JobKeeper 2.0
Alternative Decline in Turnover Tests

In order for an entity to have qualified for payments under the original JobKeeper Scheme ('JobKeeper 1.0'), it was required to (amongst other things) satisfy the **decline in turnover test**. This test was only satisfied where the entity's *projected* GST turnover for a prescribed month or quarter in the 2020 year (referred to as the 'turnover test period') had declined by at least a certain percentage (30% in most cases) when compared to the corresponding month or quarter in the 2019 year (referred to as the 'relevant comparison period'). This is known as the 'basic test'.

However, entities that did not satisfy the basic decline in turnover test could still be entitled to JobKeeper Payments ('JKP') if they were eligible to apply, and satisfied, one of the **alternative** decline in turnover tests released by the Commissioner. These alternative tests were released in recognition of the fact that the relevant comparison period required to be used for the basic test may not be appropriate in some circumstances. Refer to *Coronavirus Economic Response Package (Payments and Benefits) Alternative Decline in Turnover Test Rules 2020* (released 23 April 2020).

To be eligible for the extension of the JobKeeper scheme ('JobKeeper 2.0') that commenced on 28 September 2020, all entities (including those that received payments under JobKeeper 1.0) will need to satisfy a further decline in turnover test (as well as the original decline in turnover test, if they have not already satisfied it previously). This further test is the **actual** decline in turnover test, so named as the test requires entities to use its **current** GST turnover for all the test periods (and not *projected* GST turnover in the turnover test period, as was the case for the original decline in turnover test under JobKeeper 1.0).

JobKeeper 2.0 involves two specific extension periods, being:

- **Extension period 1** – from 28 September 2020 to 3 January 2021;
- **Extension period 2** – from 4 January 2021 to 28 March 2021.

Entities are required to satisfy the **actual** decline in turnover test in relation to each extension period independently.

The method of working out an entity's requisite decline percentage (i.e., either 15%, 30% or 50%) for the purposes of applying *any* of the decline in turnover tests **remains the same** and, for the purposes of this document, reference is made to a requisite decline of 30% simply as a matter of convenience.

Note: The *Coronavirus Economic Response Package (Payments and Benefits) Rules 2020* ('the Rules') were amended by the *Coronavirus Economic Response Package (Payments and Benefits) Amendment Rules (No. 8) 2020* to give effect to JobKeeper 2.0.

Actual decline in turnover tests for JobKeeper 2.0

To be entitled to JKPs in **Extension period 1**:

- an entity's 'current GST turnover' for the **September 2020 quarter** *must be at least 30% less than* its 'current GST turnover' for the September 2019 quarter.

To be entitled to JKPs in **Extension period 2**:

- an entity's 'current GST turnover' for the **December 2020 quarter** *must be at least 30% less than* its 'current GST turnover' for the December 2019 quarter.

It is important to note that, irrespective of whether the entity is registered for GST on a monthly or quarterly basis (or registered for GST at all), the test periods used for both Extension periods under JobKeeper 2.0 are **quarters** (i.e., the September 2020 and the December 2020 quarters).

Also, an entity that does not satisfy the actual decline in turnover test for Extension period 1, may still be entitled to JKPs in Extension period 2.

Entities not eligible for payments under JobKeeper 1.0

The fact an entity did not receive payments under JobKeeper 1.0 does not, of itself, mean they are ineligible for payments under JobKeeper 2.0. Apart from satisfying all other relevant requirements, it will be required to satisfy the **actual** decline in turnover test described above.

However, such entities will also be required to satisfy the **original** decline in turnover test based on their projected GST turnover. This test allowed entities to determine their projected GST turnover for any month from March 2020 to September 2020 (inclusive) or for the June 2020 or September 2020 quarter. To acknowledge the fact that these entities most likely did not receive payments under JobKeeper 1.0 (i.e., usually because their projected GST turnover had not declined by at least 30%), they are able to also determine their projected GST turnover for the purposes of JobKeeper 2.0 for the months of October, November or December 2020 or for the December 2020 quarter.

