

Companies Limited by Guarantee:

Amendments to the Corporations Act have changed the reporting obligations for Companies Limited by Guarantee (CLGs). Under these changes, CLGs are no longer obligated under the Act to prepare and lodge an audited annual financial statement if they have a revenue below \$250,000 and are also not a tax-deductible entity. However this is subject to the Constitution of the organisation, the right of the members to request an audit and also whether the organisation has a Charitable Collections Licence (as that has an audit obligation independent of the Corporations Act. There is also a provision for CLGs with a revenue base below \$1M to agree to have the financial records Reviewed as opposed to Audited. This arrangement also provides for a simplified reporting basis to members. A 'Review' is a process under Australian Auditing Standards, which does not provide the same level of assurance as an Audit. For CLGs with an annual revenue above \$1M, the normal Audit and reporting obligations apply.

As almost all Constitutions for CLGs will record a compulsory Audit procedure, a company whose members wish to implement a change would first need to amend their Constitution.

Donations statistics:

ATO have released taxation statistics for the 2007 – 08 financial period. This was a period that was impacted by the beginning of the global economic instability.

The total tax-deductible donations recorded for the 2007-08 financial year were \$2.35 Billion. This was up from \$1.89 Billion the previous year – an increase of 24.5%. The average tax deduction claimed by

Australian taxpayers was \$523.10, compared to \$440.01 in the preceding year.

Mutuality and Taxable Income:

ATO have produced a guide for non-profit clubs, societies and associations that are not tax-exempt but are eligible for the mutuality principles in respect to income derived from members. Sporting clubs are key instances where this would apply. The guide will help these organisations to work out if they need to lodge an annual Income Tax Return and also how to calculate the taxable income, taking into account the mutual dealings with their members.

More information is available at www.ato.gov.au and then select 'community consultation – non-profit – clubs'.

New Superannuation Reporting obligations:

PAYG Summaries issued for the year ended 30 June 2010 need to include information about salary sacrifice superannuation. There is a special box on the PAYG Summary to record this.

Please note that the standard 9% superannuation guarantee levy is not affected by this. It only applies to salary sacrifice superannuation arrangements.

The obligation to report superannuation salary sacrifice is a separate matter from Fringe Benefits Tax and recorded in a different box on the PAYG Summary. Religious practitioners engaged by religious institutions and providing religious services are exempt from the reportable fringe benefits obligations on the PAYG Summaries – however the superannuation salary sacrifice requirements apply to them as well as all other parties.

Political donations no longer receive tax-deductibility:

Legislation has been approved to limit the existing provisions that allow tax deductions for gifts and contributions by business to political parties and independent candidates. Under these changed rules, businesses will no longer be able to claim a deduction for political donations either under the existing \$1,500 cap specific deduction provisions or as a general business deduction. The measures are retrospective to 1 July 2008. These changes only apply to business organisations. Individuals will still be able to claim deductions for donations to political parties up to the \$1,500 cap.

Tax Law Changes for expatriate Australians:

From 1 July 2009 Australian residents working overseas will be obliged to declare in their Australian Income Tax Return all their income on a world-wide basis. This is a major change from the way income tax was imposed in previous years, as a result of law changes to Section 23 AG. This means that expatriate Australians will need to record their income and appropriate tax-deductible expenses in their country of current engagement, and convert it into AU\$ for inclusion in an Australian Tax Return. In many instances they will also be obliged to lodge a Tax Return in their country of engagement. They will normally be eligible for a credit against the Australian tax for any Income Tax paid in an overseas country.

Few expatriates are eligible for exemption from these new provisions. They include:

- Persons employed by a developing country relief fund.
- Members of an Australian disciplined force deployed outside Australia.

- Employees of a prescribed charitable or religious institution that is exempt from Australian income tax.

Mission organisations that are members of Missions Interlink may be eligible for 'prescribed institution' status. If so, the law changes will not apply to their members and their original procedures can continue.

Aid/Watch Case Lost:

The earlier decision where the Australian Administrative Tribunal (AAT) found that Aid/Watch was a charitable institution has been overturned by the Full Bench of the Federal Court. Details can be found at FCT(2008) 71ATR386.

Aid/Watch Inc researches, monitors and campaigns about the delivery of overseas aid. Its objective is to promote aid programmes that are environmentally sound and effectively delivered. In its decision the AAT said the work of Aid/Watch as provided in its Objectives and as carried out in practice, combines the charitable objects of relief of poverty and the advancement of education. However Aid/Watch itself does not provide the aid. The AAT concluded the Objects were charitable notwithstanding Aid/Watch does not itself provide the aid. However the Full Bench of the Federal Court has now ruled that the AAT erred in its conclusion that Aid/Watch main purpose was not political, and in holding that it was a charitable institution.

Aid/Watch has been granted special leave to appeal to the High Court against the decision of the Federal Court.

GST Update:

Recent law changes include a provision to allow entities to form, change & dissolve a GST Group and advise ATO subsequently. This is a significant simplification of procedure. However these changes do not extend to GST Religious Groups.

Tax Invoice requirements have also been amended with more flexible principles. The key matters now are: –

- suppliers identity and ABN;
- the nature of the supply; and
- the GST component.

It also allows an entity to treat a document as a Tax Invoice if it is intended as a tax invoice and the missing information can be readily obtained.

The detail required for Tax Invoices above \$1,000 are simplified to include quantity and price, extent to which GST applies, and the date, in addition to the other basic requirements.

FBT & PAYG Summaries Reminder:

Religious Institutions are reminded that fringe benefits provided to religious practitioners principally providing religious service are not reportable benefits and should not be shown in the Reportable Benefits box on PAYG Summaries.

Publications available:

Voluntary Treasurers Handbook –

Hard copy – 60 pages \$ 50.00

Missionary Tax Guide -

Hard copy – 47 pages \$ 50.00

E-mail copy \$ 30.00

Mission Agency subscription (Multiple copies)
\$200.00

(GST Free supplies under Section 38-50 of GST Act)



“These are the Rules. Those over there are the Governments regulations that go with them.”

NEWSLETTER

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