

## **JOBKEEPER ALTERNATIVE TESTS**

If your business failed to pass the basic turnover test for JobKeeper, you may be eligible for the [alternative tests](#) released on the 23rd of April by the ATO as part of the ongoing updates to the application of the JobKeeper rules.

### **If you meet the basic test, there's no need to go to an alternative test**

There are seven scenarios considered with the JobKeeper alternative tests that address some common situations that businesses face –

1. Start-ups
2. Business Acquisition or Disposal
3. Business Restructure
4. Increase in Turnover
5. Affected by Drought or Natural Disaster
6. Irregular Turnover
7. Sole Trader or Small Partnership with sickness, injury or leave

Terminology used in this paper:

**'Comparison Period'** – The period of time to which you are comparing your Turnover Test Period – i.e. a time in the past calculated in line with the alternative tests available

**'Turnover Test Period'** – The period you are using to determine whether you satisfy the JobKeeper Alternative Tests when comparing turnover to the 'Comparison Period' – i.e. most likely to be March 2020, April 2020 or April – June 2020 quarter (can be a later month / quarter)

#### **Unresolved as at 25 April 2020 – Service / Employment Entities**

On Friday 24<sup>th</sup> of April 2020 – The Treasurer, Mr Frydenberg, announced that in order to protect the integrity and efficient operation of JobKeeper, a separate fall in turnover test would be created for firms that use a special purpose entity to employ their staff rather than being directly employed.

The new test will include combined GST turnovers of the companies that use the entity which employs a firm's staff. More to come on that front!

#### **Next Steps:**

The application of the Alternative Test Rules is very fact specific and requires a number of GST turnover calculations to be made for the various alternative periods. Due to the wide application of the alternative tests, businesses will likely be able to test using at least one of these alternative methods. Furthermore, in some cases, it may be possible for an entity to be able to access multiple tests (for example, where the business commenced, there was a restructure and an acquisition during the 12-month period).

Given the 30 April deadline for access to the first two JobKeeper payments is drawing near, please contact your BSA Partnership adviser for further information or for assistance in applying these measures.

## TEST 1 - Start-ups / New Business

- Use this test if you started your business before March 1, 2020, and don't have financials to compare against for the same period in 2019
- The test does not apply to an entity that was operating one or more businesses and commenced a new additional business (new division within an existing business)
- 2 alternative tests are available:
  - Test 1 - Average monthly current GST turnover, or
  - Test 2 - 3 months current GST turnover **if you started before December 1**
- Allows you to utilise one of the tests above as your 'Comparison Period' to your chosen 'Turnover Test Period';

Month Turnover Test Period	Quarter Turnover Test Period
○ March 2020	○ April – June 2020 Quarter
○ April 2020	
○ June 2020	
○ July 2020	○ July – September 2020 Quarter
○ August 2020	
○ September 2020	

### How Does it Work?

#### 1<sup>st</sup> Start-up Alternative test

Using Monthly Turnover Test Period	Using Quarterly Projected Test Period
<b>If business commenced before 1 February:</b>	
<ul style="list-style-type: none"> <li>▪ Count up the months you have been in business up to 1 March 2020</li> <li>▪ Total your turnover for those months</li> <li>▪ Work out your average monthly turnover using the above values</li> <li>▪ This is now your 'Comparison Period Turnover'</li> <li>▪ Now compare this with your chosen MONTHLY 'Turnover Test Period'</li> </ul>	<ul style="list-style-type: none"> <li>▪ Count up the months you have been in business up to 1 March 2020</li> <li>▪ Total your turnover for those months</li> <li>▪ Work out your average monthly turnover using the above values</li> <li>▪ Multiply this by 3</li> <li>▪ This is now your 'Comparison Period Turnover'</li> <li>▪ Now compare this with your chosen QUARTERLY 'Turnover Test Period'</li> </ul>
<p><b>IMPORTANT</b> – You exclude any months covered by the 2019 -20 Bushfire or Drought lodgement and payment concessions unless those were the only months you were in business</p>	