The Alternative decline in turnover tests for JobKeeper 2.0

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. It is important to note that there is **not** a new tranche of alternative tests that entities can apply for JobKeeper 2.0. Rather, the *DIT No. 2 Rules* have effectively updated the original alternative tests to recognise that:

1. different dates and timelines now apply;
2. current GST turnover has replaced projected GST turnover under the new actual decline in turnover test; and
3. entities seeking to participate in JobKeeper 2.0 (who did not participate in JobKeeper 1.0) must still satisfy the original decline in turnover test, which is based on projected GST turnover. Note that such entities can still satisfy the original decline in turnover test if they are eligible for, and satisfy, an alternative test.

Accordingly, the *Coronavirus Economic Response Package (Payments and Benefits) Alternative Decline in Turnover Test Rules 2020 (registered on 23 April 2020)* have been repealed, effective at the end of 27 September 2020.

The *DIT No. 2 Rules*, consistent with the original rules, set out **seven classes of entities** that are eligible to apply the alternative test relevant to their particular circumstances. Also, there have been some slight favourable modifications to some of the alternative tests.

For clarity, Section 3 of the *DIT No. 2 Rules* provides that the *DIT No. 2 Rules* apply to JobKeeper fortnights starting on, or after, 28 September 2020 for the purposes of:

(a) the new actual decline in turnover test (based on current GST turnover) in S.8B of *the Rules*; and

(b) the modified original decline in turnover test (based on projected GST turnover) in S.8 (and S.8A) of *the* Rules.

The seven classes of entities identified in the *DIT No. 2 Rules* are as follows:

1. **New businesses**
2. **Business with a substantial increase in turnover**
3. **Business with an irregular turnover**
4. **Business affected by drought or natural disaster**

5. **Business acquisition or disposal that changed the entity's turnover**
6. **Business restructure that changed the entity's turnover**
7. **Sole traders or small partnerships with sickness, injury or leave**

The alternative test stated for each class of entity allows that entity to compare its current GST turnover for the turnover test period in the 2020 year with the relevant GST turnover for a comparison period **not** being the corresponding period in the 2019 year.

The Alternative test for each of class of entity also factors in special rules if the entity qualified for the *ATO's Bushfires 2019-2020 lodgment and payment deferrals* or received *Drought Help* concessions.

Note also that if an entity falls into more than one of the above classes, it only needs to satisfy the Alternative test in **one** of those classes.

Following is an explanation of each the Alternative tests for classes 1 to 3 above and a summary of the Alternative tests for classes 4 to 7.

1. Alternative decline in turnover tests for new businesses

Where an entity commenced a new business after the end of the relevant comparison period in 2019, there is no turnover which it can compare its test period turnover to. As such, it is not possible for the entity to satisfy the Basic test. Alternatively, if an entity commenced a new business part way through the relevant comparison period in 2019, it will also be at a significant disadvantage when trying to satisfy the Basic test.

Clearly, such entities can still have their test period turnover affected by COVID-19. In recognition of this, the *DIT No. 2 Rules* specify two different alternative tests that these entities can apply.

1.1 When can an entity apply these Alternative tests?

Under S.7(1) of the *DIT No 2. Rules*, an entity can apply either of these two Alternative tests if the entity **commenced business *after*** the first day of the relevant comparison period in 2019 but ***before*** **1 March 2020**.

Under JobKeeper 2.0, the turnover test period (for Extension period 1) is the September 2020 quarter. Therefore, these alternative tests can be applied if the entity commenced business on, or after, **2 July 2019** but before **1 March 2020**.

For Extension period 2, the turnover test period is the December 2020 quarter. This means the entity will only be able to apply this alternative test where it commenced business on, or after, **2 October 2019** but before **1 March 2020**.

The Explanatory Statement accompanying the *DIT No. 2 Rules* provides that neither of the alternative tests apply where an entity operating one or more businesses commenced an additional business after the start of the relevant comparison period.

