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• Big Changes for All Charities • Special Disability Trusts • The End is Near…

BIG CHANGES FOR ALL CHARITIES

There has been talk for some time about reforming the whole not-for-profit sector. The proposed changes are now coming thick and fast and are likely to affect many organisations that have never had to worry about this sort of thing before.

One of the big arguments driving the change is the lack of transparency and accountability in the sector. Reporting standards are inconsistent and some income tax exempt organisations, including many churches, are not currently required to report to anyone other than their members.

ACNC

Treasury recently released draft legislation for the coming Australian Charities and Not-for-profit Commission (ACNC). The idea is that the ACNC will become the regulation body for all charities. This means that instead of reporting to ASIC, companies limited by guarantee will report to the ACNC. Similarly Incorporated Associations will report to the ACNC instead of to Consumer Affairs Victoria (or its equivalent in other states and territories.)

The biggest change proposed in the draft is that <u>all</u> organisations entitled to tax concessions such as income tax exemption or GST concessions will have to report to the ACNC. This will capture many unincorporated associations that are not currently reporting. Depending on the size of the organisation, the ACNC might require audited financial statements prepared in accordance with accounting standards from 1 July 2013.

Charities that you are connected with may not be aware of these changes. Talk to your treasurer. An ABN search (http://www.abr.business.gov.au/) will let you know if you have any tax concessions. If any are listed, the organisation will automatically be registered with the ACNC from 1 October 2012 and any reporting obligations will start to apply.

Definition of charity

The Government also plans to introduce legislation to define "charity" from 1 July 2013.

Once introduced, existing charities will need to meet the new definition to continue to receive tax concessions.

The current definition of charity, established by centuries of case law, includes organisations established for the advancement of religion or education. These organisations are presumed to be of public benefit. A discussion paper on the definition of charity has broached the idea of removing this presumption. If this change is introduced, churches and schools, for instance, may be required to prove their benefit to the Australian public in order to keep tax concessions.

When the legislation is more settled, we will be running information sessions to help charities manage the impact. Please register your interest with our office and we will contact you with more details.

by Claire Harris

Claire is Senior Manager and a Not-for-Profit specialist.

Special Disability Trusts

Special Disability Trusts allow family members to make provision for the care and accommodation needs of a family member with a severe disability.

Family members that have the financial means to do so, may contribute to a trust while living, or alternatively on their death, via their will.

Gifting to a Special Disability Trust attracts Centrelink means test concessions for the donor. Centrelink permits gifts of up to $500,000 to a Special Disability Trust. This could potentially entitle the donor to some age pension. Capital Gains Tax concessions apply which enable the transfer of existing assets into a Special Disability Trust without the imposition of CGT.

The beneficiary has an assets test exemption of up to $578,500 in respect of investments held by the Special Disability Trust. This enables the beneficiary to maximise their income support payment (such as Disability Support Pension). If the beneficiary is provided with a residence, this can be held in addition to the financial assets of the Trust.

Centrelink is responsible for determining if a person is eligible to be a beneficiary of a Special Disability Trust. Before setting up a Special Disability Trust, it is important that Centrelink determine that the beneficiary is eligible.

It is also important that donors seek financial planning, taxation and legal advice to determine the appropriateness of a Special Disability Trust in their situation.

by Fraser Holt

Fraser is a Director primarily consulting as a Financial Planning Adviser and a Chartered Accountant.

THE END IS NEAR...

The 2011/2012 year is fast coming to an end and it is time to start thinking and planning your year-end action now. Here are some suggestions:

- Review debtors listing and write off any bad debts, and don't forget to adjust your GST for the write-offs;
- Maximise superannuation contributions where possible. This is particularly important for over 50's, for many of whom this is the last chance to contribute $50,000 of tax-deductible super;
- Consider delaying purchasing cars until July 2012 as small businesses will be eligible for the $5,000 immediate write off;
- Small businesses should consider delaying the purchase of equipment costing less than $6,500 until July 2012, when the whole amount can be claimed as a tax deduction in one year;
- Prepaying any expenses including bringing forward deductible gifts. Note some restrictions apply here;
- Consider deferring the sale of investments until July 2012 so tax will be due in 2013. If you have capital gains this year, crystallise capital losses so they can be offset against gains;
- Review trading stock and write off any obsolete stock;
- Consider delaying maturity of investments/term deposits to July 2012
- Pay staff bonuses for the financial year prior to 30 June 2012

Please speak to your accountant at rdl to discuss any of the above.

by Matthew Hung

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