

## COVID-19 Government Stimulus Measures

The Australian federal and state governments have announced a long list of measures to help individuals and businesses get through the coming months.

This guide is designed to give non-finance professionals a better understanding of some of these measures.

We encourage readers to speak to your business manager or tax agent for specific advice for your situation.

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**Other stimulus and relief measures not covered in this document include:**

Instant Asset write-off, Solvency Safety Net and Relief for Directors, 50% Wage Subsidy for Trainees & Apprentices. Payroll Tax refunds, waivers & deferrals, as well as other grants offered by the various state governments and local councils.

## JobKeeper

### *What is JobKeeper?*

JobKeeper is the biggest of the government stimulus measures announced, estimated to cost around \$130 billion.

It's a wage subsidy for employers and helps cover the cost of their staff wages so as to avoid having to make them redundant. The measure aims to keep the relationship between employer and employee intact, so businesses are ready to return to "business as usual" once social restrictions are lifted.

### *How much is JobKeeper?*

\$1,500 per fortnight, per employee is paid to businesses to reimburse payments they've already made to their staff.

In order to take part in the subsidy package, employers will need to ensure that each of their eligible employees receive a wage of at least \$1,500 per fortnight (before tax).

### *How long will JobKeeper last?*

At this stage, the JobKeeper subsidy is set to continue for the next 6 months (30 March – 27 September). Applications to apply for the Scheme are now open.

### *How does an Employer know if they're eligible?*

Employers will be eligible to receive the subsidy if they:

1. Can demonstrate to the ATO that their business has experienced a decline in turnover of 30% or more (or project they will experience a decline in turnover of 30% or more); and they
2. Notify all employees in writing that the business has elected to participate in the JobKeeper scheme and that all eligible employees will be covered by the scheme; and they
3. Pay all of their eligible employees at least \$1,500 a fortnight before tax

We explore these eligibility criteria in more detail below.

## ***How does an Employer Demonstrate their business has experienced a decline in turnover of 30% or more?***

There are two tests which can be used to demonstrate this.

### **1) The Basic Test**

The 'basic test' requires you to compare your turnover during a given period during the 6 month JobKeeper period, with the same period from the 2019 year. If your turnover in the 2020 period is 30% lower (or more) than the same period in 2019, then you pass the test.

e.g., if your turnover was \$40,000 during April 2020, and your turnover was \$60,000 during April 2019, then your turnover has dropped by 33% and you will have passed the test.

You are able to choose which period you want to compare, as long as it is one of the periods listed below.

*Monthly Comparable Periods* – March, April, May, June, July, August, September  
*Quarterly Comparable Periods* – April to June or July to September

This means that even if you don't pass the test during the month of March, you may still be eligible to receive the subsidy by passing the test in a later period.

### **2) The Alternative Test**

For new businesses or businesses with fluctuating income – like many in the music industry – this testing criteria will not grant them access to the JobKeeper scheme, despite the business being significantly affected by the crisis.

The ATO is aware of this and has referenced a second 'alternative test' which can be used to pass the decline in turnover test (if you failed the first basic test). This second test will mainly apply to:

- Businesses which have "lumpy" or "fluctuating" income whose previous year comparative periods do not fairly represent a usual (average) turnover period
- Businesses whose 2019 turnover was significantly affected by some other external factors
- Businesses which have only recently started trading and therefore have no comparative data available from the previous year

Unfortunately, there is not a heap of clarity surrounding exactly what the 'alternative test' entails. Under this test, the commissioner has been given discretion to request additional information to demonstrate that the business has been adversely affected by the pandemic. At this stage, we are still waiting on further detail from the commissioner for what information will be acceptable in order to satisfy the 'alternative' test.

Note: once an Employer has qualified once to start receiving the JobKeeper Subsidy, they do not need to qualify again each month or quarter following. They remain qualified until the end of the JobKeeper period (27 September 2020).

### ***How does an Employer notify employees?***

Once an employer has established that they pass the *turnover test* described above, they need to notify all employees in writing that the business has elected to participate in the JobKeeper scheme and that all eligible employees will be covered by the scheme.

It's important to note that the scheme is designed to be "one in, all in". Meaning, in order to be eligible for the subsidy, the employer must make the payments to all eligible employees (for more info on employee eligibility, see below).