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:

Average monthly turnover*[1] multiplied by *3

For these purposes, its **Average monthly turnover** is:

*the sum of the entity's current GST turnover for each whole month **after** the entity commenced business and before 1 March 2020*

divided by

the number of whole months

Therefore, if the entity commenced business on 5 July 2019 (i.e., after the first day of the relevant comparison period of the September 2019 quarter for Extension period 1):

- the *numerator* in the above fraction will be the entity's total current GST turnover for the period **1 August 2019** to **29 February 2020**; and
- the denominator will be **7** (i.e., 7 months)

❶ *If the business commenced on or after 1 February 2020 (but before 1 March 2020), it compares its current GST turnover for the turnover test period with its average daily turnover for February 2020 multiplied by 29.*

If the turnover test period is a month (e.g., October 2020), which may only be relevant for an entity that did not participate in JobKeeper 1.0, then rather than comparing its projected GST turnover for that month with its current GST turnover for the relevant comparison period, (i.e., October 2019), it compares it with its:

***average monthly turnover*❷** *(as calculated above)*

❷ *If the business commenced on or after 1 February 2020 (but before 1* ***March*** *2020), use the amount described at ❶ above.*

1.3 What is Alternative test 2?

Even if an entity commenced business after the first day of the relevant comparison period (e.g., on or after 2 July 2019 for Extension period 1), it can only use this alternative test if it commenced business **no later than 1 December 2019**.

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 its:

3 months' current GST turnover

For these purposes, its **3 months' current GST turnover** is:

the total current GST turnover for the 3 months immediately before 1 March 2020 (being December 2019, January 2020 and February 2020)

Therefore, if the entity commenced business on 15 August 2019:

- the entity's 3 months' current GST turnover will be the entity's total current GST turnover for the period 1 December 2019 to 29 February 2020.

If the turnover test period is a month (e.g., October 2020), which may only be relevant for an entity that did not participate in JobKeeper 1.0, then rather than comparing its projected GST turnover for that month with its current GST turnover for the relevant comparison period, (i.e., October 2019), it compares it with its:

three months' current GST turnover *(as calculated above)*

divided by

3

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*;

unless those are the only months since the entity commenced the business.

1.5 Case study (September 2020 quarter)

Hapthor Pty Ltd ('Hapthor') commenced carrying on business on 22 July 2019. As it commenced business on or after 2 July 2019 and before 1 December 2019 (and before 1 March 2020), it is eligible to the apply **both** the Alternative tests. The following table contains Hapthor's current GST turnover:

Monthly turnover of Hapthor Pty Ltd	
Month	**Current GST turnover**
July 2019	$112,000
August 2019	$116,000
September 2019	$121,000
October 2019	$128,000
November 2019	$142,000
December 2019	$165,000
January 2020	$110,000
February 2020	$104,000
March 2020	$84,000
April 2020	$76,000
May 2020	$60,000
June 2020	$64,000
July 2020	$60,000
August 2020	$45,000
September 2020	$40,000

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

Turnover Test period – September 2020 quarter

Under Alternative test 1, Hapthor compares its *current GST turnover* for the September 2020 quarter with its *average monthly turnover multiplied by 3* (i.e., its average monthly current GST turnover for the period from 1 August 2019 to 29 February 2020 multiplied by 3).

Current GST turnover – September 2020 quarter:		**$145,000**
Average monthly turnover:		
1 August 2019 - 29 February 2020	$886,000	
Divided by		
Whole months	7 months	
	$126,571	
	x 3	**$379,713**

Hapthor's current GST turnover for the September 2020 quarter is **61.81%** (i.e., ($379,713 - $145,000) / $379,713) lower than three times its average monthly GST turnover. As this is at least 30%, Hapthor satisfies the actual decline in turnover test for Extension period 1.

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

Turnover Test period – September 2020 quarter

Under Alternative test 2, Hapthor compares its *current GST turnover* for the September 2020 quarter with its *3 months' current GST turnover* (i.e., the total of its current GST turnover for the period from 1 December 2019 to 29 February 2020).

