



## COVID-19: the pandemic

### Overview of where we are

- The ATO is committed to supporting the Australian community to access the help on offer and working with people to get through this difficult time.
- We know that many NFPs and communities are being heavily affected by the challenging economic conditions created by the outbreak of COVID-19.
- Our priority continues to be to get the vital assistance to the Australian business community as quickly as we can on behalf of the government.

### Size of NFP sector

- There are over 600 NFPs operating in Australia
- 201,000 are registered with the ATO and have an active ABN
  - 28% are charities
  - 68% self-assess as tax exempt
  - 4% are taxable
  - 15% are DGRs – deductible gift recipients
  - 31% are GST registered
  - 20% have employer obligations
- Additionally it is interesting to note that NFPs
  - Employ 10% of the Australian workforce
  - Represent 10% of all FBT registered employers
  - Large amounts of money flowing through NFPs – REFC, Grants & Donations
    - In 2016/17 NFPs
      - claimed \$1.1billion of franking credits, and
      - \$3.5billion of donations were received from 4.5million Australians
    - Additionally NFPs receive about \$6 Billion in Government Grants annually

### The impact on NFP and charities and their employees

- 2020 began in a blaze of flames sweeping across our nation.
- Throughout the fires, and in response to the national crisis, not-for-profits worked tirelessly, side by side with first responders and communities to deliver relief and support. And the rebuild was just beginning when COVID-19 struck
- The demands of the bushfires and the COVID pandemic have converged creating a tricky paradigm for the services not-for-profits deliver. For a sector that relies on social and physical connections, volunteers and the goodwill and generosity of donors, the impacts of COVID-19 have been particularly difficult
- My office has canvassed much concern from the sector but also a welcome relief with respect to the response and support we have been able to provide



## How the ATO is helping the sector

- There have been a range of administrative measures implemented for NFPs including additional time to support new or existing DGR endorsement applications and prioritising inbound enquiries to the NFP premium phone line.
- Our services are tailored to the needs of the community and we work with the NFP sector to tailor support to their individual circumstances.
- We can also do things like deferring some payments, providing quicker access to GST refunds, varying PAYG instalments and allowing businesses to enter into low interest payment plans for existing or future tax debts.

## NFP Centre Role

- The NFP Centre is one of four Centre's in the ATO
- Our role is to provide the government and community with confidence and assurance that Not-for-profits are
  - i. supported to deliver important services,
  - ii. access the right concessions,
  - iii. operate for purpose, and
  - iv. meet their tax and super obligations.

## Where to get help

There are a number of ways NFPs and their advisors can find more information and seek help from the NFP Centre:

### 1. Website

- For general advice visit [ato.gov.au/notforprofit](https://www.ato.gov.au/notforprofit) for more information.
- We have also just released a new one-stop-shop page for not-for-profits to access all the COVID-19 support and assistance available. This includes JobKeeper, cash flow boost and more. Please take a look at '[Support for not-for-profits](https://www.ato.gov.au/General/COVID-19/Support-for-not-for-profits/)' on the ATO website at <https://www.ato.gov.au/General/COVID-19/Support-for-not-for-profits/>

### 2. Premium phone service

- Not-for-profits who are seeking support with COVID related issues can call the dedicated Not-for-profit phone service on **1300 130 248** Monday to Friday, 8am to 6pm AEDT.

### 3. Email

- Not-for-profits can also email [atoendorsements@ato.gov.au](mailto:atoendorsements@ato.gov.au) outside of these times.



#### 4. *Subscribe to the NFP newsletter*

- We encourage you to subscribe to our Not-for-profit news service by going to [ato.gov.au/nfpnews](http://ato.gov.au/nfpnews) to subscribe and receive email updates when information is updated or added. You also get the bonus of reading my monthly 'From the Source articles'

## Relief Measures

- Parliament passed four measures in March and April, as part of the Coronavirus Economic Response Package.
- The measures were designed to support organisations to manage short-term cash flow challenges, ensure a continued flow of credit in the Australian economy and also help employers to maintain connection with workers.
- The 2 measures most NFPs can access include:
  - Cash flow boost and
  - JobKeeper payment scheme
- Measures that may be applicable for **taxable** not-for-profits are :
  - Instant asset write-off
  - Accelerated depreciation

## Cashflow Boost

- The CFB provides a credit of at least \$20,000 up to a maximum of \$100,000 is being delivered automatically through the activity statement lodgment process.

### Eligibility

- Small to medium businesses and not-for-profits organisations (including charities) that employ staff.
- Not-for-profits are eligible if they:
  - i. held an active ABN on 12 March 2020 **or** they are a charity registered with the ACNC
  - ii. have an aggregated annual turnover of under \$50 million, and
  - iii. made eligible payments subject to withholding, even if the amount withheld is zero.

