

Review your status with ATO:

As a part of the endorsement by ATO of your entity as a Tax Concession Charity (TCC) or as a DGR you are expected to carry out regular reviews. This is to satisfy yourself that you are still eligible for that endorsement. There are instances where a change in a significant activity, or the loss of a funding source may become an issue.

The ATO publication 'Income Tax Guide for Non-Profit Organisations' (NAT 7967) and the 'Gift Pack' (NAT 3132) incorporates worksheets that will be of assistance for TCC purposes. We would encourage you to record in your Minute Book the details of your review. You will soon receive a reminder of your obligations in this regard from ATO.

Donations of Shares to DGRs:

Shares in listed public companies can now be gifted to a DGR and provide a tax deduction to the donor for the market value on the day the gift is made. This is subject to the shares being owned for at least 12 months prior to the making of the gift and having a market value of \$5000 or less.

The legislation was approved by the Senate on 13 June 2007 and awaits Royal Assent.

The previous law allowed donations of property, including shares, if the property was purchased within 12 months of the date of the gift, or donations valued at more than \$5000, which were purchased more than 12 months prior to the donation. The Capital Gains Tax provisions will continue to apply in respect to the gift.

Deduction for contributions at fund-raising events:

Donors are eligible to receive a tax deduction for donations to DGRs where a minor benefit is received at a fund-raising event. The deduction is available where the payment is more than \$150 (previously \$250) and the minor benefit received is no more than \$150 (previously \$100) or 20% of the donation—whichever is the less.

An example given to Parliament stated— "A person bid \$2,000 for a T-shirt at a DGR auction. The T-shirt has a market value of \$120. The value of the T-shirt is less than \$150 and less than 20% of the donation so a tax deduction of \$1,880 is available." (The legislation was approved by the Senate on 13 June 2007 and awaits Royal Assent).

Publications available:

Voluntary Treasurers' Handbook —

hard copy — 59 pages\$30.00

Income Tax Guide for Overseas Workers —

hard copy—30 pages\$25.00

(GST Free supply under Section 38-250 of GST Act)



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Newsletter



REVISION OF ASSOCIATIONS INCORPORATIONS ACT 2006

Draft Associations Incorporations Act:

Public comment on the proposed new Act has officially closed. However, if there are areas of significant concern, they could still be forwarded to DOCEP.

Information or submissions already received by DOCEP can be accessed on their site under 'View Submissions'.
www.docep.wa.gov.au/agb.

The submission by CPA Australia identifies areas of concern for the Not For Profit sector.

June 2007

2007 Federal Budget:

While the Budget changes have not yet become Law, it becomes reasonably clear that the taxation changes will be supported by the Opposition parties and therefore will be effective from the implementation date. Changes that affect the not-for-profit sector from 1 July 2007 are:

- **GST registration threshold:** The obligation to be registered for GST for not-for-profit entities has been increased from \$100,000 in annual turnover to \$150,000. In this context turnover does not include gifts. Voluntary registration below this threshold remains a responsible alternative. On the other hand, entities who have a threshold between \$100,000 and \$150,000 who are currently obliged to register for GST may now choose the option of deregistering, if it is appropriate to their circumstances. Those who have voluntarily registered will also have the option of reporting annually in lieu of quarterly or monthly.
- **GST threshold for Tax Invoices:** Currently a Tax Invoice is required for all supplies with a GST-exclusive value greater than \$50. Under the Budget the range for this level is increased from \$50 to \$75.
- **PAYG Withholding Tax changes:** As a direct consequence of the increase in the GST minimum value, there is also a change in the requirements for PAYG Withholding Tax. From 1 July 2007 the obligation to deduct PAYG Withholding Tax on minor transactions will be lifted from \$50 to \$75 where no ABN is provided. While this received no mention in the Budget announcements, it is an automatic flow-on as a consequence of the GST changes. (Refer to Section 12 –190 (4) (b) of the Taxation Administration Act Schedule 1).
- **Cancelling GST registration:** ATO advise in GSTA TPP 094 that when a business ceases its enterprise and/or cancels its registration, it is required to make an adjusting entry under Section 138-5 (1) of the GST Act. This applies if the entity still has assets on hand on

which it has previously claimed input tax credits. As a consequence it needs to make an increasing adjustment to cancel those input tax credits prior to cancellation. This provision needs to be taken into account where an entity chooses to take advantage of the lifting of the compulsory registration threshold and cancel its registration. An ATO illustration of this issue relates to the acquisition of a property by an entity prior to introduction of GST and subsequently making additions or extensive renovations to such a property. If the property is being used for the purposes of the enterprise, the entity is eligible to claim GST credits in respect to the extensions or additions. Subsequently, the business ceased to carry on its enterprise and sought to cancel its GST registration. The assets remain in existence with the entity. A GST increasing adjustment is needed in such a circumstance.

- **Annual Payment of PAYG Instalments:** Where an entity has voluntarily registered for GST, a change will be made to allow the entity to remit PAYG instalments annually instead of more regularly so that they need to lodge only one Business Activity Statement each year, subject to eligibility. This change in arrangements will not, however, take effect until 1 July 2008.

New Simplified Gift Fund:

Significant changes to the control procedures for Gift Funds for all Deductible Gift Recipients (DGRs) were introduced in the 2006 Budget. These changes were given Royal Assent on 12 April 2007. ATO will soon provide Fact Sheets and other guidance on these new rules. However, due to the breadth of the changes this detail is not yet available.

A brief summary of these changes is set out below following a review of the Act itself:-

- DGRs that are listed in the Act are now subject to review by ATO on the same basis as those DGRs that have been endorsed. Listed DGRs that do not comply with the Gift Fund obligations may lose their DGR status — subject to Parliamentary decision.

- Most entities that have DGR status for all of its activities, will no longer have to maintain a separate Gift Fund bank account; provided clear accounting records are kept. Exceptions to this change are Cultural and Environmental DGRs, Harm Prevention Charities and entities with specific obligations under State Laws.
- Entities that have DGR status for a part only of its activities will continue to be obliged to maintain a separate Gift Fund bank account, as before.
- Entities that maintain multiple Gift Funds will be able to consolidate them into one Fund—thus eliminating much administrative work.
- Gifts received will, as before, continue to be applied only for the specific purpose for which DGR status was granted. Therefore, with multiple purpose funds the accounting records must continue to be clear so that the gift can be traced from donor to agreed task.
- The obligations on winding up of a Gift Fund remain.
- The need for a specific Gift Fund Committee is removed, but not the obligation to ensure gift monies are accurately applied.
- Where DGR status is lost, for whatever reason, there remains an obligation to transfer surplus assets in the Gift Fund to another appropriate DGR.
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- **Where the Gift Fund has been established under an entity's Constitution, the new provisions cannot be applied until the Constitution has been changed. There are currently moves to make major changes to the WA Associations Incorporations Act, so consideration should be given to both matters together, where possible.**
- **These comments are subject to any later comments by ATO but are in accordance with the legislation passed by Parliament.**