

STAMP DUTY CONCESSIONS ON CARS

The Stamp Act provides significant exemptions for Charitable and Religious Institutions. Some concessions are also extended to Ministers of Religion. There are specific conditions for these conditions.

Ministers who are also Registered Celebrants -

- § Licence fee and stamp duty free.
- § Pay Insurance and Recording Fee.
- § Available to only one vehicle at a time.
- § Must be owned by the Minister, not the Church .

There are also other conditions.

Religions and Charitable Organisations -

- § Licence fee and stamp duty free.
- § Pay Insurance and Registration fee.
- § Detailed applications imposes other conditions.
- § New applications require copy of Constitution.

ATO PENALTIES

The ATO recently released a Practice Statement (PS LA 2005/2) "Penalty for failure to keep or retain records."

The Practice Statement explains the circumstance in which the ATO will consider reducing or cancelling penalties. It emphasises that they will be very considerate in cases where there is a reasonable endeavour to comply with the law. In such cases they will provide help and education. However instances of continued carelessness or obstruction will not receive any concessions.

COMPUTER SUPPORT

One of the areas where Add-Ministry can assist is with Computer software and hardware maintenance. See the attached leaflet for more details.

Seminar

"The Impact of Taxation Laws on Payments to Ministers"

Saturday 14 May 2005

9am to 1pm

Como Baptist Church
111 Robert Street, Como

The Seminar aims to provide key information of benefit to Ministers, Treasurers, Secretaries and other leaders on how taxation laws impact on both the Church and its Ministers - in different and important ways.

There will be a benefit to both Ministers and Church leaders in attending together to ensure the dual issues are clearly understood.

The Seminar fee is \$50.00 (GST Free). A free place is available for the third officer attending from your Church.

For more details email addministry@hardings.org.au or fax 9271 1944



Locked Bag 5
BAYSWATER WA 6933

Phone: 08 9271 1844
Fax: 08 9271 1944
addministry@hardings.org.au



GST Newsletter



March 2005

TAX CONCESSION CHARITY ENDORSEMENT

Most religious and charitable institutions would have received a letter from ATO in November advising of their taxation concessions. If you did not receive such a letter it is important that you contact ATO promptly to identify your status. If you did receive a letter you need to check the ATO advice to ensure that the range of tax concessions you believe you are eligible for are all stated. Eg. FBT concession or exemption, GST concessions, Income Tax exempt. The ATO action follows a change in the law to give the ATO greater control. It is essential that you review your status prior to 30 June 2005. If you experience any difficulty in this area we may be able to assist you.

SUPER GUARANTEE CHANGES

Reporting

The obligation for all employers to advise every employee of the quarterly superannuation payments made on their behalf has now been removed.

The change has been made by the government because of the substantial additional workload placed on the employers and the fact that the superannuation funds are already providing similar information, although not as regularly.

This change is effective from 1 January 2005. Therefore the superannuation allocation for the quarter ending 31 December – due to be paid by 28 January to the superannuation funds should have been reported to employees. It is only the obligation to pay superannuation after 1 January 2005 that has been exempted.

You also need to be aware that if you have staff who are engaged under a workplace agreement there may continue to be some reporting obligations.

Choice of Fund

From July 1 2005 employees will have the right to choose their superannuation fund. This right will mean additional administration work for Treasurers where employees exercise this right. There are some awards which restrict this right, and Government employees are not eligible. ATO will forward more specific information soon.

ANNUAL GST REPORTING

As advised earlier entities which were not legally obliged to register for GST, but opted to register, have now been given the option of lodging their GST report annually instead of quarterly. This concession has arisen as a result of new legislation passed by Parliament on 7 December 2004.

Charities and churches whose primary source of income is from donations as opposed to fees and grants may be eligible. For a not-for-profit entity to be eligible its annual income, other than donations/gifts, needs to be less than \$100,000. However the obligation to remit PAYG deductions quarterly or monthly will remain unchanged.

This concession may reduce some ATO compliance obligations for some entities. However charities and churches need to take into account the fact that GST refunds would be received much slower. The benefits and disadvantages of opting for the change need to be carefully considered.

GST ON TRADE-INS

Many charitable and religious institutions have not realised that GST may need to be paid on trade-ins. This is of particular significance when trading in motor vehicles.

Frequently Accounting errors are made. The most common being a failure to separate the two transactions.

The Trade-In is a Sale of the existing Vehicle to the Motor Car Company. That sale will require the production of a Tax Invoice to the Motor Car Company with GST collected identified. Care should be exercised in agreeing on the GST exclusive price. Often agencies are surprised to find that they have agreed to a GST inclusive price and consequently lose more than expected on the Trade In.

The Second Transaction is the purchase of the new Vehicle from the Motor Car Company with GST Paid correctly identified.



Further complications arise if the old and new Vehicles are leased. Care should be taken to separate the two leases.

On the Sale of the old Vehicle, the Lease Liability Account should be debited with the residual lease amount. On the purchase of the new Vehicle, the Lease Liability Account should be credited with the new Lease amount.

Errors occur when short cuts are taken and transactions are “netted-off”.

Take particular care with the General Journals associated with the Trade-In to accurately calculate the Profit or Loss on each transaction and the elimination of the asset and its associated accumulated depreciation.

There remains the possibility of being eligible for the GST charity concession but this is not by any means automatic. Advice from the motor vehicle dealer may not always show a clear understanding of the legal principles here.

WHAT IS A GIFT?

A gift is a transfer of cash or other property without any consideration. It is a voluntary act without conditions. In other words, once the gift is made, the giver (donor) ceases to have any right to influence what happens with the item gifted or to receive any direct or indirect benefit. It is free to be used by the donee (recipient) in whatever way they see fit.

If a gift purports to have conditions attached it is not a gift until such time as the conditions are removed. It may well not be a gift at all, but a transaction where there is consideration. If there is consideration there may be a taxable issue involved.

The Australian Taxation Office have issued a draft Taxation Ruling TR 2004/D19 which identifies legal issues regarding gifts for income tax purposes.