



General Information for Charities and Not-for-Profits on JobKeeper Payments

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Important Notice

- This presentation is intended to be for general information
- It is not financial advice
- It is not specific to any particular organisation
- Participants must determine how their organisation should proceed in the context of JobKeeper Allowance or any other aspect of the general information provided in this presentation.
- As such, participants should consider obtaining advice specific to their organisation's context and situation from an accountant or other appropriate professional person.
- The situation is also changing rapidly, so some of the information here may be nullified by future changes in policy. A number of aspects have NOT been legislated

Agenda

1. The Scheme
2. Principles
3. Risk Considerations
4. Some FAQs

QnA on specific questions

Key Points

- The scheme is a pump priming measure
- Different outcomes will be felt by different organisations
- Ethics of applying: it is expected that not all organisations will need the same financial aid. However, the program is intended to be rolled out fast and for the impact to be felt as soon as possible. Additionally, effective means testing costs time and money and so the potential impact will be at risk if delays occur
- It may be that organisations are able to use this program to help them future proof their sustainability
- Who knows how the economy will develop going forward?

Key Points

There are risks and costs to participating organisations:

- Need to pay out to staff prior to approval from government
- There are many unknowns, including as to what post facto investigations/audits will be carried out by the ATO
- Your organisation will need to cash flow the payment of the allowance as it is a reimbursement scheme
- Best interests of organisations to develop a set of principles demonstrating their decision making & documenting their rationale

1. The Scheme

What are the basic criteria?

- Employers can enroll for JobKeeper Payments if:
 - A Not-for-profit has a 30% fall in turnover; or
 - An ACNC registered charity has a 15% fall in turnover; and
 - The organisation employs eligible staff
- Compare GST Income between March or April 2019 with same month in 2020 or
- The projected quarter beginning in April 2020 with the same period last year.
Alternative tests are available.
- This requirement only needs to be satisfied once, however, there are ongoing monthly reporting requirements – *discussed later*

*Enrollment deadline for the JobKeeper scheme has been extended to 31 May 2020
BUT Payments must commence in the first week of May*

1. The Scheme

Further entitlements:

ACNC-Registered Charities: *(excluding schools and universities)*

- If turnover falls 15% below same period as previous year
- Can elect to exclude government revenue from the JobKeeper turnover test (not legislated)
- Donations included if part of normal operating income (different to grants)

Not-for-Profit Sector: *must pursue their objectives principally in Australia*

- If turnover falls 30% below same period as previous year

Religious Institutions:

- Payments in respect of religious practitioners who are not employees
- This doesn't apply to those that are students only

International Aid Organisations (not legislated):

- Only those endorsed under the Overseas Aid Gift Deductibility Scheme or for developed country relief

1. The Scheme

What does entitlement get you?

Employers are eligible for JobKeeper payment of \$1500 for all current employees (includes those rehired) who, at 1 March 2020:

- Are Australian residents, over the age of 16 (and not full time students who are 17 years old and younger and still financially dependent)
- Were full- or part-time; or were casual for more than 12 months
- Who agree to receive the allowance and this is documented (the payment must be made to eligible staff)
- **Volunteers are not eligible**



1. The Scheme

What does entitlement get you?

JobKeeper payments are paid in arrears each month and employers need to pay all eligible employees a minimum of \$1,500/fortnight (before tax). This may require 'topping-up' some employees' income.

The first payments to eligible employers will commence in the first week of May 2020. JobKeeper payments can be made for the period beginning 30 March 2020 (payments will only be available from the date the employee was rehired or 'back-paid').

1. The Scheme

Other important considerations:

‘One in, all in’ principle:

- Generally, all Not-for-profit eligible employees must be covered by the scheme, including those currently working and those that have been stood down.
- However, ACNC registered charities can differentiate where they exclude government funding in their assessment of eligibility and not apply for those staff employed using those government funds. Cash Flow.
- Not all employees are eligible though: employees with multiple jobs; employees who do not want to be paid the allowance

Traineeships:

- Cannot claim JobKeeper Payment for any individual apprentice when claiming *Supporting Apprentices and Trainees* during the same period.
- The employer will need to choose which payment best supports their circumstances.



1. The Scheme

Other important considerations:

Continued Payments

- If employers do not continue to pay their employees for each pay period, they will cease to qualify for the JobKeeper payment

Minimum \$1500 per fortnight per employee

- To eligible for the JobKeeper payment, each nominated employee must be paid more than \$1,500 (before tax) per fortnight.
- This may mean supplementing pay for some employees up to the threshold: Cash Flow Issue
- For the first two fortnights (from 30 March – 26 April), this can be back-paid by the employer until by 8 May.

1. The Scheme

Other important considerations:

Annual Leave and Other Entitlements

- Entitlements are only to be paid on the “normal” working hours / “normal” remuneration level of staff where the staff member is paid a top up. This is not part of the \$1,500
- Where staff work more hours or “make up” the difference between their normal hours/contribution in the case that they are receiving a top up, entitlements apply. So employers need to consider the additional cost where they request staff to work additional time (legislation pending)

1. The Scheme

Superannuation and PAYG

- Rules are being introduced to remove employer superannuation guarantee for supplemental payments to meet the JobKeeper \$1500 threshold
- Withholding taxes should occur as usual, accounting for supplemental payments
- **Accrued annual and sick leave**
- From the information available, there are no changes to the regular contractual accrual of annual or sick leave
- Do they need to turn up if their wages are guaranteed?
- Employees can be asked, but not forced, to take annual leave or work on different days or at different times

1. The Scheme

Performance of staff

- Can staff be asked to work more hours to make up for the supplementary pay?

