

EMPLOYER SUPPORT PAYMENT SCHEME

STANDARD ADVICE ON EVIDENCE FROM ACCOUNTANTS AND FINANCIAL ADVISERS (2023)

From time-to-time, an accountant or financial adviser may be requested by a member of the Reserves (ie who operates a registered business) to provide a financial statement concerning their sources of income over a specified period of time.

The financial statement is required to support the member's application, as a member applicant (self-employed), for a benefit under the Employer Support Payment Scheme.

The financial statement is primarily used to determine whether the member receives more income from their business (ie their principle source of income) than any other source of employment, during the member's nominated assessment period.

When providing this statement, an accountant/financial adviser must specify the amounts of income the member received from all sources. A statement that the member receives their principal source of income from their business, without income details, is insufficient.

The example on page 2 illustrates the minimum level of acceptable evidence to be provided by an accountant or financial adviser.

NOTE: When a member relies on a financial statement to support their eligibility under the Employer Support Payment Scheme, they must provide their individual tax return and the notice of assessment (in relation to that tax return) as soon as practicable after it has been issued by the Commissioner of Taxation.

Extracts from relevant sections from *Defence (Employer Support Payment Scheme) Determination 2023* are enclosed. The full determination may be viewed at [Defence \(Employer Support Payment Scheme\) Determination 2023 \(legislation.gov.au\)](#).

Financial Statement Example

This information is provided in relation to [insert name] application for employer support payment, resulting from Defence service undertaken by them in August 2023.

I act as [insert name] accountant, and confirm that their business has been operating/trading during the period [enter specified period].

[Insert name] is employed as a building contractor through their sole trader business ¹, trading as X Building.

[Insert name]'s income for the above-mentioned period was as follows:

Net income received from the business ² (as would be shown in X's personal tax return)	\$56,789
Less income received from ESPS payments ³	-\$10,000
Total - Income from business	\$46,789
Investment income	\$ 7,890
Salary paid for Defence service ⁴	
Continuous full-time service	\$14,567
Reserve service days (part-time service or training)	\$ 4,321
Total income from Defence service	\$18,888
Other income ⁵	\$ 2,345

I confirm that these calculations have been determined in accordance with the requirements of Defence (Employer Support Payment Scheme) Determination 2023, as detailed in sections 3.4.5 and 3.4.6.

Signed and dated

Notes

1. If a member's business operates under a different structure, the letter must specify the type of business structure (eg partnership, company, trust), and the member's relationship to the business (section 2.1.5 refers).
2. or 'Net income from the partnership/company/trust' where applicable. **Also note**, the amounts which must be specified as 'the member's income from a business' will vary according to the type of business structure which the member operates (section 3.4.6 refers).
3. If the member's business has received ESPS payments over the assessment period, then the payment amounts are subtracted from the member's income from the business. This may be varied in some circumstances (subsection 3.4.5.2.f refers).
4. All salary paid for Defence service must be provided.
5. Section 3.4.5 provides examples of other kinds of income, including from other sources of employment.

EXTRACTS FROM DEFENCE (EMPLOYER SUPPORT PAYMENT SCHEME) DETERMINATION 2023

2.1.5 When is a business related to a member

A business is related to a member if any of the following apply:

- a. The member is a shareholder or director of a company who is employed to manage the company's business.
- b. The member is a beneficiary of a trust who is employed to manage the trust's business.
- c. The member is a partner of a business partnership who is not a silent partner.
- d. The member is the operator of a sole trader business.

