



- Adding to your ministry

## NEWSLETTER MARCH 2021

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### Changes to ACNC Governance Standards

1. Parliament approved a **new Governance Standard 6** for registered charities on February 24 this year, and **it has immediate effect**. This new Governance Standard will have an effect on Basic Religious Charities (BRCs) and has arisen as one of the consequences of the recent Royal Commission on institutional child sexual abuse. This is because until now a BRC has not been required to apply any of the ACNC Governance Standards which also means a BRC does not need to provide any financial information irrespective of size.

To be eligible for registration as a BRC an entity must meet the following criteria –

- It cannot be registered for any other sub-type of charity, such as an educational institution,
- It cannot be an incorporated body under any State or Commonwealth law,
- It cannot be a DGR itself but it can be the operator of a DGR as a part of its function provided the total revenue of the entities is less than \$250,000,
- It cannot be a member of an ACNC Reporting Group,
- It has not received more than \$100,000 in any one year in government grants in the current or previous two reporting periods,
- If it is likely to be identified as being involved in the abuse of a person, it has joined the National Redress Scheme for Institutional Child Abuse.



As a consequence of this new Governance Standard 6 a BRC that does not meet all of these requirements will lose its status as a BRC and all of the Governance Standards will apply to them. This will include the need to provide a financial report that meets the reporting obligations including, as appropriate, an audit or review.

2. The Treasury has prepared a draft of an amendment to Governance Standard 3 to strengthen the ACNC's authority to revoke a charity's registration if the charity –

- Engages in conduct that may be dealt with as a summary offence relating to property or to persons under an Australian law; and
- Ensure that its resources are not used, nor continue to be used, to promote or support and entity engaged in unlawful activities under this Standard.

This proposal is in response to Recommendation 20 of the ACNC Legislation Review of 2018. The consultation period has just closed and submissions will now be considered but it is likely that it will become law in due course. Add-Ministry has given its support to the proposed amendments.

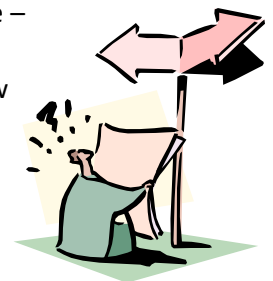
#### **Hand Over check list for office bearers**

New secretaries and treasurers need information about the regulatory obligations for their charity, what registers are needed, what regulatory responsibilities need to be complied with. There is a useful checklist on the Add-Ministry website. Go to [addministry.org.au Publications](http://addministry.org.au/Publications) page for NFP Handover Checklist.

#### **Proposed changes to the reporting thresholds for registered charities**

A Review of the ACNC Act was conducted in 2018 and the Government has, after consideration, adopted most of the recommendations. One of these recommendations has been to introduce a change in the thresholds for financial reporting. Currently the reporting obligations are –

- Tier 1 – Revenue below \$250,000. There is no requirement for an audit or review (subject to the charity's Constitution or Rules). There is also the option for reporting on a cash basis of accounting in lieu of the more compliant accruals basis;
- Tier 2 – Revenue between \$250,000 and \$1,000,000. Here there is an obligation for either an audit or a review of the financial report (again subject to your Constitution or Rules);
- Tier 3 – Revenue in excess of \$1,000,000. Here there is an obligation for an audit. Such an audit must be carried out by a Registered Company Auditor registered with ASIC.



The Government is considering lifting the thresholds for reporting in the light of the Review to the following levels –

- Tier 1 – Revenue below \$1,000,000.
- Tier 2 – Revenue between \$1,000,000 and \$3,000,000.
- Tier 3 – Revenue in excess of \$3,000,000.

The Government is aware that in some States, such as applies in WA, the reporting thresholds for incorporated associations have been synchronised with the ACNC Act. There are currently discussions with the State regulatory bodies as the majority of incorporated associations, such as sporting and community groups, are not registered charities. Concern has been expressed that the proposed changes may cause some misunderstandings with not-for-profit entities that are not charities and this may delay changes in the WA Act.

It is anticipated that a decision on this matter by the Federal Government will be made before July. The actual date of application of the new thresholds is still under consideration but indicate that this will be soon.

Add-Ministry has made its own response to the Treasury regarding these proposed changes and in substance we support them.

### **Tax Deductible Funds**

Tax deductibility of donations is often seen to be a helpful fund-raising tool. It is not a simple matter to obtain approval for an organisation, and once approved there are additional regulatory issues to consider. You can learn more by going to [addministry.org.au](http://addministry.org.au) Publications and accessing “Tax Deductible Funds – the options available”.

### **Fringe Benefits Tax (FBT) Reporting**

Charities and Not-for-profit entities that have an obligation to lodge an annual FBT Return are reminded that the reporting period ends on 31 March and the Returns need to be lodged by 21 May 2021. If a religious institution provides a fringe benefit to a religious practitioner who is providing primarily religious services and also in some special categories of charity (e.g. a Public Benevolent Institution) these are exempt fringe benefits and in such instances no Return is needed. Where your organisation needs to lodge a Return, and consequently has to pay FBT Tax, ATO has announced some special exempt benefits are available arising from COVID-19. This is primarily to cover situations where the employee is working



from home or other location from the normal working place. Examples of such exempt benefits include –

- Items provided to employees to enable them to work remotely, e.g. a lap top, printer or other portable device,
- Emergency accommodation, food and/or transport (this primarily applies to fly-in fly-out workers),
- Emergency health care such as vaccinations, protective facilities. This is primarily available for employees who have close physical contact with customers or clients, or involved in cleaning duties. This can include the cost to transport an employee from the workplace to obtain medical help.

### **Associations Incorporation Act 2015**

Have you revised your Constitution/Rules since 1 July 2016? The new Act introduced a number of new matters that are obligatory. A grace period for an upgrade was given but this expired on 30 June, 2019. Where this has not been done the Model Rules developed in conjunction with the new Act may well overrule your own Rules in these areas. We are aware that some not-for-profit entities and charities have not yet dealt with this significant matter.



### **Single Touch Pay Roll changes**

These matters will be addressed in our October Seminar in more detail.

From 1 July 2021 every entity that has employees should be reporting to the ATO through STP. If you have a quarterly concession, this will cease on the 30/06/2021.

Single Touch Payroll Phase 2 is planned to commence on 1 January 2022. This will require additional information to be reported through the STP process. The ATO and the software providers are working together on the software changes that are needed, however you need to be prepared. More information is available at <https://www.ato.gov.au/business/single-touch-payroll/>



The key benefits and features of STP Phase 2 include:

- reducing the duplication of information employers provide to Government, as this information will be shared with Services Australia, Child Support Agency and other Government Departments.
- removing the need to send tax file number declaration information to the ATO;
- better defining the components that make up gross income;
- make it easier for employers to understand their obligations;
- ensure consistency of reporting across the various income types.

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#### **Add-Ministry Seminar –**

We are planning, subject to possible Covid-19 restrictions, to hold a seminar on **16 October, 2021**. Make a note in your diaries now. The theme will be **“Essential issues for Treasurers”** and will incorporate sessions on Goods & Services Tax, Fringe Benefits Tax, Tax Issues for Christian Workers and Single Touch Payroll. Further information will be available closer to the time.

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