



JobKeeper 2.0

Additional Alternative Decline in Turnover Test

On 23 September 2020, the [Coronavirus Economic Response Package \(Payments and Benefits\) Alternative Decline in Turnover Test Rules \(No. 2\) 2020](#) (‘the DIT No. 2 Rules’) were registered and set out the Alternative decline in turnover tests that certain classes of entities can apply to determine their eligibility for JobKeeper 2.0.

On 9 October 2020, the Commissioner’s Legislative Instrument, the [Coronavirus Economic Response Package \(Payments and Benefits\) Alternative Decline in Turnover Test Amendment Rules 2020](#) was registered. This instrument amends the *DIT No. 2 Rules* by including an **additional class of entity** that may be able to apply an Alternative decline in turnover test.

The additional class is targeted at entities that **temporarily ceased trading** during the relevant comparison period. Further details are set out below. The amended *DIT No. 2 Rules* apply in relation to JobKeeper fortnights beginning on, or after, 28 September 2020.

Note: This update is designed to be read in conjunction with the NTAA’s document titled [JobKeeper 2.0 Alternative Decline in Turnover Tests](#), released on 29 September 2020

1. Alternative decline in turnover tests for businesses that temporarily ceased trading

Where an entity temporarily ceased trading during part, or all, of the relevant comparison period in 2019, it will be at a significant disadvantage when trying to satisfy the Basic decline in turnover test. Clearly, such entities can still have their test period turnover affected by COVID-19. In recognition of this, the *DIT No. 2 Rules* were amended to include two different alternative tests that can be applied.

1.1 When can an entity apply these new Alternative tests?

Under S.14(1) of the amended *DIT No. 2. Rules*, an entity can apply either of these two new Alternative tests if all of the following conditions are met:

- (a) the entity’s business had temporarily ceased trading due to **an event or circumstance outside the ordinary course of its business**;
- (b) trading temporarily ceased for a **week or more**;
- (c) some or all of the relevant comparison period **occurred during the time in which the entity’s business had temporarily ceased trading**; and
- (d) the entity’s business **resumed trading before 28 September 2020**.

According to the [Explanatory Statement](#) to the *Coronavirus Economic Response Package (Payments and Benefits) Alternative Decline in Turnover Test Amendment Rules 2020*:

- Ceasing trade at the end of a business day, on weekends, public holidays or during the off-season of a seasonal business would not satisfy the requirement that ceasing trading is because of an event or circumstance outside the ordinary course of the entity’s business. These all form part of the ordinary course of the entity’s business (refer to paragraph 17).

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- 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 for all or part of the relevant comparison period. These circumstances would not be outside the ordinary course of the entity's business, but may be covered by the alternative test in S.13 of the *DIT No. 2 Rules* (refer to paragraph 18).

The alternative test in S.13 of the *DIT No. 2 Rules* is discussed in the NTAA's document titled [JobKeeper 2.0 Alternative Decline in Turnover Tests](#) (referred to above) under Heading 7, 'Alternative test for sole traders or small partnerships with sickness, injury or leave'.

- Temporarily ceasing to trade includes where a business ceases to make supplies or 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 while it is still carrying on business due to some event or circumstance outside the ordinary course of business (refer to paragraph 20).

1.2 What is Alternative test 1?

Under this alternative test, rather than comparing its current GST turnover for the turnover test period (e.g., September 2020 quarter) with its current GST turnover for the relevant comparison period (i.e., September 2019 quarter), it compares it with its:

Current GST turnover for the same period in the year immediately before the business temporarily ceased trading

Therefore, if the turnover test period is the September 2020 quarter, an entity's current GST turnover for this quarter is compared with its current GST turnover for the September 2018 quarter.

If the turnover test period is a month (e.g., October 2020), which would only be relevant for an entity that did not participate in JobKeeper 1.0, the entity will compare its projected GST turnover for that month with its current GST turnover for the month of October 2018.

