

Dear Valued Clients,

We have previously covered the basics regarding the JobKeeper Payment, this bulletin provides detail around the process of correctly setting up your payroll in Xero and processing JobKeeper Payments to eligible employees.

## Setting up Xero for JobKeeper

Create a “JobKeeper Subsidy” income account

1. Click on the organisation name, select **Accounting**, then click **Chart of Accounts**.
2. Click on **Add Account**, select **Other Income** as the account type, and name the account “JobKeeper Subsidy”, select BAS Excluded as the Tax Code.
3. Allocate all future JobKeeper subsidy payments received to this account.

## **Create a “JobKeeper” pay item**

1. Click on the organisation name, select **Settings**, then click **Payroll settings**.
2. Select the **Pay Items** tab, then select **Earnings**.
3. From the list of **Earnings** pay items, click on the Xero generated pay item **called JobKeeper payment top up**.
4. Update details, if needed. The following pay item settings are automatically set and cannot be changed:
  - **Rate type** is set to **Fixed Amount**
  - The **Exempt from PAYG Withholding** checkbox is set as unchecked
  - The **Reportable as W1 on Activity Statement** checkbox is set to checked
5. (Optional) If you wish to contribute superannuation payments, untick the **Exempt from Superannuation Guarantee Contribution** checkbox.
6. Click **Save**.

You can also create an additional pay item, for instance, if you want one for calculating the Superannuation Guarantee and one that doesn't.

1. Click on the organisation name, select **Settings**, then click **Payroll settings**.
2. Select the **Pay Items** tab, then select **Earnings**.
3. Click **Add**, then select **Allowance**.
4. Under **Type**, select **JobKeeper - JobKeeper Payment top ups**. This ensures that it is reported correctly with the ATO.
5. Enter an earnings name such as ‘JobKeeper top up (with super)’ and select the relevant **Expense Account**.
6. (Optional) Update the amount.
7. (Optional) Tick/Untick the **Exempt from Superannuation Guarantee Contribution** checkbox.
8. Click **Add**.

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### **Processing JobKeeper payments**

Once you have set up or edited a JobKeeper pay item, you can assign it to multiple employees. If you will pay employees the JobKeeper payment on an ongoing basis, add this pay item to their pay templates, and enter a rate of zero. You can then calculate the exact amount on each employee's payslip.

If the JobKeeper payment is only being made to employees once or twice, add the pay item directly to the employee's payslip.

### **Recording a JobKeeper payment for an employee**

1. In the **Payroll** menu, select **Pay Employees**.
2. Click **Add Pay Run**, select a pay period, then click **Next**.
3. Click the employee's name to open their payslip.
4. Check your employee's usual earnings lines are correct. If applicable, you can add employee stand down hours.
5. Click **Add Earnings Line** to add the JobKeeper pay item. If you already added this to the employee's pay template, skip to step seven.
6. Under **Earnings Rate**, select the new earnings pay item created above, then click **OK**.
7. In the earnings line for the JobKeeper payment top-up, enter the fixed amount. See the ATO's website for more information on paying your eligible employees.
8. Click **Save**.

Repeat the steps above for each employee as required, then post the pay run and file it with STP by the payment date.

### **Processing pay runs for payments missed in April**

You can use unscheduled pay runs to pay employees the JobKeeper top-ups you may have missed in April. You need to review pay runs with payment dates from 30 March 2020 to identify the employees who need a top-up. You can then calculate the top-up amounts to pay eligible employees (ATO website).

Payment dates for these unscheduled pay runs must be **on or before 26 April 2020 (weekly or fortnightly pay periods) or 30 April 2020 (monthly pay periods)**. This ensures the correct earnings are reported to the ATO for the first two fortnights (30 March – 12 April and 13 April – 26 April).

When creating the unscheduled pay run, the payroll calendar, financial year and unscheduled pay period should match those used in the pay run with the missed payment.

### **Processing an unscheduled pay run**

1. In the **Payroll** menu, select **Pay Employees**.
2. Click **Add a Pay Run**, then select **Unscheduled pay run**.
3. Select a payroll calendar, financial year and unscheduled pay period, then click **Next**. Make sure the details are the same as the pay run with the missed payment.
4. Click **Payment Date**, select the actual date you will pay the JobKeeper top-ups, then click **Save**.
5. In the **Included** column, select the employees to include in the pay run.
6. Click an employee's name to open their payslip.
7. Under each **Earnings Rate**, remove or zero out the default earnings line.
8. Click **Add Earnings Line** to add the JobKeeper pay item. If you already added this to the employee's pay template, skip to step 10.
9. Under **Earnings Rate**, select the new JobKeeper earnings pay item, then click **OK**.
10. In the earnings line for the JobKeeper top-up, enter the fixed amount. See the ATO's website for more information on paying your eligible employees.
11. Review the lines under **Tax Type**, **Superannuation Fund** and **Leave Type** to make sure they are accurate, then click **Save**.

