



# JOBKEEPER ALTERNATIVE TESTS

Who's eligible and how does it work

26 April 2020

The federal government's JobKeeper Payment Scheme allows for businesses impacted by COVID-19 access to a wage subsidy to continue paying their employees while in 'hibernation' mode, so they can rebound once the crisis eases. The scheme was first announced on 30 March 2020, and the alternative tests information was released on 23 April. In this Guide we summarise how businesses can access the scheme via the alternative tests.

## Recap of the scheme

When first announced, the JobKeeper scheme was available for businesses that experienced a significant decline in revenue compared to a year earlier. This is now being referred to as the 'basic test'.

The basic test requires comparison of turnover of the 'test period' with the same period last year. This could be any month or quarter between March 2020 to September 2020. For example, if the test period is nominated to be March 2020, it needs to be compared with March 2019 to determine the percentage decline in turnover. You can read all the original [eligibility criteria in our summary](#) on our website.

The basic test left out, for example, businesses that did not exist in the previous corresponding period, businesses that had experienced rapid growth, and businesses with an irregular revenue pattern and M&A activities. For business in those scenarios, the basic test meant they missed out on being eligible for the JobKeeper scheme.

## Alternative tests explained

The 'alternative tests' [announced by the ATO on 23 April 2020](#) are designed to cover many businesses who missed out under the basic test. It covers start-ups, rapidly growing businesses and businesses with an irregular turnover pattern. There are some winners and some losers, but this is not unexpected in a fast-paced environment like this.

The tests are designed to capture actual or anticipated decline turnover. The assessment of eligibility has become quite complex, and the alternative tests require careful assessment of historical, current and expected turnover. The test period can be a month or a quarter; it doesn't matter whether your business is on a monthly or quarterly reporting cycle.



The main formalities to access the payments right from the first ATO fortnight are:

- (1) JobKeeper enrolment
- (2) identifying eligible employees
- (3) seeking employees' consent to nominate for JobKeeper payment
- (4) setting up the accounting software for STP
- (5) payment to employees for 2 fortnights before 30/4/20.

### Points to note

- For JobKeeper payments, ATO's fortnight starts from 30/3/20. To claim the payment from ATO's fortnight 1 (30/3/20 to 12/4/20), all formalities need to be completed by 31/5/20 (extended from 30/4/20)
- JobKeeper enrolment started on 20/4/20. This is different from the registration of interest to participate in the program that was requested when the package was announced. This enrolment needs to be done via ATO business/tax agent portal. The process is quite straightforward once the eligibility is satisfied.
- Each month the eligibility needs to be reconfirmed. This is not a retest of eligibility. In the cases of employers reporting through STP enabled software with updated JobKeeper functionality, the software will take care of the reporting. In other cases, it needs to be done through ATO business portal.
- Eligible business participants (partner, beneficiary, shareholder, directors who are not employed by the company) can also claim JobKeeper payments. Here is the [ATO link about this](#).
- Both cash and accrual basis of GST turnover are accepted. Both the test period and comparison period's turnover needs to be calculated on a consistent basis. JobKeeper payments are taxable income for the employers but not subject to GST

### Questions still to be answered

The impact on corporate service entity structures is still unclear – This is where one entity employs staff to serve the operating business entities within the group.

### Key dates at a glance

|                      |   |
|----------------------|---|
| <b>From 20 April</b> | Enrol for JobKeeper payment   |
| <b>By 30 April</b>   | Pay your employees \$1,500 for each fortnight to claim JobKeeper payments for April |
| <b>4 May onwards</b> | Identify your employees   |
| <b>31 May</b>        | Final date to enrol to claim for JobKeeper fortnights in April and May              |
| <b>Each month</b>    | Reconfirm eligibility   |

## Alternative test for **new businesses**

There are two options. For both, the pre-condition is that the entity commenced business after the relevant comparison period (that is, after March 2019).

- (1) The first option is to compare the test period's turnover against average turnover since it commenced business
- (2) The second option is to compare the test period's turnover against the average turnover of 3 months immediately before the test period.

The test period is the period which is being nominated for comparison.

## Alternative test for **rapidly growing businesses**

This is a two-step approach.

- (1) The first step is to determine whether the entity meets the percentage growth requirement. There are three options:
  - 50% growth in 12 months before the test period; or
  - 25% growth in 6 months before the test period; or
  - 12.5% growth in 3 months before the test period.
- (2) If a business meets any of the three required growth tests above, then the second step is to compare the revenue of the test period with the average 3 months' turnover immediately before the nominated test period.

## Alternative test for **entities with large irregular turnover**

These are entities with large irregular turnover over the 12 months immediately before the test period. If this condition is satisfied, then the turnover of the 'test period' needs to be compared with the average turnover of 12 months immediately before the test period. ATO notes that this test doesn't apply to entities with cyclical /seasonal turnover fluctuations.

