JobKeeper payment scheme

Decline in turnover test FAQ

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This document addresses the most commonly asked questions regarding the decline in turnover test for the purposes of assessing eligibility for the Federal Government's JobKeeper program. For more information and resource related to JobKeeper, click below:

Instructional webinars | Additional FAQs | GST turnover check-list

For more information about the eligibility criteria that must also be satisfied to access JobKeeper payments click here.

The information in this document is current as at the date referred to above. Please note that the ATO is updating its website guidance on the JobKeeper scheme on a regular basis. We will continue to update this document as required. For example, where further clarity on unresolved issues has been received from the Australian Taxation Office (ATO) or where the Commissioner has issued a legislative instrument as provided for under the *Coronavirus Economic Response Package (Payments and Benefits) Rules 2020*.

How do I satisfy the JobKeeper decline in turnover test?

The JobKeeper decline in turnover test must be satisfied for an employer to be eligible for JobKeeper payments. However, the test must only be satisfied once – i.e. once an entity establishes that there has been a qualifying decline in turnover, there is no requirement to retest its turnover in later periods.

A qualifying decline in turnover is at least

30%	50%	15%
for employers with an aggregated turnover that does not exceed $1b	for employers with an aggregated turnover in excess of $1b	for certain ACNC-registered charities

For the purposes of the JobKeeper rules, turnover is based on GST concepts of current GST turnover and projected GST turnover as defined in the GST legislation, and as modified solely for the purpose of the JobKeeper rules. There are two main tests – the basic test and the alternative test. These are briefly summarised below.

Basic test

To assess whether there has been a decline in turnover of the required percentage, an entity must estimate its projected GST turnover for the chosen monthly or quarterly test period and compare that projected GST turnover to its current GST turnover for the corresponding period in 2019. Importantly, the JobKeeper fortnight must fall into the relevant period being tested. For example, the first fortnight (commencing on 30 March and ending on 12 April 2020) falls into the period of March 2020, April 2020 and the quarter ended 30 June 2020.

Projected GST turnover includes the value of all the supplies that an entity has made or is likely to make in the test period. A supply is likely to be made where, on the balance of probabilities, it can be predicted that the supply is more likely than not to be made Generally, the value of taxable supplies is calculated as the GST exclusive amount.

Alternative test

The Commissioner has issued the *Coronavirus Economic Response Package (Payments and Benefits) Alternative Decline in Turnover Test Rules 2020*. It is a legislative instrument that sets out seven scenarios in which an entity may be able to test its decline in turnover using an alternative test, due to there not being an appropriate comparison period in 2019. The JobKeeper Rules have also been amended to allow service entities that meet certain criteria to test their decline in turnover using an alternative test.

Answers to FAQ

1. Do I use a cash or accruals basis to calculate the value of supplies made during the test period and comparison period?

The decline in turnover calculation requires you to include taxable and GST-free supplies that you have made, or are likely to make, in the relevant month or quarter. The calculation is based on the time you make the supplies.

The ATO has issued Law Companion Ruling LCR 2020/1 which sets out different ways of calculating turnover that may be reasonable in your circumstances. However, as a practical matter, the ATO's expectation is that you will use the GST accounting method that you normally use.

This means that:

Employers who account for GST on an accruals basis and have lodged their BAS on that basis, would be expected to use the GST attribution test that applies to them (i.e. issue of invoice or receipt of any consideration, whichever occurs first). They need to use the same test for both the test period and comparison period.

Employers who account for GST on a cash basis and have lodged their BAS on that basis, would be expected to use the GST attribution test that applies to them (i.e. cash receipts). They need to use the same test for both the test period and comparison period.

If you choose to use a different method of calculating your turnover from the one outlined above, you should consider whether that method could be considered to be a reasonable one on the basis of your circumstances.

The ruling also states that if you normally account for GST on an accruals basis, but seek to do the decline in turnover calculation on a cash basis (or vice versa), the ATO may seek to understand your circumstances to ensure that the calculation achieves an appropriate reflection of your turnover.

Importantly, however, the ATO makes it clear that whichever basis you use must be used consistently for both the test period and the comparison period.

2. If an entity lodges its BAS on a quarterly basis does it have to test its turnover on a quarterly basis?

No. Entities can choose the period they test; it is not linked to the basis on which the entity reports its GST. For example, a quarterly BAS lodger can choose to test on a monthly basis and vice versa.

