

Issue – October 2020

JobKeeper Extension – Decline in Turnover Test & Alternative Methods for Special Situations

Basic Decline in Turnover Test

From 28 September 2020, businesses seeking to claim the JobKeeper payment will be required to demonstrate that they have suffered a 30% or more decline in turnover, **using current GST turnover – consistent with their BAS disclosure.**

From 28 September 2020, businesses will be required to reassess their eligibility with reference to their current GST turnover in the September quarter 2020, to be eligible for the JobKeeper Payment from 28 September 2020 to 3 January 2021 (the first extension period).

For the first extension period, businesses will need to demonstrate that their current GST turnover has fallen by 30% in the September quarter 2020 (July, August, September) relative to a comparable period (generally the corresponding quarter in 2019).

The Commissioner of Taxation has set out alternative tests to establish eligibility in specific circumstances where it is not appropriate to compare current turnover in a quarter in 2020 with current turnover in a quarter in 2019 and is similar to the Commissioner's existing discretion.

The Commissioner has now outlined eight (8) situations where comparability may not provide a meaningful indication of a decline in turnover and requiring an alternative turnover test. These are summarised below.

Scenario One - New Business Commenced

Purpose of Rule:

This alternative test allows the decline in turnover test to be applied to an entity which didn't carry on a business in the relevant comparison period. It does not apply to an entity that was operating one or more businesses and commenced a new additional business. **The entity must have commenced business before 1 March 2020 but after the first day of the relevant comparison period.**

Scenario Two - Business Acquisition or Disposal

Purpose of Rule:

This alternative test allows the decline in turnover test to be applied to an entity that acquired or disposed of part of their business from the start of the relevant comparison period in 2019 (including more than one acquisition or disposal) and the acquisition(s) or disposal(s) changed their turnover. **This test recognises that, due to the acquisition(s) or disposal(s), the business now was not the same business then, so the business in the relevant comparison period in 2019 is not comparable after the acquisition(s) or disposal(s).**

Scenario Three - Business Restructure

Purpose of Rule:

This test recognises that, due to the restructure, the business now was not the same business then, so the business from the start of the relevant comparison period in 2019 is not comparable after the restructure.

The use of the term 'restructure' here does not refer to a legal restructure of the entity through which the business is carried on, such as a sole trader restructuring to carry on the business through a company. It refers to an internal restructure such as by:

- merging the operations of two of an entity's businesses to increase efficiency and sales; or
- separating out the managerial and human resources operations of those now merged businesses into a separate division to improve efficiency and reduce staff undertaking those roles.

Scenario Four - Business Had Substantial Increase in Turnover

Purpose of Rule:

This alternative test is available to an entity if it had an increase in turnover of:

- (a) 50% or more in the 12 months immediately before the turnover test period or before 1 March 2020;
- (b) 25% or more in the 6 months immediately before the turnover test period; or before 1 March 2020;
- (c) 12.5% or more in the 3 months immediately before the turnover test period or before 1 March 2020.

This test recognises that, due to rapid growth, the business now was not the same business then, so the business in the relevant comparison period in 2019 is not comparable after the growth.

Scenario Five - Business Affected by Drought or Natural Disaster

Purpose of Rule:

This alternative test is available to an entity if it has been affected by a drought or other natural disaster in the relevant comparison period in 2019.

This test recognises that, due to a drought or other natural disaster which adversely affected the business, it is not appropriate to use the relevant comparison period in 2019.

Scenario Six - Business Has Irregular Turnover

Purpose of Rule:

This alternative test is available to an entity if it has an irregular turnover that is not cyclical, such as can occur in the building and construction sector. This test recognises that, due to the non-cyclical irregular turnover, it is not appropriate to use the relevant comparison period in 2019.

This alternative test is available to an entity if:

- (a) for consecutive three-month periods ending in the 12 months immediately before the turnover test period or 1 March 2020, the entity's lowest turnover for any of those three-month periods is no more than 50% of its highest turnover for any of those three-month periods; and
- (b) the entity's turnover is not cyclical.

Scenario Seven - Sole Trader or Small Partnership with Sickness, Injury or Leave

Purpose of Rule:

This alternative test is available to an entity if:

- (a) the entity is a sole trader or small partnership that has no employees;
- (b) the sole trader or at least one of the partners did not work for all or part of the relevant comparison period due to sickness, injury or leave; and
- (c) the turnover of the sole trader or partnership was affected by the sole trader or partner not working for all or part of that period.

Scenario Eight - For a business that temporarily ceased trading during the relevant comparison period

Purpose of Rule:

Temporarily ceasing to trade includes a business ceasing to make supplies or where it cannot otherwise offer its goods and services to customers. It does not require that the entity stopped carrying on business but requires a suspension of the ordinary activities of the business due to some event or circumstance outside the ordinary course of business.

Temporarily ceasing to trade also has to be for a week or more- for example, where a business that is run from purpose-built premises ceased trading for a week or more to move into new premises.

This alternative test is available to an entity if:

- the entity's business had temporarily ceased trading due to an event or circumstance outside the ordinary course of the entity's business
- the entity's business had temporarily ceased trading for a week or more
- some or all of the relevant comparison period occurred during the time in which your entity's business had temporarily ceased trading, and
- the entity's business resumed trading before 28 September 2020.

Ceasing trade at the end of a business day, on weekends and public holidays or ceasing trade during the off-season of a seasonal business would not satisfy this requirement. These all form part of the ordinary course of the entity's business. This alternative test **will not generally apply** where a business ceases trade because its sole trader or partner (in a small partnership) goes on planned leave.

If you would like a full overview of these alternative tests, please click on the link [HERE](#).

Disclaimer:

Business Plus is distributed monthly by CBSW Tax & Business Advisors to provide information of general interest to our clients. The content of this newsletter does not constitute specific advice. Readers are encouraged to consult their CBSW advisor for advice on any specific business matters.

Providing you
professional
direction



Our liability may be limited by a scheme approved under Professional Standards Legislation.