

rdl.overview

ISSUE THREE SEPTEMBER 2011

- *Salary Sacrificing your Rental Expenses – Savings for Landlords!*
- *Cash Flow ... still king*
- *Investing for Children*
- *Focus on the not-for-profit sector – Legislative Changes Ahead*



FOCUS ON THE NOT-FOR-PROFIT SECTOR –

Legislative Changes Ahead

Better targeting of Not-for-profit tax concessions

From 1 July 2011 the government intends to tax charities on surpluses generated by unrelated commercial activities that are not directed back into their altruistic purposes. Initially only new unrelated commercial activities commencing after 10 May 2011 will be affected. The measures are designed to address perceived inequities raised by the Word Investments case.

The government recently issued a consultation paper on this topic as a means to seek suggestions for how to make the tax work practically, rather than to debate its merit.

It remains to be seen whether the tax will be easy to avoid by restructuring or applying other such measures. Until the legislation is drafted, all is speculation.

'In Australia' conditions for charities

The development that came as a surprise was the redrafting of the income tax exemption provisions in the Income Tax Assessment Act. The draft has raised a number of concerns, and if finalized in its current form, will have significant implications such as:

- Removal of the current income tax exemption for prescribed organisations based in Australia but pursuing objects overseas – this currently covers all mission organisations who are members of Australian Evangelical Alliance Inc. (Missions Interlink).
- A subjective test to determine if an organisation is operating 'in Australia', in place of the more objective expenditure based test, which could cost some entities their income tax exemption.
- Organisations meeting the 'in Australia' test will:
 - Only be permitted to make gifts to other exempt entities. Therefore gifts to individuals in need, non tax-deductible gifts overseas, or to mission organisations would result in the loss of income tax exempt status.
 - Lose income tax exemptions if any governing rules are breached or if any income or assets are applied to any purpose other than the purpose for which it was established

Submissions have been made highlighting these and other difficulties with the draft in the hope that a far more reasonable document is presented to Parliament.

Article by Claire Harris



CONTACT DETAILS

60-64 Railway Road,
Blackburn 3130
PO Box 189, Blackburn 3130

t: (03) 9878 1477 f: (03) 9894 1798

contact@rdlaccountants.com.au
rdlaccountants.com.au