An employer cannot direct but can request:

- A JobKeeper Enabling Direction can be given by employers to make up hours, if it is reasonable and fits in the scope of the organisation.
- Employees must be consulted at least 3 days before the JED is given.
- Employees must be paid their usual hourly rate, or a higher rate if asked to do a job that attracts it. They cannot be paid a lower rate.
- Employees must also continue to be paid any applicable penalty rate or other allowance that applies to the hours they work.

2. Principles

Definition of Income:

- Remunerative: receive income for providing a supply
- Earned: have to have entitlement to income from having provided the supply
- Unearned Income: income received in advance but NOT income yet – the supply not provided
- Cash Booster Payments are non-taxable and exempt. You might place these funds in a reserve or investment directly without going through the P&L

2. Principles

Government Income:

- Income received AND earned from a government:
Commonwealth, states, territories, local governments
- Government Agencies: clues - established via legislation, subject to public sector governance legislation, subject to ministerial direction, is an agent of the Crown, specific clause removing tax obligations, Auditor General role.
- Where grey area (e.g. NDIS) – questions for consideration are:
 - Who negotiates/sets the price?
 - Who do I invoice?
 - Who sets the administrative and financial structures?
 - Who pays?
- Accounting principles still apply: NDIS payments in advance are unearned by definition

2. Principles

Grant Income:

- Income Grants – received as income in consideration of a supply to be made: normal trading activities or received as a sustainability payment (e.g. LotteryWest)
- Asset-Related Grants – received and paid on to third party
- Governments may provide either of these types
- Accounting Standards:
 - Income Grants: Profit & Loss – when supply provided (earned)
 - Asset Grants: Balance Sheet – recognised over the life of the asset (consumed)

2. Principles

Turnover:

- Will be defined according to the current calculation for GST purposes and is reported on Business Activity Statements.
- It includes all taxable supplies and all GST free supplies but not input taxed supplies.
- *Again, ACNC registered charities have different rules for turnover.*

Alternative decline in turnover tests are available:

- For special purpose service entities that provide employee labour to group members and haven't met the basic turnover test; and
- For NFPs where last years turnover is not representative of their usual or average turnover, (e.g. newly established, turnover is typically highly variable scaling up, or large interim acquisition).

Links provided at the end

3. Risk Considerations

Documentation and risk considerations

The government is trying to stimulate the economy by giving out money with limited restrictions. This will likely change in the aftermath of the virus.

- *“If there is a significant difference between your projected turnover and what eventuates, we may need to assess whether your assessment was reasonable, so you need to keep good records of your calculations.”*
- If it is later determined that the organisation wasn't entitled to JobKeeper, they will be required to repay the overpaid amount.
- The Fair Work Commission will arbitrate any disputes, including for JobKeeper Enabling Directions – *keep records*
- Document all decisions, including how you got there.



3. Risk Considerations

Documentation and risk considerations

- Proof of income drop according to rules *as discussed earlier*
 - If working out likely sales, it needs to be a 'reasonable estimate' with documentation as proof.
- Keep records of previous earnings for the same month (or quarter) from last year and receipts for all employee payments.
- Consider changes in your accounting practices: continuity is better
- JobKeeper Employee Nomination Notice forms for all employees.
- Any JobKeeper Enabling Directions (must be in writing) signed and dated by employees – *must be agreed to 3 days before implementation unless employee agrees to waive this.*

3. Risk Considerations

Ongoing Reporting Requirements:

In addition to the important documents that should be retained, there are also ongoing reporting criteria

Each month the ATO requires orgs to:

- Provide information as to the current and projected GST turnover
- Reconfirm the eligibility of your business and your reported eligible employees.
 - *This is not a retest of eligibility, just a reconfirmation*
 - Eligible employees only need to be identified once. However, you need to maintain the list monthly and advise of changes to your eligible employees.



4. Frequently Asked Questions

- 1) What if we no longer meet the requirements? Do we have to step out of the system?
 - No, eligibility only needs to be proven once but monthly income must still be reported after that point

- 2) What happens if staff get paid the allowance via different organisations? To what extent do employers need to inform themselves of their employees' other jobs?
 - It is up to the employee to nominate one primary employer.
 - Employers should be aware that casual staff who have permanent employment elsewhere will have to use that employer for JobKeeper.

4. Frequently Asked Questions

- 3) Do employees receiving the allowance have to go to work?
- Eligible employees must be employed and payment is only from the fortnight they were re-engaged.
 - Stand Down JED can be given if work is not available
- 4) What post-COVID-19 assurance activities is the government looking to undertake?
- We don't know yet but they have been foreshadowed

Further Resources

The government policies are changing and it is important to stay up to date with the latest information. Here are some valuable links:

- Overview: <https://www.ato.gov.au/General/JobKeeper-Payment/>
- Latest Amendments: <https://www.legislation.gov.au/Details/F2020L00546>
- Basic turnover test: <https://www.ato.gov.au/General/JobKeeper-Payment/In-detail/Applying-the-turnover-test/?anchor=Basicstest>
- Alternative test: <https://www.legislation.gov.au/Details/F2020L00461>

Useful Factsheets:

- NFP Orgs: https://treasury.gov.au/sites/default/files/2020-04/Fact_sheet_support_for_nfp_organisations.pdf
- Fair Work (JobKeeper Enabling Direction):
https://treasury.gov.au/sites/default/files/2020-04/Fact_sheet-Changes_to_Fair_Work_Act.pdf

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