Once each eligible employee has been notified that they are eligible for the payment, the employees are then required to confirm with their employer (using the ATO approved form) that they are eligible to receive the subsidy and are not claiming the JobKeeper payment through any other employer.

### ***How does an Employer pay the \$1,500 to their employees?***

There is one final requirement that needs to be met by the employer (on an ongoing basis) prior to receiving payments from the ATO. They need to pay all eligible employees at least \$1,500 a fortnight before tax.

A few important things to note on this:

- If the employee is currently earning less than \$1,500 a fortnight, the employer still needs to pay them at least \$1,500 a fortnight (before tax). Note that no superannuation guarantee needs to be paid on this "top-up" amount that is required above their usual wage to reach the \$1,500
- Stood-down employees (who are earning nothing) will need to be paid the full \$1,500 (before tax) per fortnight. No Superannuation guarantee is payable to these employees while they remain stood-down and not working.
- Payments need to be made to employees before the end of each "Jobkeeper fortnight" – a "Jobkeeper fortnight" refers to each fortnight following the 30<sup>th</sup> of March for the next 6 months. e.g. the first jobkeeper fortnight ended on the 12<sup>th</sup> of April, the second ends on the 26<sup>th</sup> of April and so on.
- For the first two fortnights (30 March – 12 April, 13 April – 26 April), the ATO will accept the minimum \$1,500 payment for each fortnight has been paid by you even if it has been paid late, provided it is paid by you by the end of April.
- An exception also applies to businesses which already pay their employees on a monthly basis. For employers such as this, they will not be required to increase the frequency of their pay runs in order to pay employees within the JobKeeper fortnight.

### ***When will businesses receive the subsidy from the ATO?***

Businesses will receive the \$1,500 subsidy per employee in arrears, on the 14<sup>th</sup> day of the month following the wages being paid. This is on the basis that the wage information is reported to the ATO within 7 days of the end of each month. However, the first subsidy payment will come a week earlier – arriving in the first week of May.

### ***What's involved in the Application Process?***

The application process will open for registrations on the 20<sup>th</sup> of April and can be completed here - <https://www.ato.gov.au/general/JobKeeper-Payment/>

It is very important to note however, that failure to register for the Scheme by the 26<sup>th</sup> of April means that your business will miss out on the JobKeeper subsidy for the first two fortnights (30 March – 26 April). This leaves a very short window to get registered for the Scheme. If you are still unsure whether you may be eligible for the scheme for the first 2 fortnights, we recommend registering prior to the 26<sup>th</sup> anyway.

### ***How does an Employee know if they're eligible?***

You are an eligible employee to receive the JobKeeper payment if: -

- You were employed by the relevant employer at 1 March 2020; and
- You are currently employed by the employer (even if you have been stood-down, or were made redundant post 1 March, then re-hired); and
- Are full time, part-time, or a long term casual (a casual employee employed on a regular basis for 12 months or more as at 1 March); and
- Are at least 16 years of age; and
- Are an Australian citizen, hold a permanent visa, are a Protected Special Category Visa Holder, a non-protected Special Category Visa Holder who has been residing continually in Australia for 10 years or more, or a Special Category (Subclass 444) Visa Holder; and

In addition, employees are only eligible to receive the JobKeeper payment from one source. If an employee has more than one employer, they must nominate only 1 employer through which they will receive the payment. Employees are also required to notify their employer (using the ATO approved form) that they are eligible to receive the subsidy and are not claiming the JobKeeper payment through any other employer.

Strict penalties apply to any employee seeking the port the system by receiving the payment through multiple employers. Also note, that once an employee elects an employer to receive the JobKeeper payment from, they cannot switch to receive the payment from another employer.

### ***What about the self-employed?***

Sole traders and the self-employed are also eligible for the JobKeeper payments if the following conditions are met:

- They meet the 30% reduction in turnover test described above
- They had a valid ABN on or before 12 March 2020;
- They had some income in the 2018-19 income year or made some supplies between 1 July 2018 and 12 March 2020, **and**, they have provided a 2019 tax return or certain activity statements to the ATO by 12 March 2020;
- They were actively engaged in the business;
- They are not entitled to another JobKeeper Payment;
- They were aged at least 16 years of age as at 1 March 2020; and
- They were an Australian citizen, the holder of a permanent visa, or a Special Category (Subclass 444) Visa Holder at 1 March 2020.

