



INSTITUTE OF
**PUBLIC
ACCOUNTANTS®**

**Submission to the
Senate Economics
Legislation
Committee: Inquiry
into Economic
Recovery Package
(JobMaker Hiring
Credit)
Amendment Bill
2020 (provisions)**

October 2020

26 October 2020

The Committee Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House
Canberra, ACT 2600

Dear Sir / Madam

Inquiry into Economic Recovery Package (JobMaker Hiring Credit) Amendment Bill 2020 (provisions)

The Institute of Public Accountants (IPA) welcomes the opportunity to make a submission in relation to the Economic Recover Package (JobMaker Hiring Credit) Amendment Bill 2020 (provisions).

The IPA is one of the three professional accounting bodies in Australia, representing over 40,000 accountants, business advisers, academics and students throughout Australia and internationally. Three-quarters of the IPA's members work in or are advisers to small business and SMEs.

At the time of writing this submission, the Treasurer had not yet released the rules for the JobMaker Hiring Credit, so our comments are based on the limited information available in the Bill, Explanatory memorandum and JobMaker Hiring Credit Budget 2020-21 document (Fact sheet).

The economy has been savaged by the financial impacts of COVID and we are supportive of initiatives that are aimed at:

- '(i) improving the prospects of individuals getting employment in Australia; and
- (ii) increasing workforce participation in Australia'.

The Federal budget is now trying to transition businesses away from income support initiatives put in place to allow businesses to hibernate whilst restrictions were imposed. It is about providing incentives in the hope of rebooting business activity by introducing a range of tax incentives and wage subsidies such as the JobMaker Hiring Credit and Apprenticeship Wage Subsidy.

The Government intention is that the business community reacts positively to these concessions. It wants to grow the economy so that businesses start employing people again, especially those that have been displaced during the pandemic.

The IPA supports the government initiatives to transition people from government welfare schemes such as JobSeeker and Youth Allowances into stable employment. The Government has put significant tax incentives for businesses to invest in physical capital. We see JobMaker and the Apprenticeship Wage Subsidy directing some incentives towards human capital by encouraging employers to take on additional employees.

As the Rules are yet to be made by the Treasurer, our comments pertain to information contained in the document 'JobMaker Hiring Credit | Budget 2020-21' budget.gov.au (Fact sheet).

It is not our intention in this submission to comment on the two-tier payment structure and the associated age grouping eligibility criteria. The JobMaker Hiring Credit seeks to assist 450,000 young people into work from now until 2022/23, with an investment of \$4 billion. This commitment offers subsidies of up to \$10,400 for those aged 16-29 and \$5200 for those aged 30-35 years of age paid quarterly by the ATO. Employers will be able to access this assistance for each new job they create for an eligible job seeker subject to eligibility and additionality criteria.

Firstly, we are pleased that the Australian Taxation Office will administer the JobMaker Hiring credit. It is the best placed Government agency to administer this payment. It has proven very capable of administering JobKeeper involving over 989,000 employers and 3,600,00 employees. It effectively put systems in place within a relatively short period of time which was a huge undertaking and a credit to its capability both from a human and IT system infrastructure perspective. In addition, it is best placed to undertake compliance to ensure the integrity checks are working and that the only eligible employers are accessing the scheme in accordance with the policy intent.

Our main points we wish to make based on the limitations noted above are as follow:

- The factsheet indicates that payments are paid in arrears. Whilst this process is similar to JobKeeper whereby it adds integrity to the system in that it ensures the wages have been paid before reimbursement eligibility has been satisfied, it does not help the entity with cash flow. In addition, the first entitlement has been stated as available from 1 February 2021 which further exacerbates the cashflow concern. You are asking businesses to start employing as from 7 October and the earliest they will receive a jobmaker hiring payment will be after 1 February 2021. Small businesses who are cash strapped may not be attracted to this feature whereas larger businesses may have the resources to fund additional employees and can afford to wait for the wage subsidy. In comparison to JobKeeper, the amounts involved under Jobmaker are comparatively much less and therefore whilst payment in arrears is a good integrity feature it is not an ideal feature for cash strapped employers.
- The factsheet indicates that for a business with no employees, the minimum baseline headcount is one, so employers who had no employees as at 30 September 2020 will not be eligible for the first employee hired but will be eligible for the second and subsequent eligible hires. We interpret this to mean that a sole trader needs to employ two additional employees in order to qualify for one jobmaker hiring payment. More than 60 per cent of all small businesses are non-employing entities. The jobmaker hiring credit would have incentivised such entities to consider hiring someone for the first time. Even if less than half of all these entities put on one additional employee it would represent a significant number as there are over 1.2 million small business entities that are non-employing.
- JobKeeper did not discriminate between employers who were on STP versus those that were not. As part of the proposed eligibility criteria for employees, it is mandated that employers report through STP. Whilst we understand from an administration perspective why the ATO prefers to deal with an employer who is STP compliant, this is highly discriminative towards smaller employers. It is not mandatory for all employers to be STP compliant. Micro employers defined as those with one to four employees, are allowed to report quarterly through their intermediary such as a tax agent until 30 June 2021. By excluding such entities, this does not accord with the policy objective of incentivising all employers to take on additional employees. Similarly, there are closely held entities which are also exempted from STP until 30 June 2021. There are some large closely held entities that may want to avail themselves of this incentive so excluding them appears overly restrictive.
- The eligibility criteria refers to an increase in total employee headcount initially from the reference date 30 September 2020. Seasonal businesses who would normally start to recruit new employees would be beneficiaries of this hiring payment without necessarily doing anything different from what they would be doing ordinarily. We assume this might be an unintended outcome to maintain simplicity of the scheme.
- Some businesses have received lodgment deferrals, such as those businesses impacted by the bushfires. With respect to employer eligibility that the entity is up to date with its tax lodgement obligations, we would like to see that the Tax Commissioner has some discretion

to deal with special circumstances around the obligation to have up to date lodgement obligations

- Ineligible employers includes those that are claiming JobKeeper. Given that the JobKeeper payment ceases on 28 March, we assume that such employers will not be excluded from taking advantage of JobMaker thereafter. It is not clear in the factsheet whether this will be reflected in the JobMaker rules. If not, then this will not assist entities in necessary recovery phase where they will be starting to ramp up their businesses from a low base.
- The flat nature of the payment for a minimum of 20 hours of work does not incentivise the employer to engage the employee for any more hours. There is no tapering of the amount in reference to hours worked with an upper limit.
- Our final point is around the 'Additional criteria' which refers to the 'total employee headcount on 30 September 2020' and the employee eligibility refers to 'employees may be employed on a permanent, casual or fixed term basis'. An administratively sensible approach to the process of calculating 'Total employee headcount' is required particularly for small business entities attempting to determine eligibility. Ideally, we do not want the registration process overly cumbersome and time consuming.

If you have any queries or require further information, please don't hesitate to contact Tony Greco, General Manager, Technical Policy, either at tony.greco@publicaccountants.org.au or mobile: 0419 369 038

Yours sincerely



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