If you are a **quarterly BAS lodger** and choose the month of April 2020 as your test period, April 2019 must then be your comparison period. The quarter ended 30 June 2019 cannot be your comparison period.

You must review the specific comparison month to confirm the value of all supplies made in that particular month, rather than simply dividing the June 2019 quarter figures by three. Please keep in mind that the amounts reported on the BAS may not necessarily correspond to the correct GST turnover for those periods.

3. When assessing turnover, does revenue for March 2020 count? The scheme commences 30 March, however can the month of March be considered for testing turnover?

Yes, employers can use the month of March 2020 as their test period. To test whether an employer meets the required decline in turnover in respect of the first JobKeeper fortnight starting on 30 March, you can compare either:

Current GST turnover for March 2020 with current GST turnover for March 2019	**Projected GST turnover** for April 2020 with current GST turnover for April 2019	**Projected GST turnover for the quarter** commencing 1 April 2020 with current GST turnover for the quarter commencing 1 April 2019.

To satisfy the decline in turnover test from a later date, you can use any test month from May to September 2020 or the quarter commencing 1 July 2020.

4. We lodge our BAS quarterly. If we are testing a monthly period, how do we validate our data compared to what is reported on our bas? Can we rely on internal financial data?

Yes, you can use internal financial data to test a particular month where you have decided to assess your turnover on a monthly basis.

5. We report our GST on an annual basis. What period should we use to test for a decline in turnover?

You are able to use either a monthly or quarterly test period.

6. What if we identified an error in last year's BAS where we under-reported our GST supplies? Do we have to reconcile to the figures we lodged?

If you have discovered that the supplies reported in your 2019 comparison period BAS were incorrect, you should make your comparison against the correct figures. Correct data must be used when calculating and comparing your turnover. You should also separately consider whether the error in reporting has resulted in a GST shortfall for the period which may need to be corrected via an amended BAS.

7. Can I just use the sales reported on my BAS?

While the turnover reported at label G1 on the BAS is a good starting point, there are a number of adjustments that may be required to this amount in order to correctly calculate the projected GST turnover for the test period, and the equivalent current GST turnover for the corresponding comparison period in 2019.

Please refer to our detailed GST JobKeeper Turnover Checklist. This checklist outlines some important issues that you should take into account when calculating both projected GST turnover and current GST turnover for the purposes of the JobKeeper scheme.

8. What supplies should I include and what supplies should I exclude from the turnover test?

The JobKeeper turnover test is based on a modified version of GST turnover as defined in the GST Act. An example of the types of supplies that should be included and excluded from your JobKeeper GST turnover are below. For more detailed guidance on what should be included and excluded from your JobKeeper GST turnover, please refer to GST JobKeeper Turnover Checklist.

Included	Excluded
GST-free supplies, such as exports of goods or services, sales of going concerns, medical supplies, education.	Input taxed supplies (such as residential rental income, income from share sales and interest income)
One-off sales or unusually large contracts.	Supplies not connected with Australia.
Government and non-government grants that are received as consideration for a taxable supply.	Sales of capital assets that occur in your test period (must be included if they occurred in your comparison period).
Supplies made between members of a GST group, which are excluded from the BAS.	

9. We have changed from reporting GST on a cash basis to an accruals basis – how is this handled?

As you currently report GST on an accruals basis, our view is that you should use an accruals basis to calculate your JobKeeper GST turnover in both the test period and the comparison period.

Please also refer to the answer to question 1 above. The ATO's ruling LCR 2020/1 states that if you normally account for GST on an accruals basis, but seek to do the decline in turnover calculation on a cash basis (or vice versa), the ATO may seek to understand your circumstances to ensure that the calculation achieves an appropriate reflection of your turnover.

Importantly, however, the ATO makes it clear that whichever basis you use must be used consistently for both the test period and the comparison period.

10. Does a cashflow projection suffice for calculating turnover?

For the purposes of calculating projected GST turnover, ATO ruling LCR 2020/1 states that the Commissioner will accept a calculation based on a bona fide business plan, accounting budget or some other reasonable estimate. It is important that you retain relevant evidence to support a prediction of supplies likely to be made.

