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# Global Tax Alert

## Australia Jobkeeper 2.0 - wage subsidy extended with modified entitlements and eligibility tests

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Australia's Prime Minister and Treasurer announced, on 21 July 2020, an extension of the Australian Jobkeeper Payment wage subsidy (JKP) until 28 March 2021 with modified payment entitlements and eligibility tests (JKP 2.0).

The current AU\$1,500 per fortnight JKP, which is due to end following the fortnight ending 27 September 2020, is unaffected by the proposed changes.

The changes build on the current JKP rules with a number of modifications. The key features of both schemes are summarized as follows:

	Requirement	Period		
		Now to 27 September 2020	28 September 2020 to 3 January 2021	4 January 2021 to 28 March 2021
<i>Entity eligibility</i>	Turnover decline percentage	Continues to be: <ul style="list-style-type: none"> <li>▶ 30% for businesses with a turnover (revenue) of \$1 billion or less</li> <li>▶ 50% for those with turnover (revenue) of more than \$1 billion</li> <li>▶ 15% for certain charities</li> </ul>		
	Turnover test	Projected or actual; Monthly or June or September quarters	Actual only; June and September quarters	Actual only; June, September and December quarters
<i>Employee eligibility</i>	Wage condition - eligible employees with an average of 20 hours per week or more in February 2020	\$1,500 per JobKeeper fortnight	\$1,200 per JobKeeper fortnight	\$1,000 per JobKeeper fortnight
	Wage condition - other eligible employees	\$1,500 per JobKeeper fortnight	\$750 per JobKeeper fortnight	\$650 per JobKeeper fortnight
	All other employee eligibility criteria	Unchanged		
	Effective date to make first payments (unless ATO extends)	Varies by commencement of eligibility	9 October 2020	15 January 2021

## Practical considerations

The flexibility employer entities had in assessing their eligibility for JKP by reference to different months or quarters in 2020 (versus 2019) has been removed.

- ▶ 28 September 2020 to 3 January 2021 - entities must demonstrate they have met the relevant continuing decline in turnover test in each of the June and September quarters as compared to the corresponding 2019 quarters.
- ▶ 4 January to 28 March 2021 - entities must demonstrate they have met the relevant decline in turnover test in each of the June, September and December 2020 quarters as compared to the corresponding 2019 quarters.
- ▶ The Commissioner continues to have discretion to apply alternative tests where it is not appropriate to compare actual turnover in a quarter in 2020 with actual turnover in a quarter in 2019. Further details should follow.
- ▶ Steps can now be taken to confirm whether the continuing decline in turnover test is met for the June quarter.

Entities which qualified for JKP but have significant variations in turnover may not qualify for JKP 2.0 due to the inability to establish a decline in turnover for the June 2020 quarter. This is illustrated below:

Qualified entity has the following turnover:

	2020	2019	Decline
April	200,000	220,000	9%
May	140,000	220,000	36%
June	140,000	190,000	26%
Total for June qtr	<u>480,000</u>	<u>630,000</u>	24%
Total for Sept qtr	480,000	750,000	36%

Qualified entity qualified for JKP to 27 September because the business suffered a more than 30% decline in turnover for the month of May (36%). Decline in turnover for the Sept quarter is 36% but Qualified entity does not qualify for JKP 2.0 because decline in turnover for the June quarter was only 24%.

There may be some challenges in working through the eligibility tests given that September and December turnover calculations may not be finalized until after the commencement of the first jobkeeper fortnights to which they apply. However, the Australian Taxation Office (ATO) will have discretion to extend the time an entity has to pay employees to meet the wage condition.

February 2020 is the critical month for determining whether eligible employees qualify for the maximum rate or the reduced rate. Eligible employees will qualify for the maximum rate if they worked an average of 20 hours per week in the month of February 2020. The ATO will have the discretion to set out alternative tests if an eligible employee's hours in February 2020 were not representative of their usual employment arrangement, for example where they were on leave, volunteering or not employed for the entire month including because of a stand down already in place.

It is unclear as to how the *Fair Work Act* changes which accompanied the introduction of JKP may be extended. It is anticipated that the changes in entity eligibility and payment entitlements may create a number of Fair Work issues. The reduced payments will increase employee motivation for additional hours or alternative work.

The proposed changes are set out in a Treasury factsheet and more details are still to come and ATO guidance will be required. We expect the detailed rules will need to cover issues with transition between the different periods and moving between the levels of payments.

### Substantiation under JKP and JKP 2.0

The JKP rules are complex and require considerable work to document satisfaction of eligibility requirements. Significant procedural work is needed by each claiming entity to meet initial and ongoing requirements and to report monthly to the ATO. JKP is subject to specific integrity rules plus general tax administration rules.

The ATO is expanding its reviews of JKP eligibility and compliance. Entities should be prepared for scrutiny and to respond to ATO information requests within a short time period.

### Webcast

Our fifth EY Jobkeeper webcast is on 30 July at 10am AEST and will consider the JKP2.0 changes and practical implications in more detail – please register online [here](#).

### Further announcements

The Government will deliver an economic statement on Thursday 23 July 2020 with information on Government finances including an updated projected budget deficit. The Government has indicated no further COVID-related incentive measures will be announced before the Federal Budget on 6 October 2020.

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## Endnote

1. Currency references in this Alert are to the AU\$.

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