



Australian Government

The Treasury

Senate Committee on Economics

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

23 October 2020

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INTRODUCTION

INTRODUCTION

The Department of the Treasury (the Treasury) welcomes the opportunity to provide a submission to the Senate Economics Legislation Committee regarding the Economic Recovery Package (JobMaker Hiring Credit) Amendment Bill 2020.

In the 2020-21 Budget, the Australian Government announced it would introduce a wage subsidy (the JobMaker Hiring Credit) as part of its JobMaker plan to accelerate the growth of employment particularly for individuals aged 16 to 35; the cohort that has been hardest hit by the COVID-19 pandemic restrictions. The JobMaker Plan is a broader strategy comprising a package of measures to support economic recovery and higher overall employment.

It is expected that the JobMaker Hiring Credit will support around 450,000 positions for young people as they move back into employment.

Estimated costs of the JobMaker Hiring Credit are as follows:

(\$m)	2020-21	2021-22	2022-23	2023-24	Total
Total	850.0	2,900.0	250.0	0.0	4,000.0

The final cost of the scheme may vary from the current estimate. The JobMaker Hiring Credit will be demand-driven so the number of subsidies provided will depend on the pace of the economic recovery and take-up of the program.

Treasury has released a fact sheet on how the JobMaker Hiring Credit is expected to be designed to inform the public until rules are made enacting the scheme (Attachment B).

LEGISLATION

The Economic Recovery Package (JobMaker Hiring Credit) Amendment Bill 2020 (the bill) was introduced into the House of Representatives on 7 October 2020. The purpose of the bill is to amend the *Coronavirus Economic Response Package (Payments and Benefits) Act 2020* (the Act) to allow the Treasurer to make rules for the JobMaker Hiring Credit. It does this by extending the prescribed period allowed to make rules under the Act, with the constraint being that the primary purpose of any new arrangements needs to be to improve the prospects of individuals getting employment in Australia. Following an amendment to the Act, the rules to give effect to the JobMaker Hiring Credit will be made by legislative instrument by the Treasurer.

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The rules will establish which employers qualify for the payment, the employees to whom the payments relate, the amount payable and timing of payments and the obligations for recipients of the payment.

Implementing the policy design through rules will provide flexibility to respond to any unintended consequences, and a rapidly changing labour market, while still allowing consultation to ensure that the rules will work as intended. This is modelled on the approach taken for the JobKeeper Payment.

Treasury will undertake a consultation process to guide the development of the JobMaker Hiring Credit Rules following the release of the exposure draft legislative instrument and explanatory statement with a view to the rules being settled and made in sufficient time for employers to prepare for the first reporting period.

These amendments do not affect the prescribed period for the JobKeeper Payment scheme or the rules which provide for that scheme, which cannot be extended beyond 28 March 2021 without further amendments to the Act by Parliament.

HOW WILL THE JOBMAKER HIRING CREDIT WORK?

Employers will be able to claim the JobMaker Hiring Credit for new jobs created over the 12 month period beginning on 7 October 2020, for up to 12 months for each new job that is filled by an eligible young person. Eligible employers will receive \$200 per week if they hire an eligible employee aged 16 to 29 years, or \$100 per week if they hire an eligible employee aged 30 to 35 years.

Employers can claim the credit for each additional job above their baseline level on 30 September 2020. The baseline level is generally the organisation's employee headcount at the reference date, and quarterly payroll for three months up to the reference date.

Each new additional job is eligible for a hiring credit for 12 months, beginning from the initial date of employment, as long as the additionality conditions continue to be met. Employers can replace a departing eligible employee with another eligible employee and continue to claim a hiring credit for that job. Replacement employees do not reset this period (limiting incentives for churn).

To be eligible, a job seeker will have to have received JobSeeker Payment, Youth Allowance (Other) or Parenting Payment for at least one of the previous three months prior to commencing employment.

Employees need to have worked for a minimum of 20 hours per week on average for the full weeks they were employed over the reporting period to be eligible.

An employee can only be eligible with one employer at a time.

The Australian Taxation Office (ATO) will administer the scheme and pay employers quarterly in arrears. This will enable the scheme to be delivered on a large scale by building on the ATO's existing delivery of the JobKeeper Payment.

WHY DOES THE JOBMAKER HIRING CREDIT TARGET YOUNG PEOPLE?

Since the beginning of the COVID-19 pandemic, young people have experienced a much greater decline in employment than other age groups.

Compared to March 2020, employment for those aged 15 to 34 years has fallen by 307,000 (or 6.1 per cent) as at September 2020. While this cohort represents around 40 per cent of those that are employed, it accounts for around three quarters of the total fall in employment over this period.

At September 2020, the unemployment rate stood at 10.2 per cent for those aged 15 to 34 years and 14.5 per cent for those aged 15 to 24 years, compared to 6.9 per cent for the total population.

- For individuals aged 35-44, employment has fallen by 40,000 (down 1.4 per cent) over this period. At September 2020, the unemployment rate for this cohort was 4.7 per cent.
- For individuals aged 45-54, employment has fallen by 58,000 (down 2.2 per cent) over this period. At September 2020, the unemployment rate for this cohort was 5.2 per cent.
- For individuals aged 55 and over, employment has fallen by 11,000 (down 0.4 per cent) over this period. At September 2020, the unemployment rate for this cohort was 4.9 per cent.