## Alternative test for **other situations**

The alternative tests cover three more situations

- (3) Entities with M&A activities
- (4) Entities affected by droughts or natural disaster
- (5) Sole Traders/Partnerships with sickness, injury or leave

You can [check the details on the ATO website](#)

## Workout examples

All figures in the following examples are imaginary. This is designed to illustrate the concept at a high level and it doesn't cater for all situations.

### 1. NEW BUSINESSES

#### SCENARIO:

- (1) Business started on 1/7/19
- (2) Nominated turnover test period is the month of April 20 (forecast)
- (3) No comparable turnover period per basic test

#### TURNOVER PER BAS

| Month      | Turnover       |
|------------|----------------|
| Jul-19     | 15,000         |
| Aug-19     | 20,000         |
| Sep-19     | 18,000         |
| Oct-19     | 25,000         |
| Nov-19     | 21,000         |
| Dec-19     | 18,500         |
| Jan-20     | 16,906         |
| Feb-20     | 23,214         |
| Mar-20     | 31,130         |
| <b>YTD</b> | <b>188,750</b> |

#### ALTERNATIVE TEST 1

(All months average compared to nominated test period)

|          | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Jan 20 | Feb 20 | Mar 20 | Total of all months | Avg of all months | Forecast Apr 20 | +/- Compared to Avg | % Change | Result                |
|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------------|-------------------|-----------------|---------------------|----------|-----------------------|
| Turnover | 15,000 | 20,000 | 18,000 | 25,000 | 21,000 | 18,500 | 16,906 | 23,214 | 31,130 | 188,750             | 20,972            | 26,400          | 5,428               | 26%      | Not satisfied - try 2 |
| Turnover | 15,000 | 20,000 | 18,000 | 25,000 | 21,000 | 18,500 | 16,906 | 23,214 | 31,130 | 188,750             | 20,972            | 15,000          | (5,972)             | -28%     | Not satisfied - try 2 |

#### ALTERNATIVE TEST 2:

(3 months average compared to nominated test period)

|          | Jan 20 | Feb 20 | Mar 20 | Total (3 months) | Avg of last 3 months | Forecast Apr 20 | +/- Compared to Avg | %    | Result        |
|----------|--------|--------|--------|------------------|----------------------|-----------------|---------------------|------|---------------|
| Turnover | 16,906 | 23,214 | 31,130 | 71,250           | 23,750               | 26,400          | 2,650               | 11%  | Not satisfied |
| Turnover | 16,906 | 23,214 | 31,130 | 71,250           | 23,750               | 15,000          | (8,750)             | -37% | Satisfied     |

### 2. RAPIDLY GROWING BUSINESSES

#### SCENARIO:

- (1) Business grew in a way that turnover is not comparable to same period last year
- (2) Nominated turnover test period is the month of April 20 (forecast)

#### CONDITIONS:

- (1) Meet the growth rate requirement for 12, 6 or 3 month period prior to the nominated test period
- (2) Apply alternative test of turnover decline.

|  | Actual Mar-19    | Actual Mar-20     | Achieved Growth % | Required Growth % | Result of the Assessment          |
|--|------------------|-------------------|-------------------|-------------------|-----------------------------------|
| <b>GROWTH % DETERMINED - OPTION 1</b><br>Revenue of 12 months to | 140,000          | 205,000           | 46%               | 50%               | Not Eligible for alternative test |
| <b>GROWTH % DETERMINED - OPTION 2</b><br>Revenue of 6 months to  | Sep-19<br>95,000 | Mar-20<br>130,000 | 37%               | 25%               | Eligible for alternative test     |
| <b>GROWTH % DETERMINED - OPTION 3</b><br>Revenue of 3 months to  | Dec-19<br>60,000 | Mar-20<br>71,250  | 19%               | 12.50%            | Eligible for alternative test     |

#### ALTERNATIVE DECLINE IN TURNOVER TEST:

(3 months average compared to nominated test period)

|          | Jan 20 | Feb 20 | Mar 20 | Total (3 months) | Avg of last 3 months | Forecast Apr 20 | +/- Compared to Avg | %    | Result        |
|----------|--------|--------|--------|------------------|----------------------|-----------------|---------------------|------|---------------|
| Turnover | 16,906 | 23,214 | 31,130 | 71,250           | 23,750               | 26,400          | 2,650               | 11%  | Not satisfied |
| Turnover | 16,906 | 23,214 | 31,130 | 71,250           | 23,750               | 15,000          | (8,750)             | -37% | Satisfied     |



**Need help?**

We are always happy to help. Contact [Lutful Baki](#) if your business needs CFO assistance.

You can download more free COVID-19 business resources on the [Source website](#).