Current GST turnover - September 2020 quarter:	**$145,000**
3 months' current GST turnover:	
1 December 2019 - 29 February 2020	**$379,000**

Hapthor's current GST turnover for the September 2020 quarter is **61.74%** (i.e., ($379,000 - $145,000) / $379,000) lower than its 3 months' current GST turnover. As this is at least 30%, Hapthor satisfies the actual decline in turnover test for Extension period 1.

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

1.5.3 What if Hapthor Pty Ltd was eligible for the Bushfire deferrals or received the Drought Help concessions?

As mentioned at Heading 1.4 above, an entity has the **choice** to exclude from the calculation of its current GST turnover any month in which it was eligible for the ATO's Bushfires 2019-2020 lodgment and payment deferrals or received the Drought Help concessions.

For example, if Hapthor was eligible for the Bushfires deferrals for January and February 2020, it **can choose** to exclude these months from the calculation of its current GST turnover. If Hapthor was applying Alternative test 1, it could choose to calculate its average monthly turnover for the period 1 August 2019 to 31 December 2019 rather than 1 August 2019 to 29 February 2020.

2. Alternative decline in turnover test for businesses with a substantial increase in turnover

Where an entity has had a steadily growing turnover, it may find that its turnover in either the September 2020 or the December 2020 quarter may have dropped significantly when compared to recent months, but not in relation to the September 2019 or the December 2019 quarters respectively. Fortunately, there is an Alternative test that such entities may be able to apply.

2.1 When can an entity apply this Alternative test?

Pursuant to S.10(1) of the *DIT No. 2 Rules*, an entity can apply the Alternative test if the entity had an increase in its current GST turnover of:

(a) 50% or more in the 12 months immediately before:
   (i) the applicable turnover test period; or
   (ii) 1 March 2020, or

(b) 25% or more in the 6 months immediately before:

(i) the applicable turnover test period; or
(ii) 1 March 2020, or

(c) 12.5% or more in the 3 months immediately before:
(i) the applicable turnover test period; or
(ii) 1 March 2020.

It is expected that the vast majority of entities that are eligible to apply the Alternative test will be so eligible by considering the 12, 6 or 3-month period prior to 1 March 2020.

It should be noted that an entity only needs to satisfy **one** of the tests in (a), (b) or (c) above to be able apply the Alternative test.

12-month test

If the turnover test period is the **September 2020 quarter**, this test is satisfied if the entity's:

- current GST turnover in February 2020 was at least 50% higher than it was in February 2019; or
- current GST turnover in June 2020 was at least 50% higher than it was in June 2019.

6-month test

If the turnover test period is the **September 2020 quarter**, this test is satisfied if the entity's:

- current GST turnover in February 2020 was at least 25% higher than it was in August 2019; or
- current GST turnover in June 2020 was at least 25% higher than it was in December 2019.

3-month test

If the turnover test period is the **September 2020 quarter**, this test is satisfied if the entity's:

- current GST turnover in February 2020 was at least 12.5% higher than it was in November 2019; or
- current GST turnover in June 2020 was at least 12.5% higher than it was in March 2020.

2.2 What is the Alternative test?

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:

3 months' current GST turnover

For these purposes its **3 months' current GST turnover** is:

the total current GST turnover for the 3 months immediately before either (as applicable):

- *the **applicable turnover test period** (being April, May and June 2020 for the September 2020 quarter or July, August and September 2020 for the December 2020 quarter); or*
- ***1 March 2020** (being December 2019, January 2020 and February 2020).*

If the turnover test period is a month (e.g., October 2020), which may only be relevant for an entity that did not participate in JobKeeper 1.0, then rather than comparing its projected GST turnover for that month with its current GST turnover for the relevant comparison period, (i.e., October 2019), it compares it with its:

3 months' current GST turnover (as calculated above) divided by 3

2.3 Bushfire deferrals and Drought Help concessions

Where an entity qualified for the *ATO's Bushfires 2019-2020 lodgment and payment deferral* or received the *Drought Help* concessions, then for the purposes of the calculations above, it **can choose** to use the 3-month period **before**:

(a) the *Bushfires 2019–2020 lodgment and payment deferra*ls commenced; or

(b) the *Drought Help concessions* commenced.