In addition to the significant number of young people who have lost employment this year, it is anticipated that the large numbers of young people entering the labour force each year will struggle to access employment in the current climate. Job ads for graduate positions and internships have fallen by 36 per cent over the year to August 2020 (Burning Glass Technologies 2020).

Treasury analysis in the 'Career effects of labour market conditions at entry' working paper released in June 2020¹ shows that Australians graduating into a labour market with high youth unemployment can expect to earn roughly 8 per cent less in their first year of work, and 3.5 per cent less after five years.

- Over a decade this equates to the loss of roughly half a years' salary compared to those graduating into more benign conditions.
- And in dollar terms this is also sizeable – for someone on the 2019 median graduate salary of \$62,600 this would translate to \$5,000 less earnings in their first year of work and over \$30,000 less over their first decade.

Young people have a larger share of working years ahead of them. The long-term economic costs of becoming disconnected from the labour market is, therefore, much greater for young people.

The experience from past recessions shows that it takes a particularly long time for youth employment to recover. It took a full decade after the early 1990s recession to get the unemployment rate down

¹ <https://treasury.gov.au/publication/p2020-85098>

below 6 per cent from where it started, but it took 15 years to get the number of jobs for young people back below from where it started.

Expanding employment will reduce the ‘scarring effects’ of an extended period of unemployment for people that have lost employment. There are direct impacts for the individual through long-term reductions in earnings and employment outcomes as well as negative health and social impacts. There are broader economic losses in terms of human capital, lower levels of income, consumption and productivity.

While many older workers have lost employment since the start of the COVID-19 pandemic, they have been impacted less than younger workers. Older workers will generally have more substantial work experience to support them being re-employed. Attachment A provides further information about employment services support available to people over 35.

HOW MANY JOBS WILL BE CREATED BY THE HIRING CREDIT?

It is estimated that around 450,000 jobs will be supported by the hiring credit. Robust additionality criteria means that these jobs will be genuinely new jobs to the business receiving the credit.

However, the Australian labour market is dynamic. Significant numbers of people flow into and out of employment each month, with the majority of these flows netting off. In many cases, these flows are the process of finding employment that better suits the needs of both individuals and employers. Many of these jobs will be lost from one group of businesses and added to a different group of businesses.

- The data available since March 2020 show that there have been on average 250,000 young people (16-35 years) each month moving into employment from either unemployment or from outside the labour force. This is an increase from an average of 200,000 each month in 2019 reflecting the disruption caused by the COVID-19 pandemic. Over the same period since March 2020, there have been on average 330,000 young people each month exiting employment.
- The majority of employment separations are the result of the employee departing voluntarily. Aggregate data for the year to February 2020 show that 1.3 million workers left a job voluntarily and 0.27 million workers were retrenched.
- While this churn happens for all age groups, young people enter and separate from employment more frequently than older cohorts. For individuals aged 16-29, 25 per cent will separate within 6 months.

International evidence suggests that up to 30 per cent of the jobs supported by schemes such as the Hiring Credit can be addition, in that they are jobs that would not have been created were it not for the Hiring Credit. The degree of additionality depends on the details of scheme design as well as the broader economic context. Such schemes also have a positive impact on cash flow and labour costs for businesses, and provide businesses with more money to spend on further new hires, which supports employment in other parts of the economy. The Hiring Credit is one element of the Government’s suite of measures to support the recovery of the Australian economy and create jobs.

Other significant measures include:

- Lowering personal income taxes, and assisting businesses with their cash flow through a range of measures including the instant asset tax write-off, Backing Business Investment, full expensing of depreciable assets measures, and allowing companies to carry back losses.
- Investing in new and accelerated infrastructure projects across Australia in the next four years.
- Additional investment in the Boosting Apprenticeships Wage Subsidy, investing to support the delivery of higher education short courses, supporting the delivery of additional university places in 2021, the establishment of a \$1 billion JobTrainer Fund, and a new digital platform to help job seekers find a job or get back into work.

THE 20 HOUR A WEEK THRESHOLD

To qualify for the JobMaker Hiring Credit, the job must provide at least 20 hours of work per week. This seeks to increase the work experience level of someone that was previously on income support, with a view to increasing their future longer term employment opportunities. This level of hours seeks to strike a balance between providing that opportunity, lifting overall employment opportunities, and making the subsidy accessible and attractive to employers to take on employees that may have less experience.

If an eligible employee does not meet the 20 hours per week on average requirement for a quarter, they will be ineligible for that quarter but may be eligible in a future quarter. Where a casual employee works variable hours, averaging over the quarter can allow for their eligibility.

INTEGRITY FEATURES TO SUPPORT THE JOBMAKER HIRING CREDIT

The design of the JobMaker Hiring Credit Rules will include a number of features that will prevent misuse by employers.

Employers claiming the subsidy will need to meet the additionality criteria, and therefore demonstrate that their staff head count and their total payroll exceeds the baseline amount at 30 September 2020. As this date is prior to the announcement, employers won't be able to manipulate the baseline. These criteria imply that businesses will not be able to dismiss existing workers and simply replace them with eligible employees to attract the subsidy.

The requirement that the job is at least 20 hours a week will mitigate the risk of firms making non-genuine hires, as will spreading the credit out across 12 months (instead of providing the subsidy upfront).

