



Australian Government

ECONOMIC RESPONSE TO THE CORONAVIRUS

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JobKeeper Stimulus Payment (information current as of March 31, 2020)

By now, all of you will have heard the announcement by the Government on the “JobKeeper” Stimulus payment. This stimulus is something business can finally cheer about.

There is even something in it for Sole Traders.... Though there is still some conjecture about partnerships, trusts and companies without employees and whether they will qualify.

What is it and does my business qualify?

The JobKeeper payment is designed to maintain the connection between the employer and the employee, rather than the employee joining the Centrelink queue. The business will receive \$1,500 (before tax) per fortnight per employee (but paid monthly), which must be passed onto the employee as a salary and wage. Each employee will receive a minimum \$1,500, even where their salary was under the \$1,500 per fortnight. Payments above that amount, employees on more than \$1,500/fnt, are borne by the employer.

To qualify you simply need to meet one of the conditions below and have eligible employees (see below).

- Turnover less than \$1 Billion – Turnover has reduced by more than 30 per cent relative to a comparable period a year ago (of at least a month)
- Turnover of \$1 Billion or more - Turnover has reduced by more than 50 per cent relative to a comparable period a year ago (of at least a month)
- Business without employees – see the exception below – but turnover must still be down at least 30%.

The best way to gain a basic understanding of how the Government see it working is to review their example.

Treasury Notes

https://treasury.gov.au/sites/default/files/2020-03/Fact_sheet_Info_for_Employers_0.pdf

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Treasury Example

Employer with employees on different wages Adam owns a real estate business with two employees. The business is still operating at this stage but Adam expects that turnover will decline by more than 30 per cent in the coming months. The employees are:

- *Anne, who is a permanent full-time employee on a salary of \$3,000 per fortnight before tax and who continues working for the business; and*
- *Nick, who is a permanent part-time employee on a salary of \$1,000 per fortnight before tax and who continues working for the business.*

Adam is eligible to receive the JobKeeper Payment for each employee, which would have the following benefits for the business and its employees:

- *The business continues to pay Anne her full-time salary of \$3,000 per fortnight before tax, and the business will receive \$1,500 per fortnight from the JobKeeper Payment to subsidise the cost of Anne's salary and will continue paying the superannuation guarantee on Anne's income;*
- *The business continues to pay Nick his \$1,000 per fortnight before tax salary and an additional \$500 per fortnight before tax, totalling \$1,500 per fortnight before tax. The business receives \$1,500 per fortnight before tax from the JobKeeper Payment which will subsidise the cost of Nick's salary. The business must continue to pay the superannuation guarantee on the \$1,000 per fortnight of wages that Nick is earning. The business has the option of choosing to pay superannuation on the additional \$500 (before tax) paid to Nick under the JobKeeper Payment.*

Adam can register his initial interest in the scheme from 30 March 2020, followed subsequently by an application to ATO with details about his eligible employees. In addition, Adam is required to advise his employees that he has nominated them as eligible employees to receive the payment. Adam will provide information to the ATO on a monthly basis and receive the payment monthly in arrears

When is the first payment?

Unfortunately, the first payment will be paid in the **first week of May**.

The payments are monthly and in arrears, so the business must still fund the payments to the employees in the meantime if they are made more regularly.

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What do you have to do?

- Register on the ATO Website here <https://www.ato.gov.au/general/gen/JobKeeper-payment/>
- Notify the ATO of Eligible Employees which is done as part of monthly reporting requirements (more details will be published shortly). Information from Single Touch Payroll, where you use that, will pre-populate the employees details. You will have to do that process manually if you are not on Single Touch Payroll. Monthly information will need to be reported to the ATO, such as wage per employee, eligible employees and whether your turnover is still down at least 30% for example.
- Then notify the employees that you have nominated them as an Eligible Employee.
- Those using STP will need to ensure they keep reporting the relevant details through Single Touch Payroll each pay period for matching with the ATO.