### ***What about the self-employed operating through a partnership, company or trust?***

For businesses operating through a **Partnership**.

Only 1 partner in the partnership will be eligible to receive the subsidy, provided that the above tests are met.

For businesses operating through a **Company**

Only 1 director or shareholder in the company will be eligible to receive the subsidy, provided that the above tests are met.

For business's operating thorough a **Trust**

Only 1 adult beneficiary of the trust will be eligible to receive the subsidy, provided that the above tests are met.

It is important to note that you will not be entitled to the JobKeeper payment as a self-employed individual, if you are also a permanent employee of an employer (including being a permanent employee of your own business) i.e. self-employed individuals will not qualify for the payment if they have a separate permanent source of employment income.

### ***Where to from here?***

If you think your business may have passed the turnover test described above (or project that it will pass the test), and you want to register for the JobKeeper Scheme, make sure you do so by the 26<sup>th</sup> of April here: <https://www.ato.gov.au/general/JobKeeper-Payment/>.

For more detailed information surrounding the JobKeeper Scheme, visit the Treasury website here: <https://treasury.gov.au/coronavirus/jobkeeper>, or the ATO website here: <https://www.ato.gov.au/General/JobKeeper-Payment/>

## Cash Boost for Employers

Eligible Employers who have been affected by the economic downturn associated with COVID-19 will receive between \$20,000 to \$100,000 in cash flow boost amounts by lodging their activity statements up to the month or quarter of September 2020.

The cash flow boosts will be delivered as credits in the activity statement system from 28 April 2020. The amounts will generally be equivalent to the amount withheld from wages paid to employees in the March to June 2020 periods. In practice, this means you keep the amounts you have withheld from staff payments for these periods, and you may even be entitled to cash refunds.

An additional cash flow boost will be applied when activity statements are lodged for June to September 2020. These credits are equal to the total boosts credited for March to June 2020. They will be paid out in either two or four instalments depending on your reporting cycle.

## ATO Extensions and Interest Waivers

### Payment deferrals

The ATO will work with affected businesses to defer payments and instalments of income tax, activity statements, PAYG instalments, FBT and excise payments by **up to six months**.

### Move to monthly reporting

Businesses that have a turnover of less than \$20 million and are reporting quarterly and are due a GST refund will have the option to move to monthly reporting to get quicker access to the refunds.

### PAYG instalments (Income Tax)

Quarterly PAYG instalment payers will have the option to vary their PAYG Income Tax instalments on their activity statement for the March 2020 quarter and also claim a refund for any instalments made for September 2019 and December 2019 quarters.

The ATO will not apply penalties or charge interest to varied instalments for the 2019-2020 financial year.

Businesses that lodge monthly can contact the ATO to get access to the same concessions.

### Interest and penalties

For businesses affected by COVID-19 the ATO will consider remitting interest and penalties incurred after 23 January 2020.

### Low interest payment plans

Businesses affected can contact the ATO for assistance with existing and ongoing tax liabilities by entering a low interest payment plan.

## Support for Individuals

### JobSeeker Coronavirus Supplement

JobSeeker is the new name for Newstart. It is the government's unemployment benefit.

Individuals affected by the coronavirus crisis can receive a temporary 'coronavirus supplement' at a rate of \$550 per fortnight for six months on top of the usual benefits obtained through Centrelink.

This will be available to existing and new recipients of JobSeeker (pka. Newstart), Youth Allowance, Parenting Payments, Farm Household Allowance and Special Benefit.

Sole traders and casual workers who are currently earning less than \$1,075 a fortnight will be eligible to receive JobSeeker and this supplement also.

### Payments to support households

Two separate \$750 payments will be made available to social security, veteran and other income support recipients and eligible concession card holders. The first payment (which was announced as part of the first stimulus package) will be made from 31 March 2020 and the second payment will be made from 13 July 2020.

The second payment will not be made to those eligible for the \$550 fortnightly coronavirus supplement mentioned above.

### Temporary early release of superannuation

Individuals whose financial situation has been affected by the coronavirus crisis will be able to access up to \$10,000 of their superannuation before 30 June 2020, and a further \$10,000 after 1 July 2020.

Individuals will not need to pay tax on this money and it will not affect Centrelink or Veterans' Affairs payments.

### *Any Questions?*

We're happy to help!

Please feel free to reach out with any questions via the button above or email us at

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