Limiting eligible employees to those who have recently been on income support will limit the risks of businesses reclassifying non-employees (such as independent contractors) or family members to

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employees to receive the credit. A number of conditions will also apply to ensure that the payment is made in respect of genuine employment relationships, such as requirements that employees must be at arm's length, rather than artificial arrangements with family and friends.

New businesses will be an important source of new employment during recovery, but are a potential source of non-genuine claims. To limit this risk, businesses will need to satisfy conditions like holding an Australian Business Number (ABN), being up to date with tax lodgement obligations, being registered for Pay As You Go (PAYG) withholding and reporting employee payroll information to the ATO through Single Touch Payroll (STP).

New businesses will not be able to claim for their first employee – this prevents someone benefiting from reclassifying themselves from self-employed to an employee or similar arrangements.

Payments will be paid in arrears, requiring employers to ensure they have met the requirements of the program before amounts are paid.

In order to claim the credit, eligible entities will need to report using the Single Touch Payroll (STP) system. STP will streamline reporting and audit action to minimise the administrative cost for employers and at the same time provide a higher level of integrity. The ATO will also conduct data matching with Services Australia.

Individuals who provide a false or misleading statement may be liable to criminal and administrative penalties under the *Taxation Administration Act 1953*. Existing integrity rules in the *Coronavirus Economic Response Package (Payments and Benefits) Act 2020* authorise the Commissioner of Taxation to take action against contrived arrangements entered into to gain the benefit of the JobMaker Hiring Credit. Where these rules apply, the Commissioner of Taxation may undo the effect of the scheme and recover any overpayments. Further consideration is also being given to whether additional provisions are required in the rules to mitigate the risk of employment being artificially shifted between entities within a single group.

PROTECTIONS IN THE FAIR WORK ACT FROM UNFAIR DISMISSAL OR ADVERSE ACTION

The incentives in the JobMaker hiring scheme do not disturb existing rights and protections in the *Fair Work Act 2009* (FW Act). The unfair dismissal and general protections provisions in the Fair Work Act are important protections that continue to operate in the context of the JobMaker hiring credit scheme.

Part 3-2 of the FW Act protects employees from unfair dismissal, being a dismissal that is harsh, unjust or unreasonable. Section 387(a) provides that a dismissal may be unfair where there is no valid reason for the person's dismissal, related to their capacity or conduct. While each case will depend upon the circumstances, it is unlikely to be a valid reason for dismissal if an employer dismisses an existing employee to engage a new individual to take advantage of the JobMaker Hiring Credit. Eligible employees who believe they have been unfairly dismissed can lodge an unfair dismissal claim with the Fair Work Commission.

Similarly, the general protections provisions in Part 3-1 protect employees from adverse action (including dismissal) because of a protected attribute, which includes age (s 351(1)). While each case

will again depend upon the circumstances, this means that unless a relevant exemption applies (for example, the action is not unlawful under another anti-discrimination law), it is unlawful to discriminate against an employee on the basis of their age. If an employee alleges that they have been unlawfully dismissed on the basis of a protected attribute, such as age, a reverse onus applies so that the employer must demonstrate on the balance of probabilities that the dismissal was not because of the protected attribute.

Employers who do not comply with their obligations under the FW Act can face significant civil penalties of up to \$13,320 for an individual and \$66,000 for a body corporate. They may also face orders for reinstatement or compensation (generally capped at six months' wages) following a successful unfair dismissal claim, or uncapped compensation orders for general protections claims.

ATTACHMENT A – EMPLOYMENT SERVICES SUPPORT AVAILABLE TO PEOPLE OVER THE AGE OF 35

While jobseekers over the age of 35 are unable to access the JobMaker Hiring Credit, the Government has ensured there is support for job seekers over the age of 35 through new measures in the 2020-21 Budget:

- Job seekers who need to develop their language, literacy and numeracy skills will be supported to access the training and support they need with an additional \$49.5 million being invested in the Skills for Education and Employment (SEE) program to fund an additional 14,485 places.
- jobactive participants will benefit from a further \$35.8 million injection to the Employment Fund in 2021-22 to support their job readiness.
- \$62.8 million is being invested in the Local Jobs Program, which will focus on reskilling, upskilling and employment pathways in 25 Employment Regions across Australia to assist people back into the workforce.
- \$17.4 million has been allocated to help job seekers with relocation assistance to take up a job for ongoing work or to temporarily relocate to a regional area to take up agricultural work.
- More Australians, including veterans transitioning to the civilian workforce, will have the chance to become their own boss or strengthen their existing small business through an expanded New Business Assistance with NEIS (New Enterprise Incentive Scheme) program, costing \$5.7 million.
- \$24.7 million has been provided to support changes to the ParentsNext program to better support parents to plan and prepare for employment by the time their youngest child reaches school age.
- \$1.2 billion has been allocated for the Boosting Apprenticeship Commencements (BAC) wage subsidy that will encourage employers to take on apprentices and trainees of any age. Through this scheme, businesses of any size who engage an Australian Apprentice from 5 October 2020 through to 30 September 2021 will be eligible to claim a 50 per cent wage subsidy, up to \$7,000 per quarter. This wage subsidy is available for up to 100,000 apprenticeship commencements. This measure builds on the Australian Government's existing \$2.8 billion investment in the Supporting Apprentices and Trainees wage subsidy that is helping to keep apprentices and trainees across the country in work and training.

