

2014 – 2015 Federal Budget Update For Not-For-Profits

On 13 May 2014 the Federal Budget was released.

This newsletter highlights the impact of the Federal Budget on organisations in the Australian Not-For-Profit sector from a taxation perspective.

Impact of the Temporary Budget Repair Levy on FBT & Salary Packaging

From 1 July 2014 a new three year temporary levy on high income individuals will be introduced. The methodology of introducing the new 2% levy results in a change in the top marginal tax rate for individuals.

A direct impact from adjusting the top marginal income tax rate is the corresponding adjustment to the fringe benefits tax (FBT) rate.

*What this means is the FBT rate will move from 47% to **49.00%**.*

The proposed start date for the new rate of FBT is 1 April 2015 and will be operate until 31 March 2017.

As a result of the FBT rate changing there will be new 'Gross Up' rates for calculating FBT liabilities and Reportable Fringe Benefit Amounts (RFBA).

The following table outlines the current and the projected Gross Up Rates as a result of a change in the FBT rate to 49% from 1 April 2015.

Gross Up Factor Changes (rounded to nearest 4 dp)		
	FBT YEAR	
	2014-15	2015-16
Type 1 Benefits Gross Up Factor	2.0802	2.1463
Type 2 Benefits Gross Up Factor	1.8868	1.9608
RFBA Gross Up Factor	1.8868	1.9608

The Federal Government also announced:

*"The cash value of benefits received by employees of public benevolent institutions and health promotion charities, public and not-for-profit hospitals, public ambulance services and certain other tax-exempt entities **will be protected by increasing the annual FBT caps.**"* [Budget Measures Budget Paper No.2 2014-15] [emphasis added]

There has been no further release of information from the Federal Government (at the time of writing) to indicate how this protection will be provided.

There are a number of factors to be considered when addressing the issue of protecting the 'cash value of benefits received'.

Assuming the cash value of benefits is to be persevered, the following table outlines the new cap required to achieve this outcome for an employee of a Public Benevolent Institution or Health Promotion Charity.

Annual Fringe Benefit Taxable Value Limits				
	FBT YEAR			
	2014-15 Taxable Value	2014-15 Grossed Up Value	2015-16 Taxable Value	2015-16 Grossed Up Value
Annual Type 1 Benefits Limit	\$14,421.69	\$30,000	\$14,421.69	\$30,953.27
Annual Type 2 Benefits Limit	\$15,899.93	\$30,000	\$15,899.93	\$31,176.58

As can be seen from the previous table, there is a difference in the projected cap depending on the type of fringe benefit being provided. It is unclear at this point how the Government will be dealing with the issue of 'protection' in this regard. Depending on how the Government proceeds with this measure there is the potential for some employees to be negatively affected.

We will circulate additional information about these changes as they are released by Government.

An additional implication as a result of the gross up rates changing is the flow on effect with an employee's Reportable Fringe Benefit Amount. An increased RFBA will have a range of Centrelink entitlement issues, child support maintenance and HELP repayment implications.

Other Salary Packaging Impacts

The FBT rebate will be aligned with the new FBT rate from 1 April 2015.

The Federal Budget did not announce any changes to FBT in regard to motor vehicle statutory formula or operating cost calculations, meal entertainment benefits or entertainment facility leasing benefits.

It is noted that due to the FBT rate increasing to 49%, employers who provide benefits in excess of the FBT cap will incur a 2% increase in the annual cost of FBT.

Employers who use the operating cost methodology to calculate the fringe benefits tax value of motor vehicles will also receive an increase in the taxable value of the benefit as a result of the fuel excise adding further to the operating cost of the fleet.

Individuals with a HELP debt will be impacted earlier from 2016-17 as a result of the repayment thresholds being lowered and a new minimum 2% repayment rate being imposed for earnings estimated to be in excess of \$50,638.

Better Targeting of not-for-profit tax concessions

The Acting Assistant Treasurer in a Media Release dated 13 May 2014 announced the Government has concluded the previous measures in relation to the better targeting of tax concessions is not required at this time.

The Media Release did state however *"The Government has not made a decision on a targeted anti-avoidance provision to address certain conduit arrangements and is still seeking advice on this matter."*

It is expected further consultation on these specific aspects of the measures will occur at some point.

Australian Charities and Not-for-Profit Commission (ACNC)

The Government also re-confirmed its commitment to abolish the ACNC and at the same time provide \$6.0 million over four years to re-establish the Community Business Partnership.

Who is the Charities Tax Advisory Service?

The CTAS Group of companies provide a range of tax, administration, salary packaging and fleet services to the not-for-profit sector in Australia.

CTAS clients range from small not-for-profit organisations with only a few staff to Australian organisations with 1,000's of staff. Our clients operate in a number of subsectors and include employment agencies, social welfare organisations, churches, disability service providers, migrant centres, childcare providers, health promotion charities and drug & alcohol rehabilitation services.

If you have any questions please feel free to contact our office on 1300 737 061 and do not hesitate to forward this update to any other organisation that you think may benefit from this information.

The services of the group are summarised below:



Phone: 1300 737 061 or
Email: info@ctas.net.au

CTAS provides tax and accounting services to Not-For-Profit organisations in the following areas:

- Assistance with Income Tax Endorsement and ACNC Registration
- Advice on gifts / tax deductibility, gift funds & fundraising
- GST Compliance and system reviews specifically designed for Charities
- FBT Compliance and Consulting (especially advice for organisations looking to optimise their concessional cap limits) & the completion of FBT Returns
- Assistance with basic and complex tax compliance matters
- Assistance to organisations undergoing an ATO compliance audit
- Training seminars in tax, salary packaging and superannuation for the not-for-profit sector



Phone: 1300 737 061 or
Email: info@communitysalarypackaging.com.au

Community Salary Packaging offers salary packaging services designed for the not-for-profit sector in Australia. There are two main programs run by Community Salary Packaging including:

- A Fully Outsourced Salary Packaging Program
- The Community Salary Packaging Card Program



Phone: 1300 537 785
Email: info@simplefleet.com.au

Simple Fleet Solutions works closely with Community Salary Packaging and offers fleet solutions to organisations in the not-for-profit sector in Australia to assist with the management of their motor vehicle fleets (in the context of their salary packaging programs).

Simple Fleet Solutions provides a variety of fleet services including online fleet management software, discounted fuel card programs with Shell & Caltex, motor vehicle financing options including fully maintained novated leasing and operating leases, vehicle procurement & FBT compliance services including an Operating Cost Logbook Processing program.