

JobKeeper | the alternative decline in turnover test has arrived!

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On 23 April 2020, the Coronavirus Economic Response Package (Payments and Benefits) Alternative Decline in Turnover Test Rules 2020 was registered as a Legislative Instrument to provide alternative decline in turnover tests for certain entities that would not satisfy the basic decline in turnover test (**Basic Test**) set in section 8(1) of the Rules registered on 9 April 2020.

The alternative tests are still based on an entity's GST turnover, but provide a different method to calculate the entity's comparison GST turnover.

The alternative tests apply where the entity does not satisfy the Basic Test. Where the entity has met the Basic Test, the alternative decline in turnover tests do not apply and cannot make an entity ineligible.

If any entity satisfies any of the alternative tests, they meet the decline in turnover test. The alternative turnover tests apply to the following class of entities:

1. entities that commenced their businesses before 1 March 2020 but were not in business for long enough to have a relevant comparison period;
2. entities that have acquired or disposed of part of their businesses on one or more occasions after a relevant comparison period in 2019 which resulted in a change in their turnover;
3. entities that have restructured their businesses on one or more occasions after a relevant comparison period in 2019 which resulted a change in their turnover;
4. entities with businesses which have undergone rapid growth in the 12 months period prior to the applicable turnover test period;
5. entities with irregular turnover and whose turnover are not cyclical;
6. sole traders and small partnerships which had their turnover affected because the sole trader or one or more partners were sick, injured or on leave; and
7. entities affected by the drought and other natural disasters.

New businesses

An entity that commenced business at least 3 months before 1 March 2020 may choose to calculate their monthly current GST turnover by either averages:

1. (first alternative test) averaging its current GST turnovers for each whole month that it has commenced business up to 1 March 2020; or
2. (second alternative test) averaging its last 3 month's current GST turnover immediately before 1 March 2020.

An entity that commenced business before 1 February 2020 but has commenced business for less than 3 months as at 1 March 2020 can only apply the first alternative test.

For an entity that commenced business after 1 February 2020, its monthly current GST turnover is its daily current GST turnover multiplied by 29.

If using a quarterly comparison period, the entity multiplies the average monthly current GST turnover by 3 under the first alternative test, or uses the total 3 month's current GST turnover under the second alternative test.

An entity applying this alternative test may disregard the months covered by the Bushfires 2019-2020 lodgement and payment deferrals or the Drought Help concessions, unless those months were the only months the entity has commenced business.

Recent acquisitions and disposals

An entity that made recent acquisitions or disposals after a relevant comparison period may use an alternative test if the acquisitions or disposals affected the entity's GST turnover.

For an entity using a monthly comparison period, the entity's current GST turnover under the alternative test is the current GST turnover for the month immediately **following** the last acquisition or disposal.

For an entity using a quarterly comparison period, the entity takes the current GST turnover for the month immediately **following** the last acquisition or disposal, and multiply by 3.

If there is no whole month after the **last acquisition or disposal before** the applicable turnover test period, the entity may use the GST turnover for the month immediately **preceding** the last acquisition or disposal.

An entity applying this alternative test may disregard the months covered by the Bushfires 2019-2020 lodgement and payment deferrals or the Drought Help concessions from the calculation, unless those were the only months available for the entities after the last acquisition or disposal.

Business restructure

Entities that have restructured their businesses after the relevant comparison period and before the applicable turnover test period, may use the alternative test if the restructure affected their turnover.

Comment

There does not appear to be any definition of 'restructure' in the Legislative Instrument.

For an entity using a monthly comparison period, it may use the current GST turnover for the month **immediately following** the last restructure. For an entity using a quarterly comparison period, it can multiply that current GST turnover by 3.

If there is no whole month after the last restructure, the entity may use the GST turnover for the month **immediately preceding** the last restructure.