These measures build on the range of existing programs and initiatives that can benefit job seekers over the age of 35.

- As the Australian Government's mainstream employment service program, jobactive is supporting Australians of all ages back into work. jobactive is delivered by a network of around 40 providers working to connect job seekers to employment at around 1,700 locations across Australia. jobactive providers can access a range of complimentary programs to support the work readiness and skills development of job seekers, provide incentives for employers to provide work experience or ongoing employment, help connect job seekers with employers, and deliver targeted support for disadvantaged cohorts, including those of mature age.
- The Employment Fund is a flexible pool of funds used by jobactive providers to help job seekers of any age by purchasing training, work-related items, transport, work equipment, medical checks and other goods and services to help individuals find and keep a job. All job seekers who


are assisted by a jobactive provider are eligible for immediate Employment Fund support as they need it. There is no minimum or maximum level of assistance a job seeker can receive.

- Wage subsidies of up to \$10,000 are available to employers when hiring eligible job seekers, including those who are young, mature aged (known as Restart), parents, on the caseload for more than 12 months and Indigenous Australians. These subsidies compliment the JobMaker Hiring Credit. An employer cannot receive the JobMaker Hiring Credit and a wage subsidy for the same individual.
- The Mid-Career Checkpoint commenced on 1 July 2020 as a pilot program in New South Wales and Queensland to assist people who have taken time out of their career to care for their family and are now looking to return to the paid workforce or advance their career. The program provides free skills and employment assessment services, career advice and coaching to eligible carers, who are returning, or have recently returned, to paid employment.
- Career Transition Assistance (CTA) is available for job seekers aged 45 and over. The program gives mature age job seekers practical assistance to identify existing transferrable skills, research and understand the local job market, explore new occupations suited to their skills, learn resilience strategies and improve computing and digital skills using different types of technology.
- The Launch into Work program delivers pre-employment projects that provide training, work experience and mentoring to support job seekers, in particular women, to increase their skills, experience and confidence and move into employment. Projects are intended to train job seekers for specific roles within the organisation, and may be conducted in a variety of industries.
- The Department of Education, Skills and Employment developed a new platform called the 'Jobs Hub' to help connect job seekers and businesses with vacancies to fill. The 'Find Employers Hiring Now' area of the Hub is updated daily and features job listings from employers in a range of industries and locations. Job seekers can also use the new 'Job Match tool' to match their skills with jobs available on the jobactive jobs board.
- Jobs Fairs are free events that are conducted face-to-face or online by the Government. These events are a great way for job seekers to connect with local employers to discuss current opportunities in their region.

Effectiveness of the Restart wage subsidy for mature age job seekers:

- The Restart wage subsidy provides up to \$10,000 (GST inclusive) over six months for job seekers aged 50 years and over. It has proved effective in helping mature age job seekers to gain and maintain work.
- Since its introduction in July 2014, the Restart wage subsidy has supported 52,000 mature aged Australians to get a job, benefitting over 30,000 employers.
- Further, Departmental analysis from the Department of Employment, Skills and Education shows mature age job seekers placed with a Restart subsidy were 17 percentage points more likely to achieve a 26-week employment outcome than similar mature age job seekers who were placed without a wage subsidy.
- Mature age job seekers placed with a Restart wage subsidy were also eight percentage points more likely to leave income support within 12 months, when compared to similar participants who started a job without a subsidy.

ATTACHMENT B– FACTSHEET



JobMaker Hiring Credit

The JobMaker Hiring Credit will help to accelerate growth in the employment of young people during the COVID-19 recovery. This will improve their economic, health and social outcomes and reduce the scarring from long term unemployment.

The JobMaker Hiring Credit will give businesses incentives to take on additional young job seekers. This will help young people access job opportunities as the economy recovers.

The JobMaker Hiring Credit will be available to employers for each new job they create over the next 12 months for which they hire an eligible young person, aged 16 to 35 years old.

It is expected that around 450,000 positions for young Australians will be supported through the JobMaker Hiring Credit at a cost of \$4 billion from 2020-21 to 2022-23.

Key facts

From 7 October 2020, eligible employers will be able to claim \$200 a week for each additional eligible employee they hire aged 16 to 29 years old; and \$100 a week for each additional eligible employee aged 30 to 35 years old.

New jobs created until 6 October 2021 will attract the JobMaker Hiring Credit for up to 12 months from the date the new position is created.

To be eligible, the employee must have received the JobSeeker Payment, Youth Allowance (Other), or Parenting Payment for at least one of the previous three months at the time of hiring.

The JobMaker Hiring Credit will be claimed quarterly in arrears by the employer from the Australian Taxation Office (ATO) from 1 February 2021. Employers will need to report quarterly that they meet the eligibility criteria.

The JobMaker Hiring Credit is designed to support new employment. Employers do not need to satisfy a fall in turnover test.

The additionality criteria

To attract the JobMaker Hiring Credit, the employee must be in an additional job created from 7 October 2020. To demonstrate that the job is additional, specific criteria must be met.

The additionality criteria require that there is an increase in:

- the business' total employee headcount (minimum of one additional employee) from the reference date of 30 September 2020; and
- the payroll of the business for the reporting period, as compared to the three months to 30 September 2020.

The amount of the hiring credit claim cannot exceed the amount of the increase in payroll for the reporting period.