2.4 Case study

The Isol-8 Trust ('Isol-8') commenced carrying on business on 22 July 2017. The following table contains its current GST turnover for the relevant months, which is used for determining whether it is eligible to apply the Alternative test and whether it satisfies the Alternative test.

Monthly turnover of Isol-8 Pty Ltd	
Month	**Current GST turnover**
February 2019	$150,000
August 2019	$175,000
November 2019	$190,000
December 2019	$200,000
January 2020	$225,000
February 2020	$240,000
March 2020	$210,000
April 2020	$195,000
May 2020	$180,000
June 2020	$155,000
July 2020	$150,000
August 2020	$120,000
September 2020	$110,000

2.4.1 Does Isol-8 qualify to apply the Alternative test for Extension period 1?

Isol-8 needs to satisfy either the 12-month, 6-month or 3-month test for the September 2020 quarter to be eligible to apply the alternative test for Extension period 1 and it has chosen to use 1 March 2020 (rather than the applicable turnover test period) as the applicable point of reference.

- Under the **12-month test**, Isol-8's current GST turnover:
  - February 2020: $240,000
  - February 2019: $150,000

  As the turnover has increased by **60%** (i.e., $240,000 - $150,000) / $150,000) or by at least 50% over this 12-month period, it is eligible to apply the alternative test.

- Under the **6-month test**, Isol-8's current GST turnover:
  - February 2020: $240,000
  - August 2019: $175,000

  As the turnover has increased by **37.14%** (i.e., ($240,000 - $175,000) / $175,000) or by at least 25% over this 6-month period, it is eligible to apply the alternative test.

- Under the **3-month test**, Isol-8's current GST turnover:
  - February 2020: $240,000
  - November 2019: $190,000

As the turnover has increased by **26.32%** (i.e., ($240,000 - $190,000) / $190,000) or by at least 12.5% over this 3-month period, it is eligible to apply the alternative test.

Note: Whilst Isol-8 qualified to use the Alternative test based on each of the 3, 6 and 12-month tests, it was only necessary for it satisfy one of them.

2.4.2 Does Isol-8 satisfy the Alternative test for Extension period 1?

Turnover Test period – September 2020 quarter

Under the Alternative test, Isol-8 compares its *current GST turnover* for the September 2020 quarter with its *3 months' current GST turnover* for the period 1 December 2019 to 29 February 2020 (i.e., the three months immediately before 1 March 2020).

Current GST turnover – September 2020 quarter: **$380,000**

3 months' current GST turnover:
1 December 2019 - 29 February 2020 **$665,000**

Isol-8's current GST turnover for the September 2020 quarter is **42.86%** (i.e., ($665,000 - $380,000) / $665,000) lower than its 3 months' current GST turnover. As this is at least 30%, Isol-8 satisfies the actual decline in turnover test for Extension period 1.

2.4.3 What if Isol-8 was eligible for the Bushfire deferrals or received the Drought Help concessions?

As mentioned at Heading 2.3 above, an entity has the **choice** to calculate its *3 months' current GST turnover* using the 3 months immediately before the commencement of the ATO's Bushfires 2019-2020 lodgment and payment deferrals or the Drought Help concessions.

For example, if Isol-8 was eligible for the Bushfires deferrals for January and February 2020, it can choose to calculate its *3 months' current GST turnover* over the period 1 October 2019 to 31 December 2019 (instead of 1 December 2019 to 29 February 2020).

3. Alternative decline in turnover test for businesses with an irregular turnover

Where an entity has an irregular turnover, it may find that its turnover in either the September 2020 or the December 2020 quarter, when compared to the September 2019 or the December 2019 quarter, does not give an accurate indication of the extent to which its turnover has been affected by COVID-19. Fortunately, there is an Alternative test that such entities may be able to apply.