Repeat the steps above for each employee as required, then post the pay run and file it with STP. You will also need to repeat this process for each applicable pay period.

### **Updating an existing JobKeeper pay item and filing payments**

If you have already set up a JobKeeper allowance pay item by following Xero's previous instructions released last week, you need to update the pay item so it's correctly reported with the ATO going forward.

If you have already processed and filed your pay runs for April using this pay item, you will also need to submit an updated JobKeeper file to qualify for the funding. This JobKeeper information flows through to the ATO when you file a pay run via STP. To meet the deadline, update your pay item, process an unscheduled pay run and file it via STP with the ATO by the end of April 2020.

### **Updating the pay item and filing an unscheduled pay run**

You first need to ensure that your employees are enrolled for JobKeeper payments. Then you can update the pay item and file an unscheduled pay run.

1. Click on the organisation name, select **Settings**, then click **Payroll settings**.
2. Select the **Pay Items** tab, then select **Earnings**.
3. Open the pay item you set up for JobKeeper payments using an allowance type of **Other**.
4. Under **Type**, select **JobKeeper - JobKeeper Payment top ups**.
5. The following pay item settings are automatically set and cannot be changed:
  - **Rate type** is set to **Fixed Amount**
  - The **Exempt from PAYG Withholding** checkbox is set as unchecked
  - The **Reportable as W1 on Activity Statement** checkbox is set to checked

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6. (Optional) Select the relevant **Expense Account** and Tick/Untick **the Exempt from Superannuation Guarantee Contribution** checkbox.
7. Click **Save**.

Once this is done, process and file an unscheduled pay run before the end of April 2020. The pay run should:

- Include all eligible JobKeeper staff you have paid until now
- Have all earnings lines zeroed-out

### **Adjusting previous JobKeeper payments**

If you have set up a custom pay item which isn't an allowance, or that has a rate type other than the fixed amount, you will need to adjust any JobKeeper payments made using this pay item. This will ensure that the allowance is correctly reported to the ATO with STP.

1. Run a **Transaction Listing Summary** report for the relevant employees to help identify amounts paid using the custom pay item.
2. **Process an unscheduled pay run** – For each relevant employee, enter the amount as a negative against the incorrect earnings pay item and re-enter the amount as a positive using a JobKeeper pay item. We suggest processing unscheduled pay runs against each pay with a payment date on or after 30 March 2020 so the amounts are correctly reported per payment date.
3. **Inactivate** your custom JobKeeper pay item.

### **Processing an employee stand down**

Due to COVID-19, you may have had to stand down employees until more work is available.

For more information about standing down an employee, or if you have questions about your business requirements, please see the Fair Work Ombudsman website.

To record an employee's time on stand down in Xero Payroll, you should:

- Check the employee's holiday group
- Create a new earnings pay item
- Process a pay run and adjust your employee's payslip

### **Check an employee's holiday group**

First check that all local holidays are included in the employee's state holiday group.

1. Click the organisation name, select **Settings**, then click **Payroll settings**.
2. Select the **Holidays** tab, then select the employee's state holiday group (eg 'New South Wales').
3. Check that the list of public holidays includes all applicable local holidays.
4. (Optional) To add a new holiday to the group, click **Add Holiday**, enter the details, then click **Add**.

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Then check that the employee is assigned to the correct holiday group.

1. In the **Payroll** menu, select **Employees**.
2. Click an employee's name to open their details, then select the **Employment** tab.
3. Under **Holiday Group**, check the correct group is selected for the employee.
4. Select the **Include holidays in Payslips** checkbox if you haven't already.
5. Click **Save**.

### **Create a new earnings pay item**

1. Click on the organisation name, select **Settings**, then click **Payroll settings**.
2. Select the **Pay Items** tab, then select **Earnings**.
3. Click **Add**, then select **Ordinary Time Earnings**.
4. Enter an **Earnings Name**, such as 'Stand down'.
5. Under **Rate Type**, select **Multiple of employee's ordinary earnings rate**.
6. Under **Multiple (ex. 1.5)**, enter '0'.
7. Under **Expense Account**, select the relevant expense account, such as 'Wages and Salaries'.
8. Select the **Accrue Leave for this Earnings Rate** checkbox, then click **Add**.