What is an eligible employee?

Eligible employees are employees who:

- are currently employed by the eligible employer (including those stood down or re-hired);
- were employed by the employer at 1 March 2020;
- are full-time, part-time, or long-term casuals (a casual employed on a regular basis for longer than 12 months as at 1 March 2020);
- are at least 16 years of age;
- are an Australian citizen, the holder of a permanent visa, 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
- are not in receipt of a JobKeeper Payment from another employer.

What about Sole Traders, Partnerships or Trusts with no employees (mum and dad business) – Businesses without Employees?

Businesses without employees, such as the self-employed, can register their interest in applying for JobKeeper Payment via ato.gov.au from 30 March 2020. Businesses without employees will need to provide an ABN for their business, nominate an individual to receive the payment and provide that individual's Tax File Number and provide a declaration as to recent business activity. People who are self-employed will need to provide a monthly update to the ATO to declare their continued eligibility for the payments. Payment will be made monthly to the individual's bank account. Further details for the self-employed will be provided on ato.gov.au in the coming days.

There is still not enough detail to determine whether other business structures like partnerships, trusts or companies without employees, for example a mum and dad business, whether they will qualify for the same concessions as a Sole Trader. Holmans believe the intention of the measure is that it will apply. However, we will continue to research the same and will provide further details as they come to hand.

Some common questions and answers:

1. **Should I do any planning with my accountant to maximise the payments/benefit?** There are a few planning options, but the start date and employment arrangements do limit some options. The recent planning done by Holmans will assist any eligibility here and also assist in covering some of the tax payments on the wages.
2. **Is the payment taxed before passing on to the employee?** Yes, it is taxed in the normal way through the payroll system.
3. **Is superannuation payable on the JobKeeper Payment?** As pointed out in the Example above, it is optional on the JobKeeper payment above and beyond normal earnings. Superannuation must still be paid on “earnings” – work performed. Holmans strongly recommend you discuss your decision with the employee and document the same formally.
4. **What if the employee is stood down – do they need to be re-engaged?** Yes, at the conclusion of the arrangement, when you are able to operate again. The employee does not need to complete tasks while the business is locked down. They are eligible for the payment while in stand down phase.
5. **What if my monthly income was down by 30%, but then the next month it is not?** There are no specific details yet, but it appears you will qualify one month, then not the next. You are required to report monthly to the ATO.
6. **What about casual employees who haven't had a long term relationship of at least 12 months with the business?** They will need to approach Centrelink or be paid by the employer separately to the stimulus above.
7. **An employee laid off, already receives JobSeeker Support through Centrelink – what should they do?** They need to notify Centrelink/Services Australia, as you are only eligible to receive one or the other.
8. **What if employees work at two employers and are nominated by both?** The intention is the employee only receives one payment – hence nominating whether they are an eligible employee. The employee can only be nominated once.
9. **What if I didn't have turnover last year?** We are not 100% sure about this yet. We think they will allow you to nominate a typical trading period, such as an average monthly turnover from early in the year pre COVID19.
10. **Should I delay invoicing?** Again, we are not 100% sure about this yet. It will depend on final rules published by the ATO. Cashflow is king, so be mindful of delaying too much income. If you are discounting fees to retain customers, that may be appropriate.

The devil is often in the detail and they haven't released the draft legislation yet. We will be continually reviewing the information as it is published and provide regular updates as they come to hand. As you can see, there are still quite a few questions that are unanswered from our point of view.

We are also still waiting on the Landlord and Tenants proposals, but it sounds like there is some positive progression there also.

Please remember to contact your accountant should you have any specific queries. The cost of getting it wrong could be tens of thousands in lost stimulus and Government benefits.

These stimulus programs and Government announcements are fast moving, with the legislation and guidelines are regularly changed. You should contact your accountant to discuss how this applies to you before implementing any specific strategies. This Fact Sheet should be used as a guide only.