Total employee headcount on 30 September 2020 and payroll in the three months to

The JobMaker
Hiring Credit will
give businesses
incentives to take on
additional young job
seekers

30 September 2020 represent the baseline values for the employer.

The baseline headcount will be adjusted in the second year of the program to ensure an employer can only receive the JobMaker Hiring Credit for 12 months for each additional position created.

Employer eligibility

Employers are eligible to receive the JobMaker Hiring Credit if they:

- have an Australian Business Number (ABN);
- are up to date with tax lodgement obligations;
- are registered for Pay As You Go (PAYG) withholding;
- are reporting through Single Touch Payroll (STP);
- meet the additionality criteria;
- are claiming in respect of an eligible employee; and
- have kept adequate records of the paid hours worked by the employee they are claiming the hiring credit in respect of.

Newly established businesses

Newly established businesses and businesses with no employees at the reference date of 30 September 2020 are able to claim the JobMaker Hiring Credit where they meet the criteria. The minimum baseline headcount is one, so employers who had no employees at 30 September 2020 or who were created after this reference date will not be eligible for the first employee hired, but will be eligible for the second and subsequent eligible hires.

Ineligible employers

The following employers are not eligible for the JobMaker Hiring Credit:

- Commonwealth, state and local government agencies, and entities wholly owned by these agencies,
- Sovereign entities (foreign Governments, their agencies and wholly owned foreign resident subsidiaries). However, Australian resident entities owned by a sovereign entity that meet all other eligibility criteria are eligible.
- Entities in liquidation or who have entered bankruptcy.
- Employers who are claiming the JobKeeper Payment.
- Employers subject to the major bank levy.

Employee eligibility

To be an eligible employee, the employee must:

- be aged either:
 - 16 to 29 years old, to attract the payment of \$200 per week; or
 - 30 to 35 years old to attract the payment of \$100 per week at the time their employment started;
- have worked at least 20 paid hours per week on average for the full weeks they were employed over the reporting period;
- commenced their employment between 7 October 2020 and 6 October 2021;
- have received the JobSeeker Payment, Youth Allowance (Other), or Parenting Payment for at least one month within the past three months before they were hired;

- be in their first year of employment with this employer, reflecting that the hiring credit is only available for 12 months for each additional job; and
- must be employed for the period that the employer is claiming for them.

Employees may be employed on a permanent, casual or fixed term basis.

Ineligible employees

The following are not eligible employees for the JobMaker Hiring Credit:

- employees aged under 16 years or over 35 years at the time their employment started;
- employees for whom the employer is also receiving a wage subsidy under another Commonwealth program such as the Boosting Apprenticeship Commencements wage subsidy, Supporting Apprentices and Trainees subsidy and the Australian Apprentice Wage Subsidy Trial;
- employees that another employer is claiming the JobMaker Hiring Credit in respect of; and
- employees that worked on average less than 20 hours per week, for the full weeks they were employed during a reporting period will be ineligible for that period.

The JobMaker
Hiring Credit is
designed to support new
employment. Employers
do not need to satisfy a
fall in turnover test

Lisa's Lamington Bakery

Lisa operates a bakery and baked goods catering business with two employees. She hires Angus on 7 October 2020. As at 30 September 2020, Lisa had two other employees and her quarterly payroll for July, August and September 2020 was \$30,000. Lisa's business is not receiving the JobKeeper Payment.

Lisa's employee baseline on 30 September 2020 is two employees and she had a quarterly payroll of \$30,000 in the September quarter 2020. To claim the JobMaker Hiring Credit, her employee headcount and payroll for the reporting period must exceed the baseline level. Employee headcount is the value observed on the final day of the reporting period, while payroll is the total for the reporting period.

Angus is 25 and was receiving JobSeeker Payments from 1 July 2020 to 31 October 2020. While Angus has no guaranteed hours, Lisa expects he will work 7 hours a day, three days a week (that is, more than 20 hours a week on average).

Following the end of the first reporting period for the JobMaker Hiring Credit, Lisa compares her situation to her baseline:

- On 30 September 2020 her baseline headcount was 2 and her quarterly payroll was \$30,000.
- On 6 January 2021 (the final day of the first reporting period), her headcount was 3 and her payroll is calculated to be \$39,000.

Lisa is therefore able to claim the JobMaker Hiring Credit in the December quarter reporting period of 7 October 2020 – 6 January 2021. Lisa's payment entitlement is calculated on a per day basis. She is entitled to \$200 per week for the entire December quarter reporting period for Angus.

The claim in respect of Angus is calculated as follows:

$$\frac{\$200 \text{ per week}}{7 \text{ days}} \times 92 \text{ days} = \$2,629$$

If the increase in quarterly payroll relative to the baseline was less than this amount, then Lisa would receive a payment equal to the value of the payroll increase instead.

The ATO will calculate Lisa's entitlement on her behalf, once she has provided the relevant information in her claim and as a part of her ordinary reporting requirements in STP enabled software.

Claiming after a change in employees

Lisa employs two new staff, Emma aged 28 and Jessica aged 32, who both start on 7 January 2021 and meet the employee eligibility requirements. Angus resigns from his job at Lisa's business, effective as at 7 January 2021.

When claiming for the March quarter reporting period (7 January 2021 to 6 April 2021), Lisa again compares her current situation to her baseline:

- On 30 September 2020, her baseline headcount was 2 and her quarterly payroll was \$30,000.
- On 6 April 2021, her headcount was 4 and her payroll for the reporting period was \$52,000.