3.1 When can an entity apply this Alternative test?

Pursuant to S.12(1) of the *DIT No. 2 Rules*, an entity can apply the Alternative test if:

(a) in the 12 months immediately before:
   (i) the applicable turnover test period (e.g., the September 2020 quarter); or
   (ii) 1 March 2020;

   the entity's lowest current GST turnover for a 3-month consecutive period is no more than 50% of the highest current GST turnover for a 3-month consecutive period; and

(b) the entity's current GST turnover is not cyclical.

In determining whether an entity can apply the alternative test, it will need to identify its current GST turnover for the following periods:

3-month periods in 12 months immediately before:	
September 2020 quarter	**1 March 2020**
July, August, September 2019	March, April, May 2019
October, November, December 2019	June, July, August 2019
January, February, March 2020	September, October, November 2019
April, May, June 2020	December 2019, January, February 2020

If the lowest current GST turnover in any of the 3-month periods is **no more than 50%** of the highest current GST turnover for any those 3-month periods, the entity qualifies to apply the Alternative test, as long as its turnover is not cyclical.

An entity's turnover will be cyclical where it follows a pattern of being higher at certain times during a year. According to the Explanatory Statement, this test is meant for those entities that have a large irregular variance, as opposed to a regular seasonal variance, in their turnover.

3.2 What is the Alternative test?

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:

Average monthly current GST turnover multiplied by 3

For these purposes its **Average monthly current GST turnover** is:

> *the sum of the entity's current GST turnover for each whole month of the 12 months before the applicable turnover test period (e.g., the September 2020 quarter) or 1 March 2020 (as applicable)*
>
> ***divided by***
>
> *12*

If the turnover test period is a month (e.g., October 2020), which may only be relevant for an entity that did not participate in JobKeeper 1.0, then rather than comparing its projected GST turnover for that month with its current GST turnover for the relevant comparison period, (i.e., October 2019), it compares it with its:

average monthly current GST turnover (as calculated above)

3.3 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 **may** exclude any months covered by:

(a) the *Bushfires 2019–2020 lodgment and payment deferrals*; or

(b) the *Drought Help concessions*;

unless those are the only months available.

3.4 Case study

SOE Pty Ltd ('SOE') commenced carrying on business in 2010. The following table contains its current GST turnover, which is relevant for determining whether it is eligible to apply the Alternative test and whether it satisfies the Alternative test (i.e., based on the 1 March date option).

Monthly turnover of SOE Pty Ltd	
Month	**Current GST turnover**
March 2019	Nil
April 2019	$1.4m
May 2019	Nil
Period 1 - Total	**$1.4m**
June 2019	$2.1m
July 2019	$3.4m
August 2019	Nil
Period 2 - Total	**$5.5m**
September 2019	Nil
October 2019	Nil
November 2019	$4.2m
Period 3 - Total	**$4.2m**
December 2019	Nil
January 2020	$1.1m
February 2020	Nil
Period 4 - Total:	**$1.1m**
July 2020	Nil
August 2020	$1.6m
September 2020	Nil
Total: September 2020 quarter	**$1.6m**

3.4.1 Does SOE qualify to apply the Alternative test for Extension period 1?

From the four 3-monthly periods (i.e., Periods 1, 2, 3 and 4), SOE needs to compare the lowest current GST turnover period with the highest current GST turnover period. For the purposes of this calculation, SOE has chosen to use 1 March 2020 (rather than the applicable turnover test period) as the applicable point of reference.

- Lowest turnover period: Period 4 = $1.1 million.
- Highest turnover period: Period 2 = $5.5 million

Because the turnover in Period 4 is 20% (i.e., 50% or less) of the turnover in Period 2, SOE is eligible to apply the alternative test.

3.4.2 Does SOE satisfy the Alternative test for Extension period 1?

<u>Turnover Test period – September 2020 quarter</u>

Under the Alternative test, SOE Pty Ltd compares its *current GST turnover* for the September 2020 quarter with its *average monthly current GST turnover* for the period 1 March 2019 to 29 February 2020 *multiplied by 3*.