1.3 What is Alternative test 2?

Under this alternative test, rather than comparing its current GST turnover for the turnover test period (e.g., the September 2020 quarter) with its current GST turnover for the relevant comparison period (i.e., the September 2019 quarter), it compares it with:

The total of its current GST turnover in the 3 months immediately before the month in which it temporarily ceased trading

Therefore, if the turnover test period is the September 2020 quarter, and the entity temporarily ceased trading in August 2019, its current GST turnover for the September 2020 quarter is compared with the total of its current GST turnover for months of May 2019, June 2019 and July 2019 (being the 3 months before the month it temporarily ceased trading).

If the turnover test period is a month (e.g., October 2020), which would only be relevant for an entity that did not participate in JobKeeper 1.0, and the entity temporarily ceased trading in October 2019, its projected GST turnover for October 2020 is compared with its current GST turnover for the month of September 2019.

1.4 Bushfire deferrals and Drought Help concessions

Where an entity qualified for the ATO's *Bushfires 2019-2020 lodgment and payment deferral* or received *Drought Help* concessions, then for the purposes of the calculations above, it can **choose** to exclude any months covered by:

- (a) the *Bushfires 2019–2020 lodgment and payment deferrals*; or
- (b) the *Drought Help concessions*;

and use the nearest month before, or after, the period, quarter or month (as appropriate), unless the months covered by the concession are the only months available.

1.5 Case study (September 2020 quarter)

The following case study is adapted from the Explanatory Statement to the *Coronavirus Economic Response Package (Payments and Benefits) Alternative Decline in Turnover Test Amendment Rules 2020*.

Negocio Pty Ltd ('Negocio') commenced carrying on business on 11 March 2015. During July and August 2019, it was forced to temporarily cease trading due to storm damage to its business premises. It resumed trading in September 2019. As Negocio has met the relevant conditions, it is eligible to apply either of the two new Alternative decline in turnover tests.

The following table contains Negocio's current GST turnover for the relevant months:

Monthly turnover of Negocio Pty Ltd	
Month	Current GST turnover
July 2018	\$112,000
August 2018	\$116,000
September 2018	\$121,000
April 2019	\$130,000
May 2019	\$140,000
June 2019	\$130,000
July 2020	\$60,000
August 2020	\$45,000
September 2020	\$40,000

1.5.1 Does Negocio Pty Ltd satisfy Alternative test 1 for Extension period 1?

Turnover Test period – September 2020 quarter

Under Alternative test 1, Negocio compares its *current GST turnover* for the September 2020 quarter with its *current GST turnover* for the September 2018 quarter.

Current GST turnover – September 2020 quarter: **\$145,000**

Current GST turnover – September 2018 quarter: **\$349,000**

Negocio's current GST turnover for the September 2020 quarter is **58.45%** (i.e., $(\$145,000 - \$349,000) / \$349,000$) lower than its current GST turnover for the September 2018 quarter. As this is at least 30%, Negocio satisfies the actual decline in turnover test for Extension period 1.

1.5.2 Does Negocio Pty Ltd satisfy Alternative test 2 for Extension period 1?

Turnover Test period – September 2020 quarter

Under Alternative test 2, Negocio compares its *current GST turnover* for the September 2020 quarter with its *total current GST turnover* for the 3 months before the month in which it temporarily ceased trading (i.e., the total of its current GST turnover for the period from 1 April 2019 to 30 June 2019).

Current GST turnover – September 2020 quarter: **\$145,000**

3 months current GST turnover:

1 April 2019 – 30 June 2019 **\$400,000**

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Negocio's current GST turnover for the September 2020 quarter is **63.75%** (i.e., $(\$400,000 - \$145,000) / \$400,000$) lower than its 3 months' current GST turnover. As this is at least 30%, Negocio satisfies the actual decline in turnover test for Extension period 1.

Note that, whilst Negocio has satisfied *both* of the alternative tests, it was only necessary for it to have satisfied **one** of the tests.

This document was released on 12 October 2020 and was current as at that date. It does not take into account any subsequent changes.