3.4.4 Information that must be provided — member applicant

1. A member applicant must include the following information in an application relating to the member applicant's assessment period and establishing the member's principal source of income or principal source of employment under subdivision 1:
 - a. Evidence that the applicant operated a registered business.
 - b. Evidence that the applicant's business was trading or otherwise operating.
 - c. Evidence that the business provides the member's principal source of income or principal source of employment, by providing the member's individual tax return and notice of assessment unless one of the following applies:
 - i. If the member has lodged an individual tax return but has not yet received the notice of assessment — a copy of the individual tax return only.
 - ii. If the member has not yet lodged an individual tax return — a financial statement for the member, certified as accurate by the member's accountant or financial adviser.
2. The following apply to the evidence provided under paragraph 1.c:
 - a. If subparagraph 1.c.i applies, the applicant must provide the member's notice of assessment as soon as practicable after it has been issued by the Commissioner of Taxation.
 - b. If subparagraph 1.c.ii applies, the applicant must provide the member's individual tax return and the notice of assessment as soon as practicable after it has been issued by the Commissioner of Taxation.
3. If the application is the first one made by the applicant in relation to a member within a financial year, evidence of the member's actual weekly hours of work for the 3-month period immediately before the period of absence due to defence service must be provided.
4. An applicant must provide any additional information requested by the CDF in relation to the application within 30 days of the request.

3.4.5 Meaning of income

1. **Income** means the **net income** for a member and includes, but is not limited to, any of the following:
 - a. Subject to section 3.4.6, an amount received from the activities of the business, in the form of earnings, moneys or profits, for the member's own use or benefit.
 - b. Salary paid for defence service.
 - c. Salary paid under any other employment arrangement.
 - d. A non-cash benefit that forms part of a package of remuneration, including any of the following:
 - i. Contributions to superannuation made under a salary sacrifice or other arrangement that exceed the amount that would be paid under the *Superannuation Guarantee (Administration) Act 1992*.
 - ii. An amount deducted from a member's salary or wages under a salary sacrifice or other arrangement.
2. The following are not counted towards the income for a member:
 - a. An amount of pension.
 - b. Potential or projected income.
 - c. For an application relating to an income year — a profit made, or a loss incurred, in the previous income year.
 - d. A capital gain or loss, including a gain or loss relating to any of the following:
 - i. The sale of plant, equipment or other property.
 - ii. The sale of shares or an investment.
 - iii. The sale of a business or a significant part of the business.
 - iv. A transaction relating to foreign currency that is treated as a capital gain for taxation purposes.
 - e. Depreciation related to a sole trader business.
 - f. Any payment made under this Determination unless the CDF is satisfied of any of the following:
 - i. There is documentary evidence that the amount was used to address a loss or shortcoming directly caused by the absence of the member on defence service.
 - ii. Ownership or control of the business is shared by the member with another person or persons, and there is documentary evidence that the share of a support payment was received by that person or persons and not, either directly or indirectly, by the member.

3.4.6 When income is received

1. For the purpose of paragraph 3.4.5.1.a, a member receives an amount of income from a business if all of the following apply in relation to an amount:
 - a. The amount is not the income, profit, loss, or turnover of the business itself unless it is the profit or loss of a sole trader.
 - b. Subject to subsection 2, the amount relates to the activities of the business.
 - c. Any additional requirements in this section are met.
2. If the activities of the business involve only the investment of accumulated wealth or investment in a superannuation fund, the related amount is not income.
3. If the member receives an amount from the sale of stocks or assets, the amount is only income received from the business if the stocks or assets were owned by the business.
4. If the member is a director of a company the following apply in relation to income:
 - a. The member's income from the company includes any of the following:
 - i. An amount from the business that would be declared as personal income in the member's personal tax return.
 - ii. Fees, emoluments, and dividends.
 - b. The member's income from the company does not include an amount paid as a repayment of a loan.
5. If the member is a trustee of an applicant trust, the member's income from the trust is the amount of distribution of the net income of the trust that would be declared by the member as personal income in the member's personal tax return.
6. If the member is a partner in the applicant partnership, the member's income from the business is the amount of the member's share of the net income or loss from the business that would be required to be shown in the member's personal tax return as a partner's share.
7. If the applicant is a sole trader, the member's income from the business is the amount of net income or loss from the business that would be required to be shown in the member's personal tax return.