11. Are input taxed supplies included in turnover?

No, input taxed supplies should be excluded from your turnover – both for your test period and your comparison period.

12. Is interest (both bank interest and interest on related party loans) considered GST-free or input taxed supplies for ordinary businesses?

In an ordinary business context, interest income constitutes consideration for an input taxed supply. It should therefore be excluded from the GST turnover calculation. It is not uncommon for interest income to be incorrectly reported on the BAS (or incorrectly coded in the accounting system) as GST-free income. You should therefore check how interest income has been recorded and reported in your business to ensure that your JobKeeper GST turnover is calculated correctly.

13. The ATO website seems to say that "sales that aren't taxable" are excluded. Can you elaborate on this?

GST-free supplies must be included in turnover but input taxed supplies must be excluded.

Non-taxable transactions can result from supplies made for no consideration or that fall outside the GST net. These are a different category to GST-free supplies and do not form part of turnover, other than certain supplies made to associates for no consideration.

14. If starting from the BAS – Do I take the amounts that would be reported at G1, G2, G3 on the BAS for the test period and the corresponding GST-exclusive values from the 2019 period for comparison?

The G1 figure on the BAS should already include both the G2 and G3 numbers. If not (i.e. because of a reporting error), then these should be included when calculating your turnover.

The GST exclusive values form the turnover, so you may also need to reduce your G1 amount by the GST component of your taxable supplies if you report G1 on a GST-inclusive basis.

15. Are direct shipment sales of goods from one overseas country direct to a customer in another overseas country excluded?

Yes, the sale of goods that occurs wholly outside of Australia (i.e. the goods are not shipped to or from Australia) is not connected with Australia and should therefore be excluded from turnover.

16. Our company receives 70% of its income from overseas clients so no GST is included in the price. is this revenue included in the GST turnover calculation?

If the overseas income relates to making GST-free supplies, it is counted as part of the turnover calculation. However, if the income relates to supplies that are not connected with Australia (for example, from goods that are sold wholly outside of Australia) it would be excluded from the turnover calculation. The answer to this question will depend upon what is being supplied to overseas clients (i.e. a good or service), and how and where the supplies are being made.

17. Are sales / transfers to divisions within the same ABN excluded from the turnover test?

Yes. The JobKeeper provisions are based on the turnover of each separate legal entity. Transfers or supplies made between branches or divisions of the same legal entity are ignored. Only transactions between the employer entity and other separate legal entities should be included.

18. Do I need to include any insurance settlements that are received in the calculation of turnover?

No, payments resulting from settlements of insurance claims should be excluded from turnover in both the test period and the comparison period.

19. Should turnover be on a grouped or ungrouped basis If the turnover from one part of the business is normally grouped with the turnover of another part of the business? For example – a school which has a pre-school.

The GST grouping rules allow separate legal entities to form a single group for GST reporting purposes. One BAS is lodged by a representative member which reports all of the GST amounts for the different legal entities within that group.

In this example, if the school and pre-school are part of the same legal entity (i.e. they are just a division or branch of the one entity), the turnover should not be ungrouped. If the school and pre-school are operated through separate legal entities, the turnover should be ungrouped and assessed separately.

20. **We forecast (and experienced) a downtown for April 2020 which meets the 30% decline in turnover. We use this as our basis to claim the JobKeeper payment. What happens if we trade as normal in subsequent months in line with prior year or do even better than prior year, Will we still receive the JobKeeper payment for the whole 6 months?**

Yes, you only need to satisfy the decline in turnover test once. You will then be entitled to receive the JobKeeper payments until the scheme ends in September 2020 (provided you continue to meet all other requirements during the 6-month period). You are not required to re-test your decline in turnover in any subsequent period. However, you must still report your current and projected GST turnover to the ATO for each month that you apply to receive a payment.

21. **We estimate that we will not see a decline of 30% or more in GST Turnover until July 2020. If we can reasonably support this position now – e.g. through detailed forecasts, business plans, projections, etc. Are we able to claim JobKeeper from the first pay fortnight ending 12 April? Or will we only be able to claim from the month (or alternatively quarter) from which we first met the test criteria? In this instance from 6th July?**

The relevant JobKeeper fortnight in respect of which you receive a payment must end on or after the start of the test period that you choose.

Therefore, if the relevant decline in turnover threshold won't be satisfied until the month of July 2020, you won't be eligible for the JobKeeper payments until the first JobKeeper fortnight that ends in July.