Entities applying this alternative test may disregard the months covered by the Bushfires 2019-2020 lodgement and payment deferrals or the Drought Help concessions from the calculation, unless those were the only months available for the entities after the last restructure.

Businesses with rapid growth

Entities may apply an alternative test under this section if immediately before the applicable turnover test period, the entity had an increase in turnover of:

1. 50% or more over a 12 month period;
2. 25% or more over a 6 month period; or
3. 12.5% or more over a 3 month period.

For an entity with a substantial increase in turnover and is using a monthly comparison period, its monthly current GST turnover will be the average of its current GST turnover in the 3 months immediately before the applicable turnover test period. If using a quarterly comparison period, entity's current GST turnover will be the total current GST turnover in the 3 months immediately before the applicable turnover test period.

For an entity that qualifies for the Bushfires 2019-2020 lodgement and payment deferrals or the Drought Help concessions, they may use the 3 month period immediately before the commencement of the deferral or concessions in calculating the 3 months' GST turnover.

Business effected by drought or other natural disasters

When applying the Basic Test, an entity conducting business in a declared drought zone or a declared natural disaster zone during the relevant comparison period may use the entity's current GST turnover for the same period in the year immediately before the declaration of the drought zone or natural disaster zone.

Business with an irregular turnover

An entity will be able to apply the alternative test under this section if within a 12 month period, their turnover for their lowest turnover quarter is no more than 50% of the highest turnover quarter, and the entity's turnover is not cyclical.

An entity with an irregular turnover may calculate current GST turnover using a 12 month average current GST turnover immediately before the applicable turnover test period.

Entities applying this alternative test may disregard the months covered by the Bushfires 2019-2020 lodgement and payment deferrals or the Drought Help concessions from the calculation.

Sole trader or small partnership with sickness, injury or leave

An entity may use this alternative test if:

1. it is a sole trader or a partnership with no employees;
2. a 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;
3. the absence of the sole trader or the partner affected the turnover for all or part of that period.

For an entity using a monthly comparison period, the entity may use the current GST turnover for the month immediately following the month in which the sole trader or the partner returned to work.

For an entity using a quarterly comparison period, the current GST turnover will be the monthly turnover multiplied by 3.

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Alternative decline in turnover test at a glance

New Business	Started before 01/02/2020		Started after 01/02/2020		Started more than 3 months ago		Exclude Bushfire / Drought Help?
	Mth	Qtr	Mth	Qtr	Mth	Qtr	Yes – unless only months available
	$\frac{\text{GST turnover} \times \text{whole mths}}{\text{whole mths}}$	x3	Daily avg GST turnover x 29	x3	$\frac{\text{GST turnover} \times \text{whole mths}}{\text{whole mths}}$	x3	
					Mth	Qtr	
					$\frac{\text{Last 3 mths GST turnover}}{3 \text{ mths}}$	x3	
Acquisition or disposal	Monthly - current GST turnover for the month immediately following the last acquisition or disposal. Unless done after 1 Feb 2020, then use current GST turnover for Feb 2020. Quarterly - x 3						Yes – unless only months available
Restructure	Monthly - current GST turnover for the month immediately following the last restructure. Unless done after 1 Feb 2020, then use current GST turnover for Feb 2020. Quarterly - x 3						Yes – unless only months available
Rapid Growth >50% for 12 months >25% for 6 months >12.5% for 3 months	Monthly - $\frac{3 \text{ mths' GST turnover before applicable test period}}{3}$ Quarterly - x 3						Yes – use 3 months before deferral or concession.
Lowest turnover quarter ≤50% highest turnover quarter	12 month average current GST turnover immediately before the applicable turnover test period.						Yes
Business on declared drought zone or natural disaster zone	Current GST turnover for the same period in the year immediately before the declaration of the drought zone or natural disaster zone.						
Sickness Injury or Leave	Monthly - current GST turnover for the following month after the sole trader or the partner returned to work. Quarterly - x 3						Yes