The Institute of Certified Bookkeepers
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Client eBrief

THE INSTITUTE OF CERTIFIED BOOKKEEPERS

Fair Work Annual Wage Review 2019-2020

Get ready for a 1.75% increase to base pay rates

The Fair Work Commission (FWC) has announced a 1.75% increase to minimum wages following its 2020 Annual Wage Review. The new National Minimum Wage (NMW) will be $753.80 per week or $19.84 per hour. The increase applies to base pay rates from the first full pay period starting on or after 1st July 2020. This constitutes an increase of $13.00 per week to the weekly rate or 35 cents per hour to the hourly rate.

Bookkeeping

The wage increase takes effect in a staged implementation. It applies to the first full pay period after the relevant start date.

Example: For those awards with a 1st July 2020 start date; if the employees are normally paid on the 3rd July for the pay period 29th June to 3rd July, this would be at the current rate. The increase would apply from the pay period commencing on 4th July.

Check all allowances, penalty rates and base rates of pay are increased appropriately in software as required.

Staged Implementation

The 1.75% increase will apply to minimum rates in Modern Awards in 3 stages from the first full pay period after the group date.

Group 1 Awards – from 1st July 2020

- Frontline Heath Care & Social Assistance Workers
- Teachers and Child Care
- Other Essential Services

For a complete list of awards in Group 1 – Group 1

ATO Lodgement Dates

These dates are from the ATO website and do not take into account possible extensions.

You remain responsible for ensuring that the necessary information is with us in time.

BAS/IAS Monthly Lodgements
Final dates for lodgements and payments:

June Activity Statement:
21 July 2020

July Activity Statement:
21 August 2020

BAS Quarterly Lodgements
Final dates for lodgements and payments:

4th Quarter 2020 Financial Year:
June Quarter 2020 (incl. PAYGI)
28 July, 2020

1st Quarter 2021 Financial Year:
September Quarter 2020 (incl. PAYGI)
28 October, 2020

When a due date falls on a Saturday, Sunday or Public Holiday*, you can lodge or pay on the next business day.

*A day that is a public holiday for the whole of any state or territory in Australia.

Due date for super guarantee contributions:

4th Quarter 2020 Financial Year:
April to June 2020 – contributions must be **in the fund** by 28 July, 2020

1st Quarter 2021 Financial Year:
July to September 2020 – contributions must be **in the fund** by 28 October, 2020

Late payments of superannuation are ***not*** tax deductible.

Note that the deduction is allowed in the year that the payment is made. Therefore, for the fourth quarter, if the business wants to claim the tax deduction in the same financial year as the SGC is incurred, the payment must be received into the super fund by that 30 June.

Refer to the ATO for details regarding any SGC charges applicable if not paid by due date.

SG Amnesty is currently available for late/overdue super up to March 2018. Note this Amnesty finishes on the 7th September, 2020

If your business has late/overdue superannuation guarantee payments and you are unsure the correct process of how to proceed in regards to this, please contact us to discuss.

Group 2 Awards – from 1st November 2020

- Construction
- Manufacturing
- A range of other industries

For a complete list of awards in Group 2 – Group 2

Group 3 Awards – from 1st February 2021

- Accommodation and Food Services
- Arts and Recreation Services
- Aviation
- Retail
- Tourism

For a complete list of awards in Group 3 – Group 3

What do I need to do?

The FWC is working on updating their pay tools with the new rates and Group 1 Awards should be ready by 1st July 2020. Ensure your business is ready to pay the increase to employees as at the appropriate date.

Who does the increase apply to?

The change only applies to employees that derive their pay rates from the national minimum wage, a modern award or in some cases a registered agreement.

Most employees are covered by an award. If you're not sure which award applies to you or your client's employees, you can use Find my award on the Fair Work website.

Parental Leave Pay

Parental Leave Pay is generally increased in line with the national minimum wage; however, we are waiting on updates on their website to confirm the increase to PPL from 1st July 2020.

End of Financial Year – JobKeeper Receipts

Accounting Purposes

The JK Subsidy receipt is a reimbursement for expenses incurred by the employer within each month.

Accordingly, to meet the "matching" principle of accounting and for the businesses reports to make sense, the correct bookkeeping requires recognition of the subsidy in the same period as the related expenses are incurred.

Therefore, strictly speaking each month a journal to recognise the "Receivable" should be brought in. For many businesses this is unnecessary for most months **except for** 30th June. In order for the financial reports to be reviewed accurately, correct bookkeeping for 30th June:

Date	Account	Debit	Credit
	Other Receivables – JobKeeper Subsidy	$	
	Other Income – JobKeeper Subsidy		$
(To recognise the months JobKeeper Subsidy yet to be received)			

It is best to recognise the receivable as "Other Receivables" to ensure it is not misread as an amount owed by clients of the business.

It is best to recognise the income as "Other Income" or as what would be a negative expense account (ie as a separate account below the relevant wages expense accounts).

This Journal would then be reversed in July.

Advise the Accountant that you have brought in the yet to be received amount so that the reports are aligned.

Tax Purposes

JobKeeper Subsidy receipts are assessable income to the employer. This is due to it being a reimbursement of wages that are tax deductible.

The ATO website states their view that the amount of the JobKeeper subsidy is not Assessable until the period in which it is received, whether the business reports income tax on an Accrual Basis or a Cash Basis.

Quote:

Operating on an accruals basis

- For a business entity which operates on an accruals accounting basis, JobKeeper payments will be derived when the entity provides a valid completed business monthly declaration to us.
- This means that JobKeeper payments for fortnights ending in June will generally be derived in July (or a later month) and will be assessable in the 2020–21 income year.

Operating on a cash accounting basis

- For a business entity which operates on a cash accounting basis, the payments for a JobKeeper fortnight are derived when the entity receives those payments.
- For JobKeeper fortnights ending in June, those payments will be made in July (or later), following receipt of the entity's business monthly declaration, and will be assessable in the 2020–21 income year.

Accruals: Assessable when you submit the monthly claim form (between the 1st and 14th inclusive of the following month)

Cash: Assessable when received.

Accordingly there will be a timing impact for employers who will receive a tax deduction in the 19/20 tax year for potentially increased wages paid (including the top up amounts) yet the subsidy will not be assessed until the 20/21 tax return.

Eligible Business Participants (EBPs)

EBPs may be receiving payment of JobKeeper subsidy amounts for one person who is, the sole trader, one of the partners in a partnership, one working (non-employee) director or one (non-employee) beneficiary in a trust.

The entity receives the subsidy amount as "Other Income". It is also assessable income to the Business when it is received.

Noting that the business is NOT required to have paid amounts to the EBP.

As there is no expense to match, we do not believe it is required to bring in the "Receivable" for EBP payments.

Benchmark Business Works

4/15 Alex Wood Drive
FORRESTDALE WA 6112

E: admin@benchmarkbusinessworks.com.au
PH: (08) 9497 4110 Fax: (08) 9497 8112