

Australian Residents Working Overseas:

Changes to Income Tax Exemption for employment for Australians working overseas are effective from 1 July 2009. The objective of the changes is to ensure that personal exertion income is assessable in Australia on a world-wide basis, and the previous exemptions provided for Australians working overseas for periods exceeding three months have been withdrawn. The aim here was to prevent the tax avoidance arrangements that were being experienced, particularly by people working offshore. Nevertheless, the changes have far wider impact than this.

The original intention was to ensure that all Australians deemed as residents for income tax purposes, other than Australian consular staff and personnel working on overseas aid projects, were affected by the new arrangements. However, a late change to the Bill presented to Government by Missions Interlink, has meant that there is also an exemption for missionary personnel with **missions that are members of Missions Interlink**, providing a concession for missionary staff on low income. Government accepted the valid argument that this imposed no significant threat to fiscal revenue, so the earlier, simpler rules will continue to apply for many – but not all – missionaries working overseas.

Note the important distinction. These changes apply to Australian residents (for tax purposes) only. Many missionaries having served overseas for a period of time (commonly around three years), are deemed by ATO not to be Australian residents while working overseas and their tax status is different.

The publication by Australian Not-for-Profit Network Inc. "Missionary Tax Guide" will provide more details regarding this matter in its next edition available later this year.

The amending Bill (*Tax Laws Amendment (2009 Budget Measures No.1) Bill 2009*), passed the

Senate on 24 June 2009 without an amendment and has now received Royal Assent. The legislation amends the current general income tax exemptions for income derived in the course of overseas employment, i.e. Section 23AG of the Income Tax Assessment Act 1936, which exempts from Australian tax the foreign earnings of Australian residents in overseas employment for a continuous 91 days or more, up to 30 June 2009.

Kimberly Smith FCA

Managing in a downturn:

A recent survey on the impact of the economic downturn on not-for-profit organisations has been conducted by the Fund-raising Institute Australia, and the Centre for Social Impact, in conjunction with Price Waterhouse Coopers Australia. This survey, just published, was conducted in April and May and is related to a similar survey completed in UK in November 2008. The Australian survey can be located at www.fia.org.au.

Will Bank:

The WA Attorney General has announced the establishment of the new WA Will Bank in conjunction with the Public Trustees Office. This new facility will enable WA residents to safeguard their Wills, by storing them free of charge in the Public Trustees Will Bank depository. In an environment where the banking system is no longer as supportive in respect to safe custody of Wills, it makes sense to have a central and safe location.

More information is available by telephoning - 1300 746 116

Seminar papers available on-line:

The recent Add-Ministry Seminar was attended by more than 90 church and charity leaders. The speakers presented current information on State and Federal Industrial laws, Taxation matters and an overview on recent developments in the not-for-profit sector.

For those unable to attend, the Power Point slides and papers are available on the Add-Ministry website. You can access this at - www.addministry.org.au.

The Productivity Commission Review of NFP Sector:

The Federal Government has asked the Productivity Commission to examine the contribution of the Not-For-Profit Sector to Australian society.

The Commission will assess how the Sector's contributions to society are currently measured and look at removing obstacles to maximise the contribution of the Sector to society. The Commission has also been asked to identify ways to improve the efficiency and effectiveness of community organisations. More information is available on the Productivity Commission's website at - www.pc.gov.au. "Current Projects" and "Contribution of the Not-for-Profit Sector."

ATO assist small enterprises:

ATO have introduced new measures to help small businesses and not-for-profit entities by:

1. Deferring Activity Statement payment due dates; and
2. Remitting the general interest charge on overdue payments.

Enterprises with an annual turnover of less than two million dollars can request a deferral of payment for their next BAS of up to two months for quarterly and annual payers. Where arrangements have been made for negotiated payment, the general interest charge will be remitted for the period of the arrangement (up to a ceiling of twelve months).

These are generous provisions by ATO to assist entities struggling in the present difficult environment.

Red Tape Reduction:

The Council Of Australian Government (COAG) has committed itself to reducing the bureaucratic tangle of red tape thus making it a simpler process to work with Government. The major objective through COAG is to provide arrangements across Australia for many different areas of activity instead of having to comply with a multiplicity of State and Territory laws, all with their own local variations, adding to the complexity of business life. These changes are very important as the Australian community works more and more across State boundaries.

While most of these changes relate primarily to the business community, some matters of particular interest to the charitable and religious community include: -

- A National Business Names Registration system;
- The Standard Chart of Accounts is probably going to become a national project;
- Charitable Licences to be provided on a national basis.

Changes to Reportable Superannuation:

From 1 July 2009 all churches, along with other 'employers' will have to report salary sacrifice superannuation payments on the 2009/10 Payment Summary. While most are aware of the change and software updates such as MYOB and QuickBooks have taken account of the change, there are some unexpected effects:

1. For religious practitioners and other staff who are having pre-tax superannuation contributions made, where they also received Centrelink benefits, the change will (retrospective to 1 July 2009) affect what they are entitled to receive from Centrelink. They should therefore advise Centrelink of the fact they are receiving salary sacrifice superannuation benefits.

2. Some religious practitioners (often those approaching retirement) are paying additional superannuation contributions through their Ministers Expense/Fringe Benefit accounts. These payments also need to be shown on the Payment Summary at the end of the financial year 2009/10 as payments out of these accounts are legally being done by the Church and so it is the Church's responsibility to ensure they are also shown on the Annual Payment Summary. Some Churches have handled this by arranging for that amount now not to be paid through the MEA/FBA but instead be paid out of the normal church account, as this makes recording in normal accounting software easier.

Word Investments – Law Change:

Following the loss by ATO before the High Court in the Word Investments case, relating to "What is a Charity?" Government have announced in the 2009 Budget that they would make some amendments to tax law. The intent of the changes is to better control funds of charities going overseas. ATO advise that the details of the proposed law changes are not yet available.

The relevant taxation rulings TR2005/21 and TR2005/22, relating to the commercial activities of charities, will also be amended to reflect the High Court decision.

Review Your Tax Status:

With many AGMs coming soon, it is timely to review your ATO endorsement, relating to tax exemption and tax deductibility. It is good policy to have your Board or Management Committee not only review, but to incorporate the results in your Minutes.

See our web-link to the appropriate ATO review work-sheets.



Newsletter

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Locked Bag 5
BAYSWATER WA 6933

Phone: 08 9271 1844
Fax: 08 9271 1944

addministry@hardings.org.au

Visit our Website at:
www.addministry.org.au

Previous copies of this newsletter are also available on the website.

Publications available:

Voluntary Treasurers' Handbook —
Hard copy — 59 pages\$30.00

Missionary Tax Guide—2008
Hard copy— 47 pages \$30.00
E-mail copy \$20.00

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