PRICE ROBERTS + CO Chartered Accountants
8552 2822

JobKeeper scheme

JobKeeper payments are available to entities that have 'eligible employees' or 'eligible business participants' (eg sole traders, partners in partnerships, adult beneficiaries of a trust and shareholders in or directors of a company), if the entity suffers a decline in turnover of at least 30% where the annual turnover is no more than $1b or 50% otherwise.

The decline in turnover is measured by comparing projected GST turnover for a month or quarter in 2020 (the test period) with actual GST turnover for the comparable period in 2019, eg the September 2020 quarter with the same quarter in 2019.

Alternative decline in turnover tests are available where it is not appropriate to compare the test period with the comparison period. This includes where:

- you did not commence business until after the comparison period;
- your turnover for the comparison period was unusually low (eg because of drought) – and not because of cyclical or regular seasonal variance; or
- turnover has increased significantly in the period before the test period (eg by 25% or more if looking at the 6-month period immediately before the test period).

If you are enrolling for JobKeeper payments for the first time, you must enrol your business and notify the employee or business participant (if appropriate) by the end of the month you wish to claim for.

You must also make a monthly business declaration (no later than the 14th day) to claim JobKeeper payments for the previous month.

Sole traders and other eligible business participants

If you are a sole trader or other business participant (eg a company director or a partner), you cannot claim JobKeeper payments unless you are actively engaged in the business carried on by the entity (this includes a sole trader). You cannot be an employee of the particular business entity or a permanent employee of any other entity. There are also age and residency requirements that must be satisfied.

Only one payment per entity can be claimed. For example, in the case of a partnership, only one partner can claim JobKeeper.

JobKeeper 2.0 – and other changes

The JobKeeper scheme was due to end on 27 September 2020. However, the Government has announced that the scheme will continue for an additional 6 months until 28 March 2021.

Other changes have also been announced:

- The eligibility rules (i.e. the decline in turnover test) will be revised.

- The payment rates will be reduced and a lower rate will be introduced for part-time workers.
- More employees are eligible for JobKeeper based on a new 1 July 2020 employment test (this change has already been implemented).

Revised turnover test – from 28 September 2020

From 28 September 2020, your business (including if you are a sole trader) will be required to re-assess its eligibility with reference to actual GST turnover in the September 2020 quarter. The business will need to demonstrate that it has met the relevant decline in turnover test in this quarter to be eligible for JobKeeper payments from 28 September 2020 to 3 January 2021. A business must recognise turnover on the same basis that they attribute GST (ie. cash or accruals basis).

Your business will need to further reassess its eligibility in January 2021. The business will need to demonstrate that it has met the relevant decline in turnover test in the December 2020 quarter to remain eligible for JobKeeper payments from 4 January to 28 March 2021.

Revised payment rates – from 28 September 2020

The amount of the JobKeeper payment is presently $1,500 a fortnight for each eligible business participant (or employee). If you are an employer, you must pay each eligible employee at least $1,500 per fortnight before tax.

The JobKeeper payment rates will reduce from 28 September 2020 as shown in the table below.

Period	Full rate per fortnight	Lower rate per fortnight
28 Sep 2020 to 3 Jan 2021	$1,200	$750
4 Jan 2021 to 28 Mar 2021	$1,000	$650

The full rate applies to:

- eligible business participants (eg sole traders) who were actively engaged in the business for 20 hours or more per week on average in February 2020 or in June 2020 (as appropriate); and
- eligible employees who, in the 4 weeks before 1 March 2020 or 1 July 2020 (as appropriate), were working for 20 hours or more a week on average.

The lower rate will apply to all other eligible business participants/employees.

Eligible employees – from 3 August 2020

The eligible employee test has been revised, so that a person employed on 1 July 2020 may also qualify as an eligible employee (from 3 August 2020). This includes long term casual employees (those employed on a regular and systematic basis during the 12-month period that ended on 1 July 2020). There are also age and residency requirements that must be satisfied.

If a person started work with their current employer after 1 July 2020, the employer will not be eligible to claim JobKeeper payments for that employee.

Pensions and annuities – minimum drawdown amounts

To assist retirees, the government has reduced the minimum annual payment required for account-based pensions and annuities, allocated pensions and annuities and market-linked pensions and annuities. The minimum amounts have been reduced by 50% for the 2019-20 and 2020-21 financial years.

