplies made within the group are included in the *actual* (current) GST turnover for the purposes of the *actual* decline in turnover test.

Finally, increasing or decreasing GST adjustments and adjustments for bad debts are also excluded from the calculation of *actual* (current) GST turnover.

Further reference can also be made to [Law Companion Ruling \(LCR\) 2020/1](#) for additional information on what supplies are relevant when calculating current GST turnover (i.e., with reference to paragraphs 20 to 33).

The ATO has also updated its website material in relation to the *actual* (current) decline in turnover test that can be viewed [here](#).

Additionally, a worked example of a business that makes both GST-free and taxable supplies calculating its *actual* (current) decline in turnover for the purposes of JobKeeper 2.0 is included at paragraphs 28 to 35 the [Explanatory Statement](#) of the Decline in Turnover Amending Rules.

This document was released on 18 September 2020 and was current as at that date. It does not take into account any subsequent changes.