JobKeeper payment: what does it mean for businesses and NFPs?

By Fordham
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Under the JobKeeper payment, businesses and not-for-profits significantly impacted by the Coronavirus (COVID-19) outbreak may be able to access a wage subsidy from the government to continue paying their employees. This assistance will help businesses to keep people in their jobs and provide momentum when the crisis is over.

In this article, we address the key features of the JobKeeper program and discuss the special rules that apply for not-for-profit (NFP) organisations. The government estimates there are 57,000 charities operating in Australia, employing 1.3 million across the sector who could stand to benefit from the measures.

For a more comprehensive overview of the JobKeeper payment as it relates to businesses (including NFPs), employers and employees, please download a technical paper produced by Fordham Bookkeeping, a specialist part of Perpetual.

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What is the payment?

The JobKeeper payment of $1,500 per fortnight per eligible employee, is a payment to employers to assist them in retaining their staff or to keep in touch with their workforce that might have previously been stood down.

The JobKeeper payment period commenced from Monday 30 March 2020 and will apply for 13 full fortnights until Sunday, 27 September 2020. The payment will be made for a maximum of six months from the date of the announcement. This payment will be made by the ATO one month in arrears; hence the first payment will be made in May 2020.

Who will receive the money?

Eligible employers will receive the payment. However, they have an obligation to ensure that all eligible employees then receive income of not less than $1,500 per fortnight. An employer can be eligible under the following conditions:

- Where turnover is less than $1bn, the employer must show that their turnover has reduced by at least 30% relative to a comparable period one year ago; or
- Where turnover is more than $1bn, the employer must show that their turnover has reduced by at least 50% relative to a comparable period one year ago; and
- The employer must not be subject to the Major Bank Levy
- Businesses that are in liquidation are not eligible for this payment.

Self-employed individuals (businesses without employees) that meet the above turnover tests are also eligible to apply for the payment.

Eligible business participants (who are not employees of the business), including sole traders, adult beneficiaries of trusts and shareholders or directors of companies are also eligible to apply for the payment and have to complete an additional nomination form. A limit applies of one $1,500 JobKeeper payment per fortnight for the eligible business participant.

The entity, not the eligible business participant, receives the JobKeeper payment. The exception is a sole trader, who is both the business entity and an eligible business participant and therefore receives the JobKeeper payment themselves.

Note: NFP organisations are **not** included under the business participation entitlement.

Eligibility criteria for NFPs

BASIC TEST

Not-for-profit entities (including registered charities) that are registered with the Australian Charities and Not-For-Profit Commission will be eligible for the JobKeeper payment if they estimate that their turnover has or will likely fall by 15% relative to a comparable period one year ago.

Excluded from JobKeeper payment: The Australian Government and its agencies, state and territory governments and their agencies, foreign governments and their agencies, local governments and wholly owned corporations of these bodies are not eligible for the JobKeeper payment.

Excluded from lower turnover decline test (less than $1bn): This lower turnover decline test does not apply to universities and non-government schools that are registered charities; they'll remain subject to the turnover decline tests set out under the section "Who will receive the money?" above. Universities will be required to include the core government financial assistance provided to universities in the JobKeeper turnover tests.

Inclusions in decline in turnover test: To establish that an NFP has faced or is likely to face the relevant fall in turnover, most would be expected to establish that their turnover has or will likely fall in the relevant month or quarter – depending on their Business Activity Statement (BAS) reporting period – relative to their turnover in a corresponding period a year earlier.

This means that NFPs need to compare their turnover:

- for March 2020 with March 2019; or
- April 2020 with March 2019; or
- estimate for June 2020 quarter with actuals for June 2019 quarter.

Turnover is calculated as it is for GST purposes, and is reported on BASs. It includes all taxable supplies and all GST free supplies but not input taxed supplies. Registered charities may also include donations they have received or are likely to receive in their turnover for the purpose of determining if they have been adversely affected.

Registered charities (excluding schools and universities) can elect to exclude government revenue from the turnover test. This will allow employing charities receiving revenue from government to use either their total turnover, or their turnover excluding government revenue, for the purposes of assessing eligibility for the JobKeeper payment. The idea is to help ensure that the eligibility of charities is not adversely affected where they are delivering significant services that are funded by government.

ALTERNATE TESTS

Where an NFP was not in operation a year earlier, or where their turnover a year earlier was not representative of their usual or average turnover (for example, because there was a large interim acquisition, they were newly established, were scaling up, or their turnover is typically highly variable), the Tax Commissioner has set out alternative tests that should be considered.

The Tax Commissioner will have discretion to consider additional information that the NFP can provide to establish that they have been adversely affected by the impacts of the coronavirus.

What does this mean for eligible employers?

Eligible employers with eligible employees will receive a fortnightly payment for each eligible employee.

Eligible employees are:

- Full-time and part-time employees, including stood down employees that were employed on 1 March 2020 that are retained or continue to be engaged by their employer;
- Casual employees that were employed on 1 March 2020 that have been employed by their employer for at least 12 months;
- At least 16 years of age;
- An Australian citizen, holder of a permanent visa, 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 (444 – New Zealand citizens) visa holder;
- Not in receipt of a JobKeeper payment from another employer; and
- Not in receipt of parental leave pay from Services Australia (but employees receiving parental leave from their employers are eligible);
- Special rules apply to those employees on workcover

Note: Employers that have already taken steps to stand down or otherwise reduce their workforce, are able to re-engage employees to receive the JobKeeper payment.

What does this mean for employees?

Employees with more than one employer are required to inform their primary employer, as the JobKeeper payment can only be received once. Employees that are not Australian citizens are required to inform their employer of their visa status to allow them to determine eligibility. Employees that currently receive an income support payment, including the JobSeeker payment and coronavirus supplement are required to inform Services Australia, as the JobKeeper payment must be reported as income and this could affect entitlements to other support payments.

In summary

For employees that ordinarily receive $1,500 or more in income per fortnight before tax, nothing changes as the JobKeeper payment will be received by employers as a subsidy for their wages. Employees that ordinarily receive less than $1,500 in income per fortnight before tax will receive a ‘top up’ as they are required to receive, at a minimum, $1,500 per fortnight before tax. These payments must be reported as ‘JobKeeper top up’.

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For employees that were employed on 1 March 2020 and have been subsequently stood down or otherwise ceased employment, employers can re-engage with these employees to ensure that they receive, at a minimum, $1,500 per fortnight before tax.

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