If the minimum drawdown amount has already been paid, payments can be stopped for the remainder of the year. If you have received more than the minimum drawdown amount, you can recontribute these amounts if you are eligible to make superannuation contributions (subject to other rules or limits such as contributions caps).

Tax changes for 2019-20

Some of the 2019-20 tax changes that may affect you include:

- Instant asset write-off;
- Accelerated depreciation; and
- Restructuring a small business;

Instant asset write-off

The instant asset write-off (IAWO) for depreciating assets has been expanded and extended by 6 months to 31 December 2020.

The cost caps for **small businesses** (total annual turnover under $10m), including sole traders, are:

Date asset first used or installed ready for use by small businesses	**Cap (asset must cost less than)**
1 July 2019 – 11 March 2020	$30,000
12 March 2020 – 31 December 2020	$150,000

You should note that:

- the increased caps apply to assets acquired by small business entities (total annual turnover less than $10m) at or after 7.30 pm (AEST) on 12 May 2015;
- a medium business (total annual turnover $10m or more and under $50m) can access the instant asset write-off for depreciating assets first acquired in the period beginning at or after 7.30 pm (AEST) on 2 April 2019 and ending on 31 December 2020. The threshold depends on when the asset was first used or installed ready for use. If the asset was first used or installed ready for use:
  - before 12 March 2020 — the threshold is $30,000;
  - on or after 12 March 2020 to 31 December 2020 — the threshold is $150,000;
- the threshold for a "low value" pool for a small business entity (total annual turnover under $10m) is $150,000 for 2019-20 (and also 2020-21 if the entity's income year ends on or before 31 December 2020) - the total value of the pool is deductible at the end of the income year if it is below the threshold; and
- the lock-out rule – which locks a small business entity out of the simplified depreciation rules for 5 years if the business stops using those rules - will begin to apply again from the first income year that ends after 31 December 2020 (ie 2021-22 for businesses that balance at 30 June).

Accelerated depreciation

The accelerated rate of depreciation applies to **new** depreciating assets first held on or after 12 March 2020 and first used or installed ready for use on or after 12 March 2020 and before 1 July 2021. The asset must be used principally in a business in Australia or located in Australia.

The accelerated rate for small businesses is 57.5% (instead of 15%). The accelerated rate does not apply if you deduct immediately the cost of the asset using the instant asset write-off.

Restructuring a small business

If you are a small business owner and you restructure the business, capital gains or losses that would arise from transferring the business assets to another entity are deferred where there is no change in the ultimate economic ownership of the asset. This is called the small business restructure roll-over. It may apply where, for example, you are a sole trader and you transfer the business to a company you control.

Roll-over relief can apply to an asset used in a business carried on by your affiliate or a connected entity (that is also a small business).

A legislative amendment in 2020 fixed up a drafting error which incorrectly set the turnover threshold for an affiliate or entity connected with a small business at $2 million instead of $10 million. The change to set the threshold at $10 million goes back to 1 July 2016, which is when this roll-over commenced.

Home office

A lot more people are working from home because of the COVID-19 pandemic. If you operate your business from a home office, you can deduct the expenses of running that office. A home office is a room in your home that is used exclusively (or almost exclusively) for business activities.

Expenses you can claim a deduction for include:

- occupancy expenses – these include rent, mortgage interest, water rates, land taxes and house insurance premiums. Occupancy expenses are usually calculated by apportioning the expenses between the home office and the rest of the property on a floor area basis;
- running expenses – these are the increased costs from using your home for your business, including electricity or gas charges for heating, cooling and lighting, cleaning costs and the decline in value and the cost of repairs of deprecating assets such as furniture, furnishings and equipment; and
- work related phone and internet expenses, including the decline in value of the handset – an apportionment will be required if the phone or computer is not used exclusively for work.

If you are an employee working from home, you may be able to claim a portion of your running expenses and work-related phone and internet expenses.

To make it easier for people to claim deductions for working from home due to the COVID-19 pandemic, the ATO will allow a rate of 80 cents per hour from 1 March 2020 until 30 September 2020 for all additional running expenses. This also applies to anyone working from home, even if not operating a business.

This is different from the 52 cents per hour claim that covers fewer types of expenses. Talk to your tax adviser about what method is most appropriate for your circumstances.