

▲ May 2010 ▲

Are there any big changes?

After the release of The Henry Review last week, the 2010-11 Federal Budget is a fairly quiet budget for non profit organisations, however there are a few small changes that charities need to be aware of:

- Deductible Gift Recipients.

A new category of deductible gift recipient will be introduced to include all volunteer fire brigades and other volunteer-based and state-recognised emergency service entities. This new category will be introduced in the next 2 years. Gift deductibility has also been granted to another four specifically listed organisations.

- Ancillary Funds

The regulatory framework for public ancillary funds will be aligned to a framework similar to that applying to private ancillary funds taking affect 1 July 2011.

Legislative guidelines will be implemented to govern the establishment and maintenance of the trust funds and provide the Commissioner of Taxation with the power to impose penalties on trustees who breach the guidelines.

The aim of the changes is to provide donors and charities with greater certainty that donated funds are being managed and used effectively.

- Individual Income Tax Cuts

The budget has again maintained the previously announced tax cuts for individuals along with an increase in the Low Income Tax Offset from \$1,350 to \$1,500 for people earning under \$30,000 p.a. The Medicare levy low income threshold has also been increased from \$17,794 to \$18,488. The effect on salary packaging is discussed on the right.

Salary Packaging

General Comments

The 2010-11 budget has not announced any changes to FBT law. This means that further to the Henry Review, there are no changes to FBT that impact on salary packaging for employees of PBI's or FBT Rebateable non-profit organisations.

Employees can continue to salary package up to the \$30,000 grossed up salary packaging caps and employees of PBI's / Health Promotion Charities can continue to salary package meal entertainment benefits, entertainment facility leasing benefits and motor vehicles. The potential changes flagged by the Henry Review to the FBT Statutory Method formula for motor vehicles has not yet been implemented.

The impact on salary packaging savings

The delivery of the previously legislated individual income tax cuts will have an impact on the savings that employees will receive as a result of salary packaging.

The increase in the Low Income Tax Offset from \$1,350 to \$1,500 will mean that an employee can now earn up to \$16,000 before paying any tax after accounting for the tax offset.

This means that employees of PBI's & Health Promotion Charities who salary package the maximum \$16,050 value of non cash benefits will now be able to utilise salary packaging and depending on their salary not pay any tax on earnings up to \$32,050.

Employees earning over \$16,000 will still benefit as a result of salary packaging if they are employed by a PBI / HPC.

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Services include:

- FBT / GST Compliance
- ATO Endorsements
- Accounting for NFPs
- Salary Packaging
- Fleet Management Services

The impact on salary packaging savings

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An employee earning \$20,000 p.a. will save approximately \$800 as a result of salary packaging after accounting for the Low Income Tax Offset.

At various income levels the salary packaging savings for a PBI employee packaging the full \$16,050 p.a. after accounting for the Low Income Tax Offset is:

Income	Tax Saving
\$30,000	\$1,357
\$40,000	\$1,998
\$50,000	\$3,898
\$75,000	\$5,055
\$100,000	\$6,179

In order for an employee of an FBT rebateable organisation to save \$1,000 in tax through salary packaging in the 2011 financial year they now need to earn more than \$93,050 (up from \$91,419 in 2010).

Any employee of an FBT rebateable charity not earning more than \$59,728 in the 2011 financial year will not receive any tax saving by salary packaging expense payment benefits after accounting for the FBT payable on these benefits. Novated leases however are still options for these employees.

Salary packaging remains an attractive remuneration strategy for employees who earn more than \$16,000 p.a. in PBI organisations and over \$93,050 in rebateable organisations.

If you have questions please contact Community Salary Packaging on 1300 737 061.

If you know some one who might benefit from this information feel free to pass this newsletter on.

Summary of Tax Rate Changes

	From 1 July 2009		From 1 July 2010	
	Taxable Income	Percent	Taxable Income	Percent
Residents	\$0-\$6,000	Nil	\$0-\$6,000	Nil
	\$6001-\$35,000	15%	\$6001-\$37,000	15%
	\$35,001-\$80,000	30%	\$37,001-\$80,000	30%
	\$80,001-\$180,000	38%	\$80,001-\$180,000	37%
	>\$180,000	45%	>\$180,000	45%
Low Income Tax Offset	\$0-\$30,000	\$1,350	\$0-\$30,000	\$1,500
	\$30,001-\$63,750	less 4% of \$30,000	\$30,001-\$67,500	less 4% of \$30,000
	>\$63,750	Nil	>\$67,500	Nil

GST Compliance

It has been announced that the Government will provide funding for an additional \$337.5 million over four years to the ATO to assist 'promote voluntary GST compliance'.

This is budget talk for additional funding to increase the number of audits and reviews on BAS and GST claims.

It is expected that the increased funding aimed at promoting the 'voluntary GST compliance' will net an additional \$2.7 billion in GST revenue for the Government over the next four years (not a bad return!).

GST compliance is an important issue for all non profit organisations and with this funding announcement the sector needs to be on notice that the ATO will be taking a harder line for non-compliance in the future.

GST & CHP Loans

If your organisation claims GST on a cash basis you are not currently able to claim GST on motor vehicle (or other asset) purchases upfront if you utilise a Commercial Hire Purchase (CHP) 'loan'.

From 1 July 2012 changes will be implemented to simplify the GST law to allow an upfront claim without the need to use the more expensive finance product of a Chattel Mortgage loan facility.

Simplified Tax Returns

Following the Henry Review, the Government will introduce a standard work-related expenses and cost of managing tax affairs deduction of \$500 from 1 July 2012 and \$1,000 from 1 July 2013 as a first step to automating tax returns.

Our initial concern was the negative effect it may have on the incentive for donors who claim tax deductions to continue giving at their current rates.

Fortunately this standard tax deduction will be available to working individuals in addition to any amount they wish to claim as tax deductible donations.

We are continuing to watch the effect of the tax return simplification process and any additional reporting that may be imposed on the non profit sector, especially in relation to providing the Government with specific donor information on every donation an organisation receives.

Funding to explore the impact of the Henry Review

It is worth noting that the budget has set aside \$65 million dollars over the next four years to develop and implement the Government's response to the Henry Review.

This means that further tax changes in the next few years are to be expected. We will keep you up to date as we hear further about these changes either being legislated or consulted on.

TO HELP YOUR CHARITY IMPROVE YOUR GST COMPLIANCE DOWNLOAD THE CTAS GST NON COMMERCIAL ACTIVITIES ASSESSMENT TOOL FROM THE RESOURCES PAGE ON THE CTAS WEBSITE. NORMAL VALUE FOR THE TOOL IS \$495, DOWNLOAD NOW FOR FREE!



Simple Fleet Solutions

For more information on our services please see our website:

www.ctas.net.au

To join our mailing list for future newsletters and information affecting the charitable sector please email:

newsletter@ctas.net.au

Call us on 1300 737 062 if you have any questions.