Current GST turnover – September 2020 quarter:		**$1,600,000**
Average monthly current GST turnover		
1 March 2019 - 29 February 2020	$12,200,000	
	÷ 12	
	$ 1,016,667	
	X 3	**$3,050,000**

SOE Pty Ltd's current GST turnover for the September 2020 quarter is **47.54%** (i.e., ($3,050,000 - $1,600,000) / $3,050,000) lower than 3 times its average monthly current GST turnover. As this is at least 30%, SOE Pty Ltd satisfies the actual decline in turnover test for Extension period 1.

4. Alternative decline in turnover test for businesses affected by drought or natural disaster

Where an entity has been affected by drought or natural disaster, it may find that its turnover in either the September 2020 or the December 2020 quarter, when compared its turnover in the September 2019 or the December 2019 quarter, does not give an accurate indication of the extent to which its turnover has been affected by COVID-19. Fortunately, there is an Alternative test that such entities may be able to apply.

4.1 When can an entity apply this Alternative test?

Pursuant to S.11(1) of the *DIT No. 2 Rules*, an entity can apply the Alternative test if:

(a) it conducted business or some of the business in a declared drought zone, or declared natural disaster zone, during the relevant 2019 comparison period (e.g., the September 2019 quarter) and

(b) the drought or natural disaster changed the entity's current GST turnover.

4.2 What is the Alternative test?

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

current GST turnover for the same period in the year immediately before the declaration

For example, if the turnover test period is the September 2020 quarter, the entity would normally make the comparison with the September 2019 quarter. However, if, in the September 2019 quarter, the area in which the entity carried on business was in a declared drought zone, it will be able to make the comparison with the September 2018 quarter (or an earlier year, depending on when the declaration commenced).

5. Alternative decline in turnover test where acquisition or disposal changed turnover

Where an entity has acquired or disposed of part of its business during, or after, the relevant 2019 comparison period (e.g., the September 2019 quarter), it may find that its turnover in the September 2020 quarter, when compared to the September 2019 quarter, does not give an accurate indication of the extent to which its turnover has been affected by COVID-19. Fortunately, there is an Alternative test that such entities may be able to apply.

5.1 When can an entity apply this Alternative test?

Pursuant to S.8(1) of the *DIT No. 2 Rules*, an entity can apply the alternative test if:

(a) there was an acquisition or disposal of part of their business at, or after, the start of the relevant 2019 comparison period (e.g., the September 2019 quarter) and before the applicable turnover test period (e.g., the September 2020 quarter); and

(b) the acquisition or disposal changed the entity's current GST turnover.

5.2 What is the Alternative test?

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

> ***current GST turnover from the month immediately after the month in which the acquisition or disposal occurred multiplied by three***

For example, if the turnover test period is the September 2020 quarter and entity acquired part of its business on 15 August 2019, it will compare its current GST turnover for the September 2020 quarter with three times its current GST turnover for the **month** of September 2019.

If the turnover test period is a month (e.g., October 2020), which may only be relevant for an entity that did not participate in JobKeeper 1.0, then rather than comparing its projected GST turnover for that month with its current GST turnover for the relevant comparison period, (i.e., October 2019), it compares it with its:

> ***current GST turnover from the month immediately after the month in which the acquisition or disposal occurred***

Note: If there is no whole month after the acquisition or disposal and before the turnover test period, then the month immediately before the turnover test period is used for the above calculations (e.g., June 2020 would be used for the September 2020 quarter instead).

Note: This alternative test under JobKeeper 1.0 required entities with multiple acquisitions or disposals to use the period after the last of the sequential transactions. This requirement has been removed. For JobKeeper 2.0, the *DIT No. 2 Rules* allow the entity to apply these tests to each acquisition and/or disposal separately. That is, the entity can use the current GST turnover for whole month immediately after **any** of the acquisitions of disposals, which is then multiplied by 3, to determine if it satisfies the actual decline in turnover test. According to the Explanatory Statement accompanying the *DIT No. 2 Rules,* this provides flexibility and avoids entities with multiple transactions with the last ending after 1 March 2020 using a period that has been impacted by the economic disruption caused by COVID-19.

