

COVID-19 Stimulus: JobKeeper Payment to Support Businesses and Employees

The Federal Government has announced (as part of the Coronavirus Stimulus Package) the introduction of a new JobKeeper Payment to assist eligible employers (and self-employed individuals) who have been impacted by the Coronavirus to continue to pay their workers.

Summary of JobKeeper Payment

The JobKeeper payment is a wages subsidy that will be paid to employers (and self-employed individuals) through the tax system.

The subsidy also applies to not-for-profit-entities (including charities).

Eligible employers will be able to claim a subsidy of \$1,500 per fortnight per eligible employee - same for the self-employed with no employees.

There is no uplift for employees earning more than \$1,500 per fortnight, and no reduction for employees earning less than the threshold amount – same for the self-employed with no employees.

The subsidy commenced on 30 March 2020, with the first payments to be received by employers in the first week of May.

It is important that businesses are aware of the short-term cash flow impact that this measure will create. This subsidy will be paid by the ATO monthly in arrears and consequently businesses will need to fund a month of the payments to employees before there is an offsetting amount received from the ATO.

The JobKeeper Payment is not yet legislated and it is Government's intention to recall Parliament to legislate the program. Accordingly the progress and form of the confirming legislation should be monitored.

Eligible employers

Employers are eligible if:

1. their business has a **turnover of less than \$1 billion** and their turnover will be reduced by more than 30 per cent relative to a comparable period a year ago (of at least a month); or
2. their business has a **turnover of \$1 billion or more** and their turnover will be reduced by more than 50 per cent relative to a comparable period a year ago (of at least a month); and
3. the business is not subject to the Major Bank Levy.

Sole traders, freelancers or anyone else that qualifies as self-employed and satisfies the above requirements is also eligible.

Eligible employees

Before an eligible employer can claim the JobKeeper payment for an employee (i.e. an eligible employee), the employee must satisfy the following requirements:

1. be **currently employed** by the eligible employer (including those stood down or re-hired);
2. was employed by the employer **as at 1 March 2020**;
3. be a **full-time, part-time** employee or a **long-term casual employee** who has been employed by the employer on a regular basis for longer than 12 months as at 1 March 2020);
4. be at least 16 years of age;
5. be 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
6. not be in receipt of a JobKeeper payment from another employer.

Employees who have multiple employers will need to notify their primary employer to claim the JobKeeper Payment on their behalf as only one employer is eligible to receive the payment. In most cases, the claiming of the tax-free threshold will be sufficient notification that an employer is the employee's primary employer.

Registering for the JobKeeper Payment

All eligible businesses need to register an intention to apply on the ATO website – click [here](#) to register.

When making the application to the ATO, businesses will need to provide the ATO with supporting information demonstrating a downturn in the turnover of their business and must report the number of eligible employees employed by the business on a monthly basis.

Businesses without employees (i.e. sole traders and freelancers) will need to

- provide an ABN for their business;
- nominate an individual to receive the payment;
- provide the nominees' Tax File Number;
- provide a declaration as to recent business activity; and
- provide a monthly update to the ATO to declare their continued eligibility for the payments.

ATO compliance

The ATO will use data obtained from Single Touch Payroll to administer the system and ensure that employers only receive the subsidy for eligible employees. As a result, businesses must keep any employee registered through STP in order to receive and distribute the payment.

It is expected that businesses will need to be up-to date with BAS and tax lodgements and payment obligations in order to receive the stimulus in a timely manner.

Examples provided by government

The following examples provided by Government have been slightly modified to illustrate how the JobKeeper Payment is expected to apply:

Example 1 – Employer affected by COVID-19 with multiple employees

ABC Pty Ltd owns a real estate business with two employees. The business is still operating at this stage, but it expects that turnover will decline by more than 30% 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.

ABC Pty Ltd is eligible to receive the JobKeeper payment of \$1,500 for each employee per fortnight which will 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 as well as superannuation guarantee support on this income. In this case, the JobKeeper Payment partly subsidises the cost of Anne's salary.
- The business continues to pay Nick his \$1,000 per fortnight salary before tax as well as superannuation guarantee support on this income - plus an additional \$500 per fortnight before tax, resulting in a total gross salary of \$1,500 per fortnight. In this case, the JobKeeper Payment fully subsidises the cost of Nick's salary. The business has the option of choosing to pay superannuation on the additional \$500 (before tax) paid to Nick under the JobKeeper payment.

Example 2 – Self-employed affected by COVID-19 with no employees

Melissa is a sole trader running a florist without any employees.

The economic downturn due to the Coronavirus has adversely affected Melissa's business and she expects that her business turnover will fall by more than 30% compared to a typical month in 2019.

On this basis, Melissa will be able to apply for the JobKeeper Payment and would receive \$1,500 per fortnight (before tax) which will be paid to her on a monthly basis in arrears.