**1<sup>st</sup> Start-up Alternative test – continued**

Using Monthly Turnover Test Period	Using Quarterly Projected Test Period
<b>If business commenced AFTER 1 February:</b>	
<ul style="list-style-type: none"> <li>▪ Count up the days you have been in business up to 1 March 2020</li> <li>▪ Total your turnover from start of business to 1 March 2020</li> <li>▪ Divide your turnover by the number of days since the start of business</li> <li>▪ Multiply the ‘daily turnover’ by 29 – this will give you the ‘February 2020 turnover’</li> <li>▪ This is now your ‘Comparison Period Turnover’</li> <li>▪ Now compare this with you chosen MONTHLY ‘Turnover Test Period’</li> </ul>	<ul style="list-style-type: none"> <li>▪ Count up the days you have been in business up to 1 March 2020</li> <li>▪ Total your turnover from start of business to 1 March 2020</li> <li>▪ Divide your turnover by the number of days since the start of business</li> <li>▪ Multiply the ‘daily turnover’ by 29 – this will give you the ‘February 2020 turnover’</li> <li>▪ Multiply this by 3</li> <li>▪ This is now your ‘Comparison Period Turnover’</li> <li>▪ Now compare this with you chosen QUARTERLY ‘Turnover Test Period’</li> </ul>
<p><b>IMPORTANT</b> – You exclude any months covered by the 2019 -20 Bushfire or Drought lodgement and payment concessions unless those were the only months you were in business</p>	

**2<sup>nd</sup> Start-up Alternative test**

Can only be used if the new business started BEFORE 1 December 2019

Using Monthly Turnover Test Period	Using Quarterly Projected Test Period
<b>Business MUST have commenced 1 December 2019 OR EARLIER</b>	
<ul style="list-style-type: none"> <li>▪ Total the turnover for December 2019, January 2020 and February 2020</li> <li>▪ Divide that total by 3</li> <li>▪ This is now your ‘Comparison Period Turnover’</li> <li>▪ Now compare this with you chosen MONTHLY ‘Turnover Test Period’</li> </ul>	<ul style="list-style-type: none"> <li>▪ Total the turnover for December 2019, January 2020 and February 2020</li> <li>▪ This is now your ‘Comparison Period Turnover’</li> <li>▪ Now compare this with you chosen QUARTERLY ‘Turnover Test Period’</li> </ul>
<p><b>IMPORTANT</b> – You exclude any months covered by the 2019 -20 Bushfire or Drought lodgement and payment concessions unless those were the only months you were in business</p>	

## TEST 2 – Business Acquisition or Disposal

- If your **business restructured or had an acquisition or disposal** that took place between this time last year (Comparison Period) and now (Turnover Test Period) which affected your turnover.
- The event must have changed your business' turnover
- If you've had multiple changes, consider the most recent one
- If the most recent one had no full month between then and the period you're comparing to, use the month before

### How Does it Work?

Using Monthly Turnover Test Period	Using Quarterly Projected Test Period
<ul style="list-style-type: none"> <li>▪ Calculate turnover for the month AFTER acquisition or disposal</li> <li>▪ This is now your 'Comparison Period Turnover'</li> <li>▪ Now compare this with you chosen MONTHLY 'Turnover Test Period'</li> </ul>	<ul style="list-style-type: none"> <li>▪ Calculate turnover for the month AFTER acquisition or disposal</li> <li>▪ Multiply this by 3</li> <li>▪ This is now your 'Comparison Period Turnover'</li> <li>▪ Now compare this with you chosen QUARTERLY 'Turnover Test Period'</li> </ul>
<p><b>IMPORTANT</b> – You exclude any months covered by the 2019 -20 Bushfire or Drought lodgement and payment concessions unless those were the only months you were in business</p>	

## TEST 3 – Business Restructure

- If your business restructured – wholly or partly and that restructure took place between the relevant Comparison Period and the applicable Turnover Test Period
- The restructure must have affected your turnover
- If you've had multiple changes, consider the most recent one
- If the most recent one had no full month between then and the period you're comparing to, use the month before

