

Issue 27 of 2020 – 25 May

COVID-19 JOBKEEPER PAYMENT SCHEME UPDATE

Members are advised that last Friday, the Australian Taxation Office (ATO) and Treasury advised the Government of a reporting error in estimates of the number of employees likely to access the JobKeeper program. The enrolment forms completed by 910,055 businesses who have self-assessed as eligible under the scheme had indicated that this program would cover around 6.5 million eligible employees. The ATO's review of these forms has found that around 1,000 of those businesses appear to have made significant errors when reporting the estimate of eligible employees on their enrolment form. The most common error was that instead of reporting the number of employees they expected to be eligible, they reported the amount of assistance they expected to receive. For example, over 500 businesses with '1' eligible employee reported a figure of '1,500' (which is the amount of JobKeeper payment they would expect to receive for each fortnight for that employee).

This reporting error has come to light as the ATO and Treasury have been analysing the amounts being paid out under the scheme, reconciling these with the estimates provided by enrolled businesses of the likely number of eligible employees. It was not picked up by the ATO earlier as their primary focus in the first fortnight of JobKeeper payments was on ensuring that JobKeeper payments were paid promptly to those eligible for them, and not paid to those who were ineligible. These initial estimates from businesses of employees covered are not linked to payments, and so were not as carefully analysed.

Importantly this reporting error has no consequences for JobKeeper payments that have already been made to eligible businesses, as payments under the scheme depend on the subsequent declaration that an eligible business makes in relation to each and every eligible employee. This declaration does not involve estimates and requires an employer to provide the tax file number for each eligible employee. By contrast, the only use of the information collected in respect of the reporting error was to provide an early estimate of the number of expected employees likely to access the JobKeeper program.

As of 20 May 2020, 910,055 businesses had enrolled in the JobKeeper program. Of these, 759,654 had made claims in relation to their eligible employees and had their applications processed. This resulted in \$8.7 billion of approved payments to those 759,654 businesses, covering around 2.9 million employees. Around 97 per cent of claims have been paid to employers within three business days of employers making the employee declaration.

Around 150,000 enrolled businesses are yet to complete their employee declaration, which is required before payments can be made. Employers can still apply up to 31 May for payments made in April. Moreover the program will remain open to businesses that meet the eligibility criteria at any time over the 6 months it is in operation.

In light of the take-up of the scheme to date, remaining enrolments, and that the scheme remains open to new registrations, Treasury now expects the number of employees likely to be covered under the JobKeeper program to be around 3.5 million.

JobKeeper is a demand driven program which was designed to support eligible employees in businesses that have experienced a significant fall in their turnover. At the time the JobKeeper program was developed, Treasury estimated that around 6.5 million employees would access the program. This estimate was developed at a time when Coronavirus cases were growing significantly in Australia and restrictions were being tightened across Australia and much of the world.

The difference between Treasury's estimates at the time and the number of employees now accessing the JobKeeper program partly reflects the level and impact of health restrictions not having been as severe as expected and their imposition not having been maintained for as long as expected at the time. This has been reflected in some improvement to the outlook for the economy since the original estimate was developed as a consequence of these and other factors. The variation in estimates also reflects the inherent uncertainty associated with estimating the take-up of a demand driven program in the current circumstances.

Treasury's overall view of the labour market is unaffected by this reporting error. The JobKeeper program is providing important support to employers and employees through these unprecedented economic times. It remains the case that in the absence of the JobKeeper program, Treasury expects the unemployment rate would have been around 5 percentage points higher. Treasury continues to expect the unemployment rate to reach around 10 per cent, although as indicated by last week's Labour Force survey, the measured level of the unemployment is highly uncertain given the impact of social distancing restrictions on the participation rate.

Treasury's revised estimate of the cost of the JobKeeper program is around \$70 billion. Updated economic forecasts will be reported in the Government's June economic and fiscal update.

The ATO reminds all eligible employers who have enrolled but not yet made their employee declaration to ensure that they complete their April declaration by 31 May 2020. The ATO also reminds employers that on an on-going basis they must declare their eligible employees monthly, with May declarations having to be made by 14 June.