5.3 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, the entity **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 acquisition or disposal as appropriate, unless the months covered by the concession are the only months available.

6. Alternative decline in turnover test where business restructure changed the entity's turnover

Where an entity has undertaken a restructure of its business, or part thereof, during or after the relevant 2019 comparison period (e.g., the September 2019 quarter), it may find that its turnover in the September 2020 quarter, when compared to the September 2019 quarter, does not give an accurate indication of the extent to which its turnover has been affected by COVID-19. In recognition of this, there is an Alternative test that such entities may be able to apply.

Neither the *DIT No. 2 Rules* or the Explanatory Statement accompanying those rules define or explain what constitutes a 'restructure'. It is imagined it would cover some of the types of transactions for which entities may qualify for CGT rollover relief such as demergers.

6.1 When can an entity apply this alternative test?

Pursuant to S.9(1) of the *DIT No. 2 Rules*, an entity can apply the alternative test if:

(a) there was a restructure of their business, or part thereof, at or after the start of relevant 2019 comparison period (e.g., the September 2019 quarter) and before the turnover test period (e.g., the September 2020 quarter); and

(b) the restructure changed the entity's current GST turnover.

6.2 What is the Alternative test?

The alternative test operates in the same way as described above at Heading 5.2, save that any reference to an acquisition or disposal is to be read as reference to the restructure.

6.3 Bushfire deferrals and Drought Help concessions

Refer to Heading 5.3 above. Any reference to an acquisition or disposal is to be read as reference to the restructure.

7. Alternative test for sole traders or small partnerships with sickness, injury or leave

Where a sole trader or the individual partners of a small partnership were sick, injured or on leave during the relevant 2019 comparison period (e.g., the September 2019 quarter), they may find that their turnover in the September 2020 quarter, when compared to the September 2019 quarter, does not give an accurate indication of the extent to which their turnover has been affected by COVID-19. Fortunately, there is an Alternative test that such entities may be able to apply.

7.1 When can an entity apply this Alternative test?

Pursuant to S.13(1) of the *DIT No. 2 Rules*, an entity can apply the alternative test if:

(a) they are a sole trader or a 'small partnership' with no employees;

(b) the sole trader or at least one of the partners did not work for all or part of the relevant 2019 comparison period (e.g., the September 2019 quarter) due to sickness, injury or leave; and

(c) the current GST turnover of the sole trader or partnership was affected by the sole trader or partner not working for all or part of that period.

A 'small partnership' for this purpose is a partnership as defined in S.995-1(1) of the ITAA 1997 with **four or fewer individual partners**.

For example, a sole trader had an accident in July 2019 and was out of action (i.e., did not work at all) for eight weeks. This will mean the relevant 2019 comparison period, being the September 2019 quarter will have a significantly reduced turnover, making it nigh on impossible for the sole trader to pass the actual decline in turnover test. However, because the sole trader did not work in this period due to injury and their turnover was affected by this, they are able to apply the Alternative test.

7.2 What is the Alternative test?

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

> ***current GST turnover from the month immediately before the month in which the sole trader or partner did not work due to sickness, injury or leave multiplied by three***

For example, if the sole trader or partner got injured in September 2019 and was unable to work, it will compare its current GST turnover for the September 2020 quarter with 3 times its current GST turnover for August 2019.

If the turnover test period is a month (e.g., October 2020), which may only be relevant for an entity that did not participate in JobKeeper 1.0, then rather than comparing its projected GST turnover for that month with its current GST turnover for the relevant comparison period (i.e., October 2019), it compares it with its:

> ***current GST turnover from the month immediately before the month in which the sole trader or partner did not work due to sickness, injury or leave***

7.3 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 in the month immediately before the month in which the sickness, injury or leave occurred, then for the purposes of the calculations above, the entity **can choose** to use the nearest month **before** the months covered by:

(a) the *Bushfires 2019–2020 lodgment and payment deferrals*; or

(b) the *Drought Help* concessions;

unless those are the only months available.

This document was released on 29 September 2020 and was current as at that date. It does not take into account any subsequent changes.