### Two Waves of support

- Credits will be delivered through two waves, covering periods March to September 2020.
- **Wave one** - initial cash flow boost
  - Initial cash flow boost delivered as credits applied to monthly and quarterly activity statements lodged for periods March 2020 to June 2020.
- **Wave two** - additional cash flow boost
  - Eligible entities that received initial cash flow boosts will receive additional cash flow boosts, for the periods June to September 2020.



- The additional credits will be equal to the total amount of initial cash flow boosts received, and they will be delivered in either two instalments for quarterly reporters or four instalments for monthly reporters.

### What NFPs need to do

- If you are eligible, you do not need to apply.
- Your first amount will be automatically credited to your account when you lodge your activity statement.
- You must lodge your activity statement to receive the cash flow boosts.
- The cash flow boost will be credited against amounts owed in the activity statement. For example, if there is pay as you go (PAYG) withholding and GST payable, the boost credit will reduce those amounts.
- If there is an excess credit on the activity statement which received the cash flow boost, the credit will be refunded rather than offset against any existing debt.
- If you are due to receive a refund, we will generally pay it within 14 days.

### Key points

- The Cash flow boost is delivered automatically through the activity statement lodgment process.
- Cash flow boost credits were posted by the ATO to client accounts from 28 April 2020.
- The initial cash flow boost is calculated based on reported PAYG withholding amounts, with a minimum credit of \$10,000 and a maximum of \$50,000.
- To receive the boost clients need to lodge their monthly or quarterly March 2020 activity statement.

## JobKeeper Payment Scheme

- The JobKeeper payment scheme is a Federal Government subsidy package to help businesses and not-for-profits continue to pay their eligible employees and restart quickly when the crisis is over.
- There are three major steps you need to complete:
  1. Enrolment – this is now open until 31 May 2020
  2. Identification of eligible employees – this was available from 4 May 2020
  3. Monthly declaration – confirmation that eligible employees have been paid

### Employer Eligibility

- Not-for-profit organisations will be eligible for the JobKeeper Scheme if:
  - a) On 1 March 2020 the NFP pursued its objectives principally in Australia
  - b) Employed at least 1 eligible employee
  - c) The NFP satisfies the decline in turnover test for the relevant period



- An NFP satisfies the decline in turnover test for the chosen test period by calculating and comparing current and projected GST turnover using modified rules for JobKeeper:
  - ACNC registered charities other than schools or universities, need to satisfy the 15% decline in turnover
  - Organisations with an aggregated turnover of \$1 billion or less need to satisfy a 30% decline in turnover
  - Organisations with an aggregated turnover of more than \$1 billion need to satisfy a 50% decline in turnover
- ACNC registered charities other than schools and universities can elect to exclude government grants from their JobKeeper turnover test. The nomination form to make the election can be found on our website.
- The test only needs to be satisfied once.
- Not-for-profits wholly owned by an Australian Government agency or a local governing body are excluded, as well as those in liquidation.

### Employee Eligibility

- Either an Australian resident within the meaning of the Social Security Act 1991 or an Australian tax resident and holder of a sub-class 444 visa as at 1 March 2020
- As at 1 March 2020 you were over 18 years of age (if you are 16 or 17 you may also qualify subject to certain conditions)
- As at 1 March 2020 were employed as a full-time or part-time or a long-term casual (i.e. more than 12 months with regular systematic employment).
- Currently employed (including if stood down or re-hired if employed on 1 March 2020).
- Not be receiving:
  - a JobKeeper payment from another employer
  - receiving government parental leave or Dad and partner pay
  - payments under an Australian workers' compensation law for total incapacity for work



### Enrolling for JobKeeper

- NFP entities, like other employers, must meet eligibility requirements to qualify for JobKeeper. Employers must also check their employees meet the eligibility requirements and provide them with an employee nomination notice.
- If employers enrol by 31 May, they will still be able to claim for the JobKeeper fortnights ending in April and May - provided they meet all the eligibility requirements for each of those fortnights.
- Registration with the ACNC is not one of the requirements to qualify for JobKeeper.
- We have created JobKeeper guides which provide a practical 'step by step' summary to help you enroll according to your circumstances, your number of employees and whether you use Single Touch Payroll (STP) or other reporting arrangements.
- If you use the Business Portal, you will need a myGovID linked to your ABN in relationship Authorisation Manager (RAM) to enrol.
- Your registered tax or BAS agent can also enrol, identify and declare for JobKeeper on your behalf using online service for agents.

### Keeping good records

- One of my main tips for NFPs has been to maintain good records to explain how you determined your eligibility. This includes:
  - the methods used to calculate the decline in turnover and the reasonable steps taken to align with ATO advice,
  - any election to exclude government payments received,
  - individuals claimed for were eligible employees at the relevant dates,
  - the significant impact of the external operating environment on the NFP as the employer.