To qualify for a payment in respect of the first JobKeeper fortnight, you only have 3 possible test periods. To test whether you have suffered the requisite decline in turnover, you can compare either:

Current GST turnover for March 2020 with current GST turnover for March 2019	**Projected GST turnover** for April 2020 with current GST turnover for April 2019	**Projected GST turnover for the quarter** commencing 1 April 2020 with current GST turnover for the quarter commencing 1 April 2019.

22. **If an invoice is issued in April 2020 for 12 months' worth of services (April 2020 to March 2021), is the 'GST turnover' calculated as the one month of April 2020 or the full 12 months?**

Please refer to the answer to question 1 above. It may be reasonable in these circumstances to use an accounting accruals basis to calculate your decline in turnover. However, that needs to be considered in the context of your specific circumstances and you must use the same basis for both the test period and the comparison period.

23. **We invoice customers in arrears every 2 weeks on a Wednesday. This year Wednesday falls on the 1st of July. Is the amount invoiced in July included as part of GST turnover for July 2020 even though the service was performed in June 2020?**

Please refer to the answer to question 22 above.

24. **We will issue an invoice on settlement of a case where the work was undertaken over the past 3 years. The invoice is abnormal and means we can't satisfy the 30% decline in turnover. Can we apply to the Commissioner for a ruling, or can we amortise the amount given that normal turnover has declined and it is only the one invoice that is causing us to fail the test?**

Please refer to the legislative instrument that has been issued by the ATO, which prescribes alternative tests for certain classes of qualifying entities that do not have an appropriate comparison period under the basic test, including entities that have a large irregular variance in their turnover.

25. **If a credit note is issued in period three for an invoice that was issued in period 1 do you need to go back and reduce the period 1 invoice or is it reduced in period 3?**

Please refer to the answer to question 1 above. Where the entity calculates its turnover using the GST attribution test, it is possible that the credit note should be accounted for in period 3 in accordance with the standard GST attribution rule that applies to accruals basis taxpayers. We are awaiting ATO confirmation of how credit notes should be treated.

26. My business is anticipating a significant increase in bad debts over the foreseeable future. – can this be taken into account in calculating a decline in turnover?

Unlike discounts or other credits, adjustments for bad debts under Division 21 of the GST Act do not change the value of a supply and cannot be taken into account when calculating a decline in turnover.

27. Are supplier rebates that are processed as supplier credits considered to be taxable supplies, or are they excluded from the calculation of turnover?

Rebates received from suppliers which constitute an adjustment event for GST purposes should be excluded from turnover because they do not impact your supplies.

However, if the rebate represents consideration for a separate supply (such as advertising) made by you to your supplier, that rebate should be included in your turnover because it is consideration for a supply you have made.

28. We are in the property industry – how do we prove a decline of 30% or more in turnover for apartment sales if contracts have been exchanged but no settlements have occurred?

For GST purposes, a supply of real property is normally made when settlement occurs. Unless settlements have occurred, there would be no GST turnover. If there were no settlements made in your comparison period (i.e. no supplies), but you have had settlements in your test period, you would be unable to satisfy the basic decline in turnover test.

Please refer to the legislative instrument that has been issued by the ATO, which prescribes alternative tests for certain classes of entities that do not have an appropriate comparison period under the basic test, including entities that have an irregular turnover.

29. After testing, we have estimated a decline in GST turnover of more than 30% but our turnover relating to input taxed financial supplies has increased by an amount higher than the decline in GST turnover. Do we still satisfy the decline in turnover test?

Yes, you should still satisfy the decline in turnover test. You are not required to include any revenue received from input taxed supplies in the calculation of your turnover.

30. We are a not for profit who received a large capital grant during the test period. This is an unusual transaction for us and is subject to GST. should this be included in the GST turnover test? This transaction would make the difference between whether we qualify a not.

Please refer to the legislative instrument that has been issued by the ATO, which prescribes alternative tests for certain classes of qualifying entities that do not have an appropriate comparison period under the basic test, including entities that have an irregular turnover.

Consideration should also be given to whether your decline in turnover test could be performed on an accounting accruals basis, as opposed to a GST attribution basis.

