

COVID-19: \$130 billion Federal Government Wages Subsidy Announced



In its biggest response yet to the Coronavirus crisis, the Federal Government has announced that eligible businesses will receive \$1,500 per fortnight per employee, in an effort to prevent millions of people losing their jobs.

If you employ people you've no doubt been wrestling with how to take care of your team while at the same time ensuring that your business survives. Stimulus measures announced so far have been generous - unprecedented even - but if the bottom line for you has been about how you keeping paying good people while you're not getting paid, this is the announcement you've been waiting for.

Spending of this magnitude will require legislation, and for this reason (together with the sheer logistics of rolling out such a broad program) payments will not begin to flow until 1st May. However payments will cover the period from the end of March onward, for up to six months.

This also means the details are still relatively thin at this stage, and what we do know may be subject to change in its final form. It has been encouraging so far though to see bipartisan cooperation from both sides of Parliament to get these measures passed quickly, so that support flows into the hands of business owners as soon as possible. Wouldn't it be great to see that same spirit continue beyond the crisis (or is that being too optimistic)?

So how will the wages subsidy work?

Who is eligible?

Employers with a turnover of less than \$1 billion will be eligible if they experience a decline in turnover of 30% or more, relative to the comparable period a year ago. A 'comparable period' is a minimum of one month. For businesses with turnover of more than \$1 billion, the reduction in turnover needs to be 50% or more. Sole traders who experience a decline in turnover are also said to be eligible, but there is little information at the moment as to how this will work.

A key question here will be what is meant by turnover? Ordinarily this would be interpreted simply as revenue - the total income of the business for a period of time. But the critical problem in the current economy is cash. For example, if a business operates in an industry where it is able to continue operations, and therefore can keep invoicing customers, its turnover may remain unchanged. But what if a considerable proportion of customers are not able to pay? Cash may be down by well over 30%, which makes it difficult to continue paying employees, but turnover could conceivably stay relatively unchanged.

A payment to employers...for employees

In one sense the amount payable is a form of support for workers whose jobs are at risk, however it is paid to employers. Relative to the Jobseeker payment, the new 'Jobkeeper' payment pays more and importantly preserves a person's employment status. It can only be paid for employees on the books at

1st March 2020, and this includes those that have since been stood down. This is intended to help preserve employment for when the crisis is over, and also, for business owners desperately looking for a way to take care of their teams during a difficult time, it provides a sense of reassurance that they can do so and possibly save the business. Even businesses that are forced into 'hibernation', providing they keep staff on their payroll, can receive the subsidy. The subsidy will be paid for a maximum of six months, subject to ongoing eligibility.

Who is entitled to it, and how much do they get?

Every eligible employee gets paid the full \$1,500 per fortnight, regardless of the number of hours they work or the amount of their normal pay. For those who earn less than \$1,500, they will receive more money than usual, while those who earn more than \$1,500 will continue to earn whatever they would normally have been paid.

The amounts will be taxable in the hands of the employee, just like ordinary earnings, so \$1,500 is the gross amount to be paid to employees.

For superannuation, it gets a little more complicated. Effectively, superannuation should be paid on any part of the amount that relates to the actual work of employees, i.e. their 'ordinary time earnings', as defined by the relevant legislation. In any situation where the Jobkeeper amount compensates for lost earnings or is paid in addition to normal hours, that additional amount is not subject to super. For example, if the employee currently earns more than \$1,500 a fortnight, the Jobkeeper payment is effectively a subsidy in full to the employer. No amount of it is being used to top up the employee's earnings. This means that super is still payable on the total amount of ordinary time earnings of the employee. Where an employee earns less than \$1,500 a fortnight, only the normal amount of the wages paid is subject to super, as per usual. The difference, made up by the Jobkeeper amount, is not subject to super. In a situation where the entirety of the \$1,500 is paid to an employee who is on the books but not working any hours (for example, employees stood down or those of businesses in 'hibernation') no super is payable at all. Employers will of course still have the option of paying super on any Jobkeeper amounts passed on to eligible employees.

To be eligible, an employee must be currently employed by the employer and have been employed on 1st March 2020. It applies for full-time, part-time and long-term casuals (those employed on a regular basis for more than 12 months on 1st March). The employee must also be over 16 years of age and not currently the recipient of a 'Jobkeeper' payment from another employer. Generally speaking it is only available to Australian citizens or holders of certain permanent or special visa types, with the one exception being New Zealanders who hold a 444 visa.

Once again, employees who have been stood down but otherwise meet the criteria are eligible, but those whose employment has been terminated are not. The Government is encouraging employers to consider whether the subsidy would allow employers to re-employ terminated staff, subject to negotiation about service continuity and leave entitlements that have been paid out.

What do you need to do?

Employers can register their interest via the [Australian Taxation Office \(ATO\) website](#) from now. Once enacted, a formal application will be required, and the first payment will be received in the first week of May, covering the previous month (from the week commencing 30th March). This will require employers to continue paying wages during April without any assistance, so cash flow may still be a concern during this time.

Eligible employees will need to be identified by the employer, and monthly updates must be provided to the ATO.

Those who are self-employed can also register their interest now. An ABN must be provided, and an individual must be nominated to receive the payment.

There is a lot more to be considered here and that will require more detail. We'll update you as we learn more, but for now it's reassuring at least to know that if you're an employer, there is some help on the way.

Please [contact us](#) if you'd like to know more, or need to discuss your specific circumstances. We're continuing to offer complimentary phone calls to talk through your situation and support you and your business during this time.

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