For the March quarter reporting period, as her headcount is 2 above her baseline, Lisa can claim for the 2 additional positions. Lisa notifies the ATO through STP of the commencement of Emma and Jessica on 7 January 2021, and that Angus was no longer employed as at 7 January 2021.

As Emma is aged 28, she attracts the \$200 rate per full week, while Jessica attracts the \$100 rate.

Emma at \$200 per week =

$$\frac{\$200 \text{ per week}}{7 \text{ days}} \times 90 \text{ days} = \$2,571$$

Jessica at \$100 per week =

$$\frac{\$100 \text{ per week}}{7 \text{ days}} \times 90 \text{ days} = \$1,286$$

Lisa's total payment: \$3,857

If the increase in quarterly payroll relative to the baseline was less than this amount, then Lisa would receive a payment equal to the value of the payroll increase instead.

The ATO will calculate Lisa's entitlement on her behalf, once she has provided the relevant information in her claim and as a part of her ordinary reporting requirements in STP enabled software.

Claiming in the second year of the program

On 7 October 2021, the JobMaker Hiring Credit closes to new applications.

Employers can only claim a hiring credit for a new position for 12 months. The 12 month eligibility period for each new position begins when an eligible employee is hired and continues even if that employee departs.

7 October 2021 is 12 months from the date Lisa hired her first eligible employee Angus. The rule to limit claims for new jobs to 12 months means her baseline headcount will increase from 7 October 2021, in line with her access to hiring credits a year earlier.

Calculating the 20 hours per week

Dan is a 26 year old eligible casual employee that commenced working for Lisa on 7 July 2021. While Dan has no guaranteed hours, he typically works around 30 hours a week.

Dan was unable to work some of his shifts as intended.

While making a claim, Lisa will need to report whether Dan worked on average at least 20 hours per week (based on hours paid) for the full weeks he was employed in the period. Dan has on average only worked 19 hours. As a result, Lisa cannot claim in respect of Dan for the reporting period, but may claim for him in the next reporting period subject to meeting all other eligibility criteria.

Frequently Asked Questions

When will the JobMaker Hiring Credit commence?

The JobMaker Hiring Credit will commence on 7 October 2020. Eligible employers can receive the payment for up to 12 months for new jobs created for which they hire an eligible young person from 7 October 2020.

When will the JobMaker Hiring Credit end?

The JobMaker Hiring Credit will be available for each new job employers create over the next 12 months for which they hire an eligible young person. It will close to new entrants on 7 October 2021. An eligible employer who hires an eligible employee on 6 October 2021 (the last day that the scheme is open to new entrants) could be eligible for payments for the 12 months to 6 October 2022.

Eligibility criteria

What is the eligibility criteria for employers?

As an employer, you will be eligible to receive the JobMaker Hiring Credit if you:

- Meet the additionality criteria;
- Are claiming in respect of an eligible employee;
- Have kept adequate records of the hours worked (or paid for) by the employee you are claiming the JobMaker Hiring Credit for;
- Have an Australian Business Number (ABN);
- Are up to date with your tax lodgement obligations;
- Are registered for Pay As You Go (PAYG) withholding; and
- Are reporting through Single Touch Payroll (STP).

The JobMaker
Hiring Credit
will commence on
7 October 2020

Employers that are not reporting through STP can visit the ATO website for details on how to enrol:

www.ato.gov.au/Business/Single-Touch-Payroll/

The following employers are ineligible:

- Commonwealth, state and local government agencies, and entities wholly owned by these agencies (universities will not be considered government agencies).
- Sovereign entities (foreign Governments, their agencies and wholly owned foreign resident subsidiaries). However, Australian resident entities owned by a sovereign entity that meet all other eligibility criteria are eligible.
- Entities in liquidation or who have entered bankruptcy.
- Employers who are also claiming the JobKeeper Payment.
- Employers subject to the major bank levy.

Registrations and claiming the JobMaker Hiring Credit

How do I register for the JobMaker Hiring Credit?

Registrations will open for eligible employers through ATO online services from 7 December 2020. Employers do not need to be registered at the time that they hire an employee in order to be eligible. Registration can occur at any time before a claim is made.

The ATO
will pay the
JobMaker Hiring
Credit to you,
the employer

How and when do I lodge a claim for the JobMaker Hiring Credit?

Employers can submit claims from 1 February 2021 (for new jobs created in the first reporting period of 7 October 2020 to 6 January 2021). Employers will have three months to submit claims following the opening of the claim period.

When will I receive the JobMaker Hiring Credit?

The JobMaker Hiring Credit will be paid quarterly in arrears. Employers can claim the first payment when claims open on 1 February 2021 (for new jobs created between 7 October 2020 and 6 January 2021).

How much is the JobMaker Hiring Credit and who pays it?

For eligible employers who hire eligible employees aged 16 to 29 years old at the time of employment, the JobMaker Hiring Credit is \$200 a week. For eligible employers who hire eligible employees aged 30 to 35 years old at the time of employment, the JobMaker Hiring Credit is \$100 a week.

The ATO will pay the JobMaker Hiring Credit to you, the employer.

How do I calculate my baseline employee headcount and payroll?

