

- Benefits provided by a religious institution to a religious practitioner
- Living away from home allowance – if exempt from FBT
- Superannuation – salary sacrifice component
- Telephone – allowance or re-imbursement for work-related phone costs only
- Third party remuneration, eg school fees

It appears wise to obtain written clarification from your Workers Compensation insurer as to their company procedure in respect to Workers Compensation and fringe benefit matters.



We remind you that your wages declaration should exclude termination payments, retirement benefits, golden handshakes and similar payments.

GST Credits without a valid Tax Invoice

The Australian Taxation Office have announced that in restricted instances they may allow GST credits even if you do not have a valid Tax Invoice. This is dependent upon your entity being entitled to the GST credit, the other entity having an ABN and you demonstrating you have made a genuine attempt to comply with the requirements to hold a Tax Invoice.

More specific detail can be found on the ATO website in a Facts Sheet "Tax Invoices and GST Credits" and in the ATO Practice Statement PS LA 2004/11.

Second Hand Goods

Where a Charity receives a donation of second hand goods and subsequently re-sells the goods, the subsequent sale is GST free. This is conditional upon the goods being sold retaining their original character. Where the item donated has been repaired and the repair requires some additional parts, that remains the same item. This satisfies the specific condition. However where the nature of the goods has been changed, GST applies on the sale of the goods unless the "nominal consideration" rule for Charities provides an alternative concession.

GST credits are available in respect to second hand goods purchased even when the goods are purchased from an unregistered person (eg acquiring second hand furniture from a householder). However, where the second hand goods are purchased by the entity with an intent to change its nature, then the eligibility for the notional input tax credit, is lost.

As with any of our earlier newsletters, the information contained herein is freely available for wider distribution. We ask however, that it be distributed unaltered, to ensure clarity of meaning.



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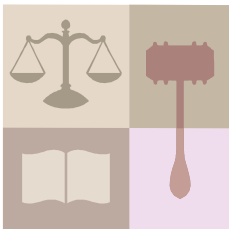
November 2004 NEWSLETTER



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ITEC Changes

In our July 2004 Newsletter we advised that new ITEC (Income Tax Exempt Charities) endorsement rules were approved by Parliament – effective from 1 July 2005. These changes are significant changes. All Charitable Institutions and Religious Institutions need to ensure they review their positions.



In August the Australian Taxation Office (ATO) ran some information seminars for Charities throughout Australia. Add-Ministry organised Seminars in Perth and country areas for Religious Institutions and Public Benevolent Institutions (PBI). Later, in September, in conjunction with WACOSS (Western Australian Council of Social Services) we ran a Seminar as a follow up to the ATO information seminars.

We will continue to make available to Religious and Charitable Institutions information, advice and support in these areas which are becoming increasingly complex.

During November the ATO will forward letters to all Not-For-Profit entities they have recorded as being endorsed for ITEC. The terminology will change slightly. ITEC has been replaced by TCC (Tax Concession Charity). ITEC endorsement exempted Charitable Institutions and Religious Institutions from an obligation to file Income Tax Returns and exempted them from any obligation to pay Income Tax. The new, wider, TCC endorsement includes the earlier ITEC endorsement.

It extends beyond Income Tax and incorporates exemptions and concessions for:

- GST
- Fringe Benefits Tax

Without TCC endorsement Charitable and Religious Institutions are not eligible for the exemptions or concessions under these additional legal provisions. They are also barred from claiming imputation credits on Company dividends and some Trust distributions.

The November letter of advice from the ATO is intended to alert you to the areas where the ATO has currently on record appropriate concessions and exemptions for your individual entities. This letter needs to be carefully examined by each entity.

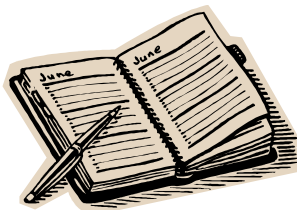
If there is an exemption or concession that you believe you are eligible for which is not identified in the ATO letter, it is very important that you initiate action to arrange for ATO to add the additional benefit.

In context, it also is important that each entity reviews its eligibility status. This includes carefully reviewing its Constitution – particularly the Objects clause and any related public documents such as Mission and Vision Statements.

If a Charitable or Religious Institution does not currently have ITEC/TCC endorsement it is very important that an application for endorsement is submitted well before the 30 June 2005 deadline. Already the ATO are applying a much tighter review policy in respect to any new ITEC endorsement applications. A

similar tighter approach is being applied to PBI applications.

ATO are paying particular attention to entities which are controlled by a small group of relatives and



friends. They are looking for evidence of wider community involvement.

Workers Compensation

Some years ago some Workers Compensation Insurance Companies were not prepared to insure for the fringe benefits component of remuneration to staff. Enquiries made by us at that time identified that some Companies were prepared to endorse their policies to ensure that cover for fringe benefits would be available whereas others were not. We encouraged clients to ensure an appropriate endorsement was available on their policies, alternatively it appeared appropriate to exclude the fringe benefit component from any premium paid.

Recently we have reviewed the issue. The advice we have received from insurance brokers confirms this **remains a grey area**. The difficulty that arises for the insurer is that unless the fringe benefit is fixed or a particular recurring expense that is very complex for them to identify the area to be covered.

One insurance company has provided complex yet helpful schedules identifying areas of exemption. Some examples of non-assessable items are set out below:

- Board and lodging (where a part of conditions of employment)
- Housing or similar accommodation
- Fares

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