JobKeeper extension announced

In welcome news for many Australian businesses, the Federal Government has announced that its JobKeeper wage subsidy program will be extended into next year for eligible employers.

Many had feared that having met the eligibility criteria for the initial period from April to September, the July review of the JobKeeper program could see existing payments reduced or eliminated under revised eligibility criteria. The Government has, however, kept its promise to maintain JobKeeper in its original form, without reassessment, for the duration of the initial six month period. That is, employers and eligible business participants currently receiving JobKeeper will continue to do so until the end of September, in accordance with the initial rules.

Beyond that, the program will now be extended, with some revisions, at least into the December 2020 and March 2021 quarters. It would be nice to think that it won't be required past then, but it's difficult right now to look that far ahead.

December 2020 Quarter

From 28th September to 3rd January 2021, the payment amount per eligible employee will be reduced from $1,500 to $1,200 per fortnight. In addition, a new tier of $750 per fortnight will be introduced for 'part-time' employees.

'Part-time' is defined as those who were working less than 20 hours per week on average for the four weeks prior to 1st March 2020. This has been implemented in part to mitigate some of the distortion that is created from having a single amount payable for all employees regardless of their employment arrangements. For example, there is little incentive for a part-time worker who has been stood down, or someone working reduced hours, to return to work, or work extra hours, when they receive the full $1,500 regardless.

The eligibility criteria for employees remains unchanged. They must be an Australian resident (or 444 visa holder) who is currently employed, and was employed on 1st March 2020. For causal employees, they must also have been employed on a regular basis for the preceding 12 months.

For businesses, the nominal turnover reduction levels are the same: to be eligible an employer must have experienced a 30% reduction over the comparable quarter last year, for those with annual GST turnover less than $1 billion. It's 50% for those with turnover more than $1 billion, and remains at 15% for eligible charities.

What has changed, however, is that **there will only be one comparative period, and it will be based**

on actual turnover. Projections are not an option. Whereas previously an employer could choose one of three tests - March actual, April actual, or April-June quarter projected - **December quarter eligibility will be determined by comparing the actual turnover of the September 2020 quarter with the September 2019 quarter.**

Further, eligibility for the June quarter must also be demonstrated. That is, the employer (or eligible business participant) must be able to show a 30% decline in turnover for both the June and September quarters, even where they used the March or April monthly test for the first round.

There is some obvious potential for inequity here. What happens, for example, where a business in a virus 'hotspot' (say Melbourne) experiences some recovery in the June quarter (but was eligible for JobKeeper initially based on the March or April monthly tests), and then returns to lock down conditions during the September quarter? The September quarter may be terrible, yet the business would be precluded from JobKeeper because the June quarter didn't meet the criteria. There is no doubt more work to be done on ironing out some of these wrinkles.

March 2021 quarter

These eligibility criteria also apply for for next tranche due for the March 2021 quarter. Employees must meet the same conditions, but the payment amounts will reduce again.

The rates from 4th January to 28th March will be $1,000 per fortnight per eligible full-time employee, and $650 per fortnight for each eligible part-time employee.

For employers and eligible business participants, **the requisite decline in turnover must be demonstrated for each of the June, September and December quarters.**

Other matters

Treasury notes that because Business Activity Statements (BASs) are not due until well after the end of the month/quarter, eligibility will need to be assessed before the BAS deadline, which will mean preparing financial statements (or finalising turnover numbers at least) shortly after the end of the period.

The requirement to pay employees in the month before receiving a JobKeeper payment remains, however the Commissioner will have discretion to extend the time employers have to pay JobKeeper top-up amounts, to provide time to confirm eligibility.

In conclusion...

While this is more considered that the initial JobKeeper announcement, which was very much policy on the fly during a crisis, it's once again the case that this is an announcement that awaits further structure, in the form of clearer rules and more consultation. For the vast majority of affected businesses this is an exceptionally welcome extension of a generous assistance package, and could well be the difference between survival and failure in some cases. There will be more than a few, however, that could well find themselves left out in the cold if the extension is implemented in its current form.

If you would like to discuss your circumstances further, or have any other questions, please contact us **for further information or assistance.**

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