For existing businesses operating before 30 September 2020, your employee headcount is the number of employees you have at 30 September 2020 and your payroll is your quarterly payroll for the three months to 30 September 2020.

If you are a new business or had no employees at 30 September 2020, you will not be eligible for the first employee hired, but will be eligible for the second and subsequent eligible hires.

For example, Jack starts a new business on 10 October 2020. His first employee is Jeremy aged 31 years old who he hires on

15 October 2020. On 15 November 2020, Jack hires Tim who is an eligible employee. Because Jack's headcount at 30 September 2020 was zero, he will not be able to claim the JobMaker Hiring Credit for Jeremy who was his first employee, but he may be eligible to claim for Tim.

Your headcount for each reporting period will be taken from the last day of the reporting period. For example, your employee headcount will be measured at 6 January 2021 for the first reporting period. Your payroll for each reporting period is your total payroll across the reporting period. Your payroll needs to be higher than the baseline payroll to meet the additionality criteria. If the increase in payroll for the reporting period was less than the total value of the credit that is being claimed, then you will receive the value of the payroll increase instead.

Does my baseline employee headcount always remain the same?

No. In the second year of the program, your baseline will increase in line with your access to hiring credits a year earlier. This is to ensure that the JobMaker Hiring Credit is only available for up to 12 months from the date a new job was created.

For example, if your baseline was 10 employees at 30 September 2020 and you hired one eligible additional employee on 15 October 2020, your baseline headcount would increase to 11 employees from the reporting period immediately following 15 October 2021. From that reporting period onwards, you could only claim for eligible employees who are above the new baseline (that is, if you have 12 or more employees).

Calculating Payments

Amount of payment

For eligible employees hired from 7 October 2020 until 6 October 2021 for up to 12 months, eligible employers will be able to claim a maximum of:

- \$200 a week for each eligible additional employee they hire aged 16 to 29 years old; and
- \$100 a week for each eligible additional employee aged 30 to 35 years old.

The amount will be the lesser of the amount of the claim and the increase in payroll for the reporting period relative to the baseline payroll.

Employees not employed for the whole reporting period

The amount claimed for the reporting period will be calculated on the number of days worked in the reporting period.

If an eligible employee leaves your business, and is replaced with another eligible employee, you will continue to be able to claim in respect of that position, up to a maximum of 12 months. Replacing an employee does not reset the maximum 12 month period.

Can I receive the JobMaker Hiring Credit for any of my existing employees?

No, you can only claim the JobMaker Hiring Credit for employees who were employed on or after 7 October 2020.

Adjustments to the baseline

The baseline is the employee headcount and quarterly payroll at 30 September 2020. The baseline headcount will increase in the reporting period immediately following 12 months from the date you receive the hiring credit for an additional job created. This will ensure the payment is only available for 12 months for each additional job created.

You can only claim the JobMaker Hiring Credit for employees who were employed on or after 7 October 2020

Interactions with other government programs

Can I receive the JobKeeper Payment and the JobMaker Hiring Credit at the same time?

No, you cannot receive the JobKeeper Payment and the JobMaker Hiring Credit at the same time. An employer receiving the JobKeeper Payment can be eligible for the JobMaker Hiring Credit once they have exited the JobKeeper Payment and are no longer receiving the JobKeeper Payment for any employees or business participants. Eligibility for the hiring credit will commence in the reporting period following their JobKeeper exit date.

For example, Rohana's Hair Salon in Melbourne is eligible for the JobKeeper Payment extension from 28 September 2020 to 3 January 2021, but is not eligible for the JobKeeper Payment extension from 4 January 2021 to 28 March 2021 as business improves in the December 2020 quarter. As the Hair Salon is no longer eligible for the JobKeeper Payment from 4 January 2021, Rohana can claim the JobMaker Hiring Credit for hiring Max, a 25 year old qualified hair stylist who had been receiving JobSeeker Payment, for the 7 January 2021 – 6 April 2021 reporting period.

Can I receive the JobMaker Hiring Credit and other Commonwealth Government wage subsidies for the same employee?

Employers cannot access more than one Commonwealth wage subsidy program for the same employee. This includes the Department of Education, Skills and Employment's wage subsidies, the Boosting Apprenticeships

Commencements Wage Subsidy, the Supporting Apprentices and Trainees Wage Subsidy, and the Australian Apprentice Wage Subsidy Trial.

Eligibility for young people looking for work

I am looking for work – am I eligible to attract the JobMaker Hiring Credit?

If you are aged 16 to 35 years old and you have received the JobSeeker Payment, Youth Allowance (Other) or Parenting Payment for at least one of the last three months at the time you are hired, you will be eligible to attract the JobMaker Hiring Credit. The JobMaker Hiring Credit will be paid to your employer.

I have been receiving an eligible income support payment and I am aged 16 to 35 years old – will every organisation be able to receive the JobMaker Hiring Credit if they hire me?

Employers need to meet certain eligibility criteria to receive the JobMaker Hiring Credit, so not all employers are eligible. For example, the employer needs to be able to demonstrate that they have increased their overall employment to receive this payment.

How much is the JobMaker Hiring Credit and who pays it?

For eligible employers who hire eligible employees aged 16 to 29 years old at the time of employment, the JobMaker Hiring Credit is \$200 a week. For eligible employers who hire eligible employees aged 30 to 35 years old at the time of employment, the JobMaker Hiring Credit is \$100 a week.