## Emerging issues

### General

#### ***Decline in turnover test***

The turnover test requires you to determine the value of the supplies you make in the 2019 and 2020 turnover test periods you are using. General guidance on the basic decline in turnover test is set out in [Law Companion Ruling \(LCR 2020/1 JobKeeper payment – decline in turnover test\)](#). This includes alternative practical compliance approaches for calculating turnover.

Depending on which method is used to calculate turnover, the ATO recognises it may produce a different result in terms of eligibility for JobKeeper payments. Entities will need to ensure they keep reasonable records documenting how they applied the method they used.

The ATO has provided guidance on the [decline in turnover test](#) on the ato.gov.au website.

#### ***When is a not-for-profit (NFP) entity pursuing its objectives principally in Australia?***

- An NFP entity pursues its objectives where it undertakes the activities that achieve its purpose. Principally means 'mainly' or 'chiefly'. An NFP entity will generally pursue its objectives principally in Australia when the activities which achieve its purpose mainly occur in Australia.
- For more information on when an entity is pursuing its objectives principally in Australia, refer to TR 2019/6 Income tax: the 'in Australia' requirement for certain deductible gift recipients and income tax exempt entities (see paragraphs 63 to 69).

#### ***Can NFP entities established before 1 March 2020 but registered with the Australian Charities and Not-for-profits Commission (ACNC) after 1 March 2020 qualify for JobKeeper?***

- Yes, they don't need to be registered with the ACNC to qualify for JobKeeper but they must meet the eligibility requirements. See Eligible employers

#### ***Can NFP entities established after 1 March 2020 qualify for JobKeeper?***

- No, they need to be established on or before 1 March 2020.

#### ***Can a non-profit sub-entity choose to participate in the JobKeeper scheme and assess its eligibility for JobKeeper payments based on the sub-entity's turnover?***

- No. The JobKeeper scheme does not recognise non-profit sub-entities and the decline in turnover test applies to an entity as a whole. The entity must include the turnover of all its branches and non-profit sub-entities.

#### ***Can an ACNC-registered charity exclude payments received for providing National Disability Insurance Scheme (NDIS) services from its turnover?***

- No. Payments received for providing NDIS services are not consideration provided by an Australian government agency even if an NDIS participant selects the National Disability Insurance Agency (NDIA) to manage their plan and pay the charity. The payments are made from the NDIS participant's funds and therefore need to be included in the t/o calculation.



## Key Points

- Remember eligibility for JobKeeper payments is a self-assessment process so keep good records on decisions made.
- Eligible employees have to have completed the JobKeeper Employee Nomination Notice available [ato.gov.au](http://ato.gov.au) and return to you.
- Enrol, identify and maintain eligible employees using the Business Portal:
  - Enrol by the end of May to claim for wages paid for JobKeeper fortnights in April and May
  - Specify the number of employees who are eligible
  - Make a monthly declaration to reconfirm eligible employees and provide updated current and projected turnover information (due by 14<sup>th</sup> of each month)
- The not-for-profit must have paid each employee the equivalent minimum of \$1500 for each fortnight.
- First payments commenced in the first week of May 2020.
- Key dates can be found on our website: [www.ato.gov.au/JobKeeper](http://www.ato.gov.au/JobKeeper)

## Relying on ATO advice

- Eligibility for JobKeeper payments is a self-assessment process, but the ATO may review your eligibility. The ATO will expect to see the records you have prepared to explain how you determined your eligibility for JobKeeper payments.
- Where you make an honest mistake in determining your eligibility for JobKeeper payments we will take that into account in determining what compliance action we take. Our compliance focus will be particularly directed toward schemes where there has not been a genuine fall in turnover in substance, but arrangements are contrived to ensure the turnover test is satisfied. See [Practical Compliance Guideline \(PCG 2020/4 Schemes in relation to the JobKeeper payment\)](#).
- Essentially if you make an honest mistake and you have acted in good faith based on ATO advice available at the time, we will take the facts into consideration on a case by case basis. We welcome examples of clients that fall into this category for our consideration.





## Other

### More Information

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### Keeping the system fair

- If you feel an individual or business is not acting within the guidelines of the COVID-19 measures, you can make a tip-off to us.
  - Visit [Making a tip-off](#)

### Report scams

- We're aware of a significant increase in Australians being targeted with COVID-19 and other scams. If you think you've been contacted by a scammer or are suspicious about an email, SMS or phone call, check with us first.
  - Visit [Verify or report a scam](#)
- If you are concerned that your tax or super information has been stolen or used without your permission you should:
  - check your myGov account if you have one and make sure your details are still correct
  - contact our Client Identity Support Centre on 1800 467 033 to help you protect your tax identity.