The JobKeeper Rules also allow ACNC-registered charities (other than Table A and B Providers or schools) to exclude from their turnover any supply where the consideration for the supply is provided by an Australian government agency, a local governing body, the United Nations, or an agency of the United Nations. An election to this effect must be provided to the Commissioner within 7 days of the entity notifying the Commissioner of their decision to participate in the JobKeeper scheme and the election cannot be revoked.

31. If a business receives non-core business revenue during the COVID-19 period will this be included in the calculation?

For example – the core business is a gin distiller, but it has temporarily pivoted to making hand sanitizer. Will the new temporary revenue be included or does the turnover test only compare like for like product type?

Yes. Projected GST turnover and current GST turnover refers to the value of any supplies a business makes or is likely to make in the relevant period. Accordingly, revenue earned through a new, even temporary business line must be included for the purposes of determining turnover.

32. My business will receive short term "new income" administering a government funded covid-19 business relief program – Supporting Apprentices and Trainees package – will this be included in my turnover?

If the funding represents consideration for a supply made by the business to the Government, it must be included in the turnover calculation. However, if the funding does not represent consideration for any supply made to the Government it should not be included in the calculation. Whether a supply has been made in return for the funding will depend on the terms and conditions associated with the funding. An analysis of the funding arrangement would be required to determine this.

33. My business operates under a Software as a Service (SaaS) business model – how do i calculate turnover for annual subscriptions charged and paid in advance?

Please refer to the answer to question 22 above.

34. Our NFP's main sources of income are student fees and administration fees – both are GST-free. There is no change to our GST taxable income. Enrolments are down, potentially due to COVID-19. Are we still eligible for the JobKeeper Payment?

The decline in turnover test includes all taxable and GST-free supplies made by an entity. If the value of all supplies made by the entity (both taxable and GST-free supplies) has reduced by 30% or more when compared to the same period in 2019, the entity should be able to satisfy the decline in turnover test, regardless of the reason for the decline.

35. Corporate real estate agents who are on cash basis for GST purposes will be collecting sales commission during the June 2020 quarter for sales generated in the March 2020 quarter. However, their actual sales for the June 2020 quarter are going to be substantially down on the previous year comparison. How do they establish this reduction in turnover?

Please refer to the answer to question 22 above.

36. We are required to report all sales we make to New Zealand on a New Zealand GST return. Are these sales included in the GST turnover calculation?

If the sales are included on a New Zealand GST return, this suggests that the supplies are connected with the New Zealand GST regime and may not by connected with Australia, and therefore not counted in the turnover test.

However, the issue to consider is whether the same transactions are possibly GST-free supplies for Australian GST purposes. If so, the sales should be included within the turnover calculation. Further analysis of the arrangement and types of supplies made would be required to determine the treatment.

37. We invoiced a significant one-off contract in April 2020 that was awarded in February 2020. Without this contract we would meet the turnover test but when it is included our revenue doesn't fall by 30%. Are we able to exclude this invoice for calculation purposes as it is not in the ordinary course of our business and as a one-off, we will never have again?

Please refer to the legislative instrument that has been issued by the ATO, which prescribes alternative tests for certain classes of qualifying entities that do not have an appropriate comparison period under the basic test, including entities that have an irregular turnover.

38. Could you please confirm that the modified rules for ACNC-registered charities and DGR's which require donations to be included in the calculation of turnover do not change the way we report our BAS?

The special turnover rules relating to ACNC-registered charities and DGR's only apply for JobKeeper eligibility purposes. They do not impact the way in which you should prepare your BAS.

39. Am I eligible for JobKeeper payments if I am carrying on a business but do not currently hold an ABN?

To be eligible for JobKeeper payments you must have held an ABN and been conducting an eligible business on 12 March 2020. Although the Commissioner has a discretion to grant further time to hold an ABN in limited circumstances, PS LA 2020/1 states that this discretion will only be exercised in limited circumstances.

For any other queries

Important information

This document is not intended to represent an exhaustive list of all issues that should be considered when assessing your GST turnover for the purposes of the JobKeeper scheme. It is intended to capture a broad range of issues which may or may not be relevant to your particular circumstances. The information provided in this document is of a general nature and has been prepared without taking into account your specific circumstances or financial position. It is not intended to constitute advice.

Further information and assistance

Contact any of the Pitcher Partners GST experts for further information and assistance.

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