### How Does it Work?

Using Monthly Turnover Test Period	Using Quarterly Projected Test Period
<ul style="list-style-type: none"> <li>▪ Calculate turnover for the month AFTER the restructure event</li> <li>▪ This is now your 'Comparison Period Turnover'</li> <li>▪ Now compare this with you chosen MONTHLY 'Turnover Test Period'</li> </ul>	<ul style="list-style-type: none"> <li>▪ Calculate turnover for the month AFTER the restructure event</li> <li>▪ Multiply this by 3</li> <li>▪ This is now your 'Comparison Period Turnover'</li> <li>▪ Now compare this with you chosen QUARTERLY 'Turnover Test Period'</li> </ul>
<p><b>IMPORTANT</b> – You exclude any months covered by the 2019 -20 Bushfire or Drought lodgement and payment concessions unless those were the only months you were in business</p>	

## TEST 4 – Increase in Turnover

- This provision makes allowances for high-growth businesses, including start-ups, that may have seen a significant increase in GST turnover in the past 12 months, but still suffered a decrease caused by the COVID-19 outbreak.
- 3 Tests are available if your business has grown significantly in either of the below 3 scenarios:
  - 50% or more over the 12-month period immediately before the applicable Turnover Test Period;
  - 25% or more in the 6-month period immediately before the applicable Turnover Test Period, or
  - 12.5% or more in the 3-month period immediately before the applicable Turnover Test Period.

### How Does it Work?

Using Monthly Turnover Test Period	Using Quarterly Projected Test Period
<ul style="list-style-type: none"> <li>▪ Choose your Turnover Test Month – say it’s March 2020</li> <li>▪ Calculate turnover for December 2019, January 2020 and February 2020 – total the 3 months</li> <li>▪ Divide the total by 3</li> <li>▪ This is now your ‘Comparison Period Turnover’</li> <li>▪ Now compare this with you chosen MONTHLY ‘Turnover Test Period’</li> <li>▪</li> </ul>	<ul style="list-style-type: none"> <li>▪ Choose your Turnover Test Month – say it’s March 2020</li> <li>▪ Calculate turnover for December 2019, January 2020 and February 2020 – total the 3 months</li> <li>▪ This is now your ‘Comparison Period Turnover’</li> <li>▪ Now compare this with you chosen QUARTERLY ‘Turnover Test Period’</li> </ul>
<p><b><i>NB – If you choose April 2020, then you calculate turnover for January, February and March 2020 and so on</i></b></p>	
<p><b>IMPORTANT</b> – You exclude any months covered by the 2019 -20 Bushfire or Drought lodgement and payment concessions unless those were the only months you were in business. Ideally - in this case, a business should not use the months in which it received these concessions as the comparison period. Instead, it should use the three months immediately before the concessions kicked in.</p>	

## TEST 5 – Drought or Natural Disaster

- The business was conducted in a declared drought or other natural disaster zone during the relevant Comparison Period and
- The drought or natural disaster changed turnover
- Business uses the **year prior** to the declaration of the drought or disaster zone as their Comparison Period

### How Does it Work?

Using Monthly Turnover Test Period	Using Quarterly Projected Test Period
<ul style="list-style-type: none"><li>▪ Choose your Turnover Test Month – say it's March 2020 – this is your 'Turnover Test Period'</li><li>▪ Compare March 2020 to March 2018 (instead of March 2019 as you would have to under the Basic Test)</li><li>▪ March 2018 is now your 'Comparison Period Turnover'</li><li>▪ Now compare the 2 for your decline calculations</li></ul>	<ul style="list-style-type: none"><li>▪ Choose your Turnover Test Quarter – say it's April – June 2020 – this is your 'Turnover Test Period'</li><li>▪ Compare this to the April – June 2018 quarter (instead of April- June 2019 as you would have to under the Basic Test)</li><li>▪ April – June 2018 is now your 'Comparison Period Turnover'</li><li>▪ Now compare the 2 for your decline calculations</li></ul>
<b><i>NB – If you choose April 2020, then you compare to April 2018 etc</i></b>	

(Test 6 – on next page)

## TEST 6 – Irregular Turnover

- A business can apply this test if their turnover is not considered cyclical (for example, entities with regular seasonal variance in their turnover)
- Businesses will also have to prove a significant difference in quarterly turnover.
- A business will be eligible if, over the 12 months leading up to the Turnover Test Period, the quarter with the highest turnover saw more than twice (>50%) the revenue of the lowest-performing quarter in the last 12 months
- The qualification for the test looks at what happened in the 12 months immediately before the period you're testing

