



June 2005

Update on Charity Tax Concessions

Background

As you are aware a significant change in relationship between a charity and the Australian Taxation system took place on 1 July 2000. Prior to that date a charity, (eg. a church) was not a formal participant in the taxation system and was tax exempt by virtue of its existence as a charity. In other words, no endorsement was required by the Australian Taxation Office to “trigger” the exempt status.

Since 1 July 2000 all organisations in Australia whether for profit or not-for-profit are tax payers unless specifically endorsed as exempt by the ATO.

Form of Endorsement

Until recently exemption for your organisation was called Income Tax Exempt Charity Status (ITEC) but this has now changed to Tax Concession Charity Status. As from 1 July 2005 a specific endorsement will be required for the following:

- Income tax exemption
- GST Charity tax concessions
- FBT rebate; and
- FBT exemption.

For existing exempt charities no further steps are required prior to 1 July 2005 as the existing exemption will be carried into the new arrangement.

Income Tax Exemption

This exemption applies to **Charitable Funds** and **Charitable Institutions**. It is important that you are registered in the correct category as a large number of implications flow from this status. For example, a trustee company to hold

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property for a church is not a religious institution but the trust is entitled to charitable **fund** exemption status as it holds property on trust for charitable purposes. These distinctions are critical.

Eligible Charity Types

Different concessions apply to different eligible charity types. For example income tax exemption applies to a charitable fund, a charitable institution, a public benevolent institution and a health promotion charity but an FBT rebate only applies to a charitable institution. An FBT exemption only applies to a public benevolent institution and a health promotion charity (up to a capped amount of \$30,000.00) but different considerations apply to a religious institution.

Publication of Endorsement Details

As from 1 July 2005 the following details for charities will be displayed on the Australian Business Register

- The organisations charity type
- The charity tax concessions the organisation has been endorsed to access; and
- The date of effect for each endorsement.

Tax Deductibility

It should be clearly understood that an endorsement to access charity tax concessions does not entitle an organisation to receive income tax deductible gifts. There is a separate endorsement process for deductible gift recipients (DGR).

Yearly Review

The ATO requires you to carry out a yearly self review of your organisations entitlement to endorsement. You should also carry out a review when there is a major change in your organisation structure or operations.

Are you endorsed?

If you are not endorsed your organisation is a tax payer. This has obvious critical implications and you should check your status.

Should you wish to discuss any of the above in more detail or require assistance in determining how these changes may affect you, please do not hesitate to contact us.

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