### **Process a pay run and edit the employee's payslip**

1. In the **Payroll** menu, select **Pay Employees**.
2. Click **Add Pay Run**, select a pay period, then click **Next**.
3. Click the employee's name to open the payslip.
4. Click **Add Earnings Line**.
5. Under **Earnings Rate**, select the new 'stand down' earnings pay item created above, then click **OK**.
6. In the 'stand down' earnings rate, enter the number of working hours in the pay period the employee missed because of stand down. Do not include hours covered by public holidays in the stand down hours.
7. In the 'ordinary hours' earnings rate, reduce the number of hours by the amount in the 'stand down' earnings rate.
8. Click **Save**.

When you post the pay run, you will record the stand down without disrupting the employee's leave accruals. You will need to edit the employee's payslip each pay run until they return to work.

### **JobKeeper Examples**

#### **Example 1 - Eligible Employees earning \$1,500 (gross) or more per fortnight**

In this scenario, pay your employee as you normally would and accrue leave and superannuation as per normal. You can continue to use the same pay category and report STP as per normal.

### Example 2.1 - Eligible Employees Earning less than \$1,500 (gross) per fortnight

A permanent part-time employee ordinarily works 45.6 hours per fortnight and has not had their hours reduced.

In this scenario, you need to ensure that you “top-up” the employee to at least \$1,500 gross earnings per fortnight to ensure you continue to qualify for the JobKeeper subsidy.

Your payslip should appear as follows:

			THIS PAY
<b>SALARY &amp; WAGES</b>		<b>RATE</b>	
Ordinary Hours	45.6000	\$20.1875	\$920.55
JobKeeper Payment top up			\$579.45
<b>TOTAL</b>			<b>\$1,500.00</b>

### Example 2.2 - Eligible Employees Earning less than \$1,500 (gross) per fortnight

A permanent full-time employee ordinarily works 76 hours per fortnight and has agreed with their employer to work reduced hours of 38 per fortnight (2.5 days per week), as a result of the impact of COVID-19. The award stipulates that the employee continues to accrue leave based on normal ordinary hours (76 hours per fortnight).

In this scenario, you need to ensure that you “top-up” the employee to at least \$1,500 gross earnings per fortnight to ensure you continue to qualify for the JobKeeper subsidy. You also need to ensure that they continue to accrue their leave entitlements in accordance with their normal employment arrangement. To do this, we recommend you create an additional pay item called ‘Reduced Ordinary Hours’, in the same manner that you created the “Ordinary Hours’ pay item.

Your payslip should appear as follows:

			THIS PAY
<b>SALARY &amp; WAGES</b>		<b>RATE</b>	
Reduced Ordinary Hours	38.0000	\$20.1875	\$767.12
JobKeeper Payment top up			\$732.88
Ordinary Hours	38.0000	\$0.0000	
<b>TOTAL</b>			<b>\$1,500.00</b>

Note the above example assumes that the employees remain eligible for leave entitlements based on their ordinary hours (76 hours). Please refer to your modern award/enterprise agreement to ensure leave entitlements are correctly provided for.

### Example 3 – Eligible Employees Stood Down

A permanent fulltime employee ordinarily works 76 hours per fortnight, but due to COVID-19 has been completely stood down in accordance with the Fair Work provisions and is not working any hours.

In this scenario, you need to ensure that you “top-up” the employee to at least \$1,500 gross earnings per fortnight to ensure you continue to qualify for the JobKeeper subsidy. You also need to ensure that they continue to accrue their leave entitlements in accordance with their normal employment arrangement.

Your payslip should appear as follows:

			<b>THIS PAY</b>
<b>SALARY &amp; WAGES</b>			
JobKeeper Payment top up			\$1,500.00
Ordinary Hours	0.0000	\$20.1875	
Stand Down	76.0000	\$0.0000	
<b>TOTAL</b>			<b>\$1,500.00</b>

Note that the above “Stand Down” pay item ensures that the employee continues to accrue leave based on their regular ordinary hours in accordance with Fair Work legislation.

### Other Accounting Software Packages - JobKeeper

If you are using an alternative accounting software, please refer to the following links:

- [MYOB AccountRight](#)
- [MYOB Essentials](#)
- [QuickBooks](#)

For any further information or support regarding JobKeeper, please contact our office on 9328 5300.



[Contact Us...](#) to discuss how these changes may affect you.

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