### How Does it Work?

Using Monthly Turnover Test Period	Using Quarterly Projected Test Period
<ul style="list-style-type: none"> <li>▪ Choose your Turnover Test Month – say it's March 2020 – this is your 'Turnover Test Period'</li> <li>▪ Calculate your turnover for each quarter going back 12 months; <ul style="list-style-type: none"> <li>• Dec 2019 – Feb 2020</li> <li>• Sept 2019 – Nov 2019</li> <li>• June 2019 – Aug 2019</li> <li>• March 2019 – May 2019</li> <li>• Determine your highest quarter</li> <li>• Determine your lowest quarter</li> <li>• Work out whether your highest quarter turnover is 50% or more of your lowest quarter</li> <li>• If YES – you can use this test and proceed to the next step</li> </ul> </li> <li>▪ Total your turnover for the above quarters,</li> <li>▪ Divide this by 12 – this is now your 'Comparison Period Turnover'</li> <li>▪ Compare this to your chosen 'Turnover Test Period' – March 2020 in this case</li> </ul>	<ul style="list-style-type: none"> <li>▪ Choose your Turnover Test Quarter – say it's April – June 2020 – this is your 'Turnover Test Period'</li> <li>▪ Calculate your turnover for each quarter going back 12 months; <ul style="list-style-type: none"> <li>• Jan 2020 – March 2020</li> <li>• Oct 2019 – Dec 2019</li> <li>• July 2019 – Sept 2019</li> <li>• April 2019 – June 2019</li> <li>• Determine your highest quarter</li> <li>• Determine your lowest quarter</li> <li>• Work out whether your highest quarter turnover is 50% or more of your lowest quarter</li> <li>• If YES – you can use this test and proceed to the next step</li> </ul> </li> <li>▪ Total your turnover for the above quarters</li> <li>▪ Divide this by 12</li> <li>▪ Multiply by 3 - this is now your 'Comparison Period Turnover'</li> <li>▪ Compare this to your chosen 'Turnover Test Period' – April – June 2020 quarter in this case</li> </ul>
<p><b>NB – If you choose April 2020, then you compare to the quarters starting April 2019 and so on</b></p>	
<p><b>IMPORTANT</b> – You exclude any months covered by the 2019 -20 Bushfire or Drought lodgement and payment concessions unless those were the only months you were in business. Ideally - in this case, a business should not use the months in which it received these concessions as the comparison period. Instead, it should use the three months immediately before the concessions kicked in.</p>	

## TEST 7 - Sole Trader or Small Partnership with sickness, injury or leave

- Use this If you are a Sole Trader or a Small Partnership and have no employees, and **you or at least one of the partners couldn't work** during a relevant period and this affected your turnover
- **'Small Partnership'** – is a partnership of no more than 4 individuals
- Only applicable if the Sole Trader or Small Partnership has no employees
- The test only applies to small partnerships as small partnerships would have more difficulty in compensating for the absence from work of one of the partners, and larger partnerships can expect absences

### How Does it Work?

Using Monthly Turnover Test Period	Using Quarterly Projected Test Period
<ul style="list-style-type: none"> <li>▪ Calculate turnover for the month AFTER the sole trader or partner returned to work</li> <li>▪ This is now your 'Comparison Period Turnover'</li> <li>▪ Now compare this with you chosen MONTHLY 'Turnover Test Period'</li> </ul>	<ul style="list-style-type: none"> <li>▪ Calculate turnover for the month AFTER the sole trader or partner returned to work</li> <li>▪ Multiply this by 3</li> <li>▪ This is now your 'Comparison Period Turnover'</li> <li>▪ Now compare this with you chosen QUARTERLY 'Turnover Test Period'</li> </ul>
<p><b>IMPORTANT</b> – You exclude any months covered by the 2019 -20 Bushfire or Drought lodgement and payment concessions unless those were the only months you were in business</p>	

### JobKeeper References:

<a href="#">Rules Legislation</a>	<a href="#">Rules EM</a>
<a href="#">Alternative Tests Legislation</a>	<a href="#">Alternative Tests EM</a>
<a href="#">ATO</a>	<a href="#">Employee Fact Sheet</a>
<a href="#">General Fact Sheet</a>	<a href="#">Employer Fact Sheet</a>
<a href="#">FAQ</a>	<a href="#">Integrity Fact Sheet</a>