The ATO will pay the JobMaker Hiring Credit to your employer.

Will the JobMaker Hiring Credit impact my income?

Employers need to pay employees in accordance with the prevailing industrial relations arrangements. There is no specific

link between the income your employer is required to pay you and the payment the employer receives through the JobMaker Hiring Credit. However, to be an eligible employee for the JobMaker Hiring Credit you need to have worked for a minimum of 20 hours of paid work per week averaged over the full weeks worked in the reporting period for which the payment is being claimed.

I am eligible now but turn 36 years old soon – will I still be eligible to attract the JobMaker Hiring Credit when I turn 36?

To be eligible, you need to be aged 16 to 35 years old at the time you are hired by the employer who wants to apply for the JobMaker Hiring Credit. People aged 36 years or older at the time of employment are ineligible for the JobMaker Hiring Credit.

Employee eligibility

I am an eligible employee who has been hired by an eligible employer – what do I need to do?

Your employer will ask you to fill out a nomination form where you need to declare that you meet the employee eligibility for the JobMaker Hiring Credit – that is, at the time of hiring you:

- were aged 16 to 35 years old;
- had been receiving JobSeeker Payment, Youth Allowance (Other) or Parenting Payment for at least one of the three previous months; and
- have not filled in a JobMaker Hiring Credit nomination form for another employer who you are still working for.

How much will I receive from the JobMaker Hiring Credit?

The ATO will pay the JobMaker Hiring Credit to your employer to subsidise their cost of employing you. You will not receive the JobMaker Hiring Credit in your own salary, wages or other payment.

Employers need to pay you in accordance with the prevailing industrial relations arrangements. There is no specific link between the income your employer is required to pay you and the payment the employer receives through the JobMaker Hiring Credit. However, to attract the JobMaker Hiring Credit you need to have worked for a minimum of 20 hours of paid work per week averaged over the full weeks worked in the reporting period for which the payment is being claimed.

How many hours do I need to work to attract the JobMaker Hiring Credit?

You need to work at least 20 hours a week on average for the full weeks worked in the reporting period for your employer to be able to claim the JobMaker Hiring Credit. All paid hours, including paid leave, count towards your average hours, but unpaid leave does not count.

What happens if I work less than 20 hours per week on average in a reporting period, but more in the next reporting period?

Your employer will not be able to claim the JobMaker Hiring Credit for the reporting period where you did not work on average 20 paid hours per week but your employer may be able to claim the credit in the following reporting period, subject to other eligibility criteria.

I nominated to receive the JobMaker Hiring Credit through one employer. Can I get a second job?

Yes, you can have two (or more) jobs. However, you can only complete a nomination for the JobMaker Hiring Credit for one employer at any point in time, as two employers cannot be receiving the hiring credit for you at the same time.

The JobMaker
Hiring Credit will
contain robust
integrity features

I am on or have recently received one of the eligible income support payments and already have a job. Can I get another job and be an eligible employee for the JobMaker Hiring Credit?

Yes, as long as you meet the criteria by being aged between 16 and 35 years old and receiving the JobSeeker Payment, Youth Allowance (Other) or Parenting Payment for at least one of the previous three months before you are hired. You do not have to quit your first job, as you can have more than one job (as long as only one employer is receiving the JobMaker Hiring Credit for you at any point in time). The ability to be an eligible employee for the JobMaker Hiring Credit may make you more likely to gain additional employment as your employer can claim the hiring credit in respect of your employment with them.

I am an independent contractor - can an organisation I signed a contract to provide services to claim the JobMaker Hiring Credit for me?

No. You will need to be a permanent employee, a casual or an employee on a fixed term contract.

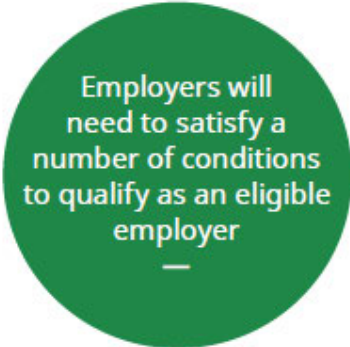
Integrity

What measures will ensure the integrity of the JobMaker Hiring Credit?

The JobMaker Hiring Credit will be paid by the Australian Taxation Office (ATO). The JobMaker Hiring Credit will contain robust integrity features that operate in a similar manner to the JobKeeper Payment drawing on the existing regulatory and enforcement infrastructure of the tax law. In addition to the existing administrative and civil penalties and criminal offences that apply in the taxation law, integrity features range from the eligibility requirements for employers and employees to specific rules to address contrived schemes and fraud.

These measures will not affect taxpayers that do the right thing, but will allow for swift and effective action to be taken against those that seek to abuse the scheme and obtain more than their entitlements.

Employers will need to satisfy a number of conditions to qualify as an eligible employer. These conditions will help ensure that the employers in receipt of the JobMaker Hiring Credit are carrying out genuine business



Employers will
need to satisfy a
number of conditions
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employer

activities in Australia. An eligible employer must hold an ABN, be up to date with tax lodgement obligations, be registered for PAYG withholding and be reporting employee payroll information to the ATO through STP.

Employees will also need to satisfy a number of conditions to help ensure they are entering into a genuine employment relationship. For example, 'non-arms length' employees will not be considered eligible employees. This includes family members of a family business, directors of a company and shareholders of a company.