

Fundraising

This guide explains the tax treatment of various fundraising activities and the concessions available.



You should use this guide if you conduct fundraising activities for a non-profit organisation.



This guide includes information on state, territory and local government fundraising requirements.



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If you follow our guidance in this publication and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we must still apply the law correctly. If that means you owe us money, we must ask you to pay it but we will not charge you a penalty. Also, if you acted reasonably and in good faith we will not charge you interest.

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ABOUT THIS GUIDE

You can use this guide to find out:

- the tax treatment of various fundraising activities and the concessions available, and
- state, territory and local government requirements in relation to fundraising.

HOW TO USE THIS GUIDE

Tax deductible gifts

For organisations that want to receive tax deductible gifts, we explain the requirements for a gift to be tax deductible and the records donors need to keep.

Go to chapter 1.

Tax deductible contributions

Individuals may be entitled to claim a tax deduction for contributions they make in relation to fundraising events such as fundraising dinners and charity auctions.

Go to chapter 2.

Non-profit organisations and income tax

Whether a non-profit organisation has to pay income tax on proceeds it receives from its fundraising activities or can claim tax deductions for the expenses it incurs will depend on whether the organisation is exempt from income tax.

Go to chapter 3.

Goods and services tax

When a non-profit organisation undertakes fundraising activities, the related transactions may be subject to GST. There are a range of GST concessions for non-profit organisations. Some of the concessions may be applied to the organisation's fundraising activities, while others will help the organisation meet its GST obligations.

Go to chapter 4.

Fringe benefits tax

Fringe benefits tax (FBT) is a tax payable by employers who provide fringe benefits to their employees or to associates of their employees. FBT may apply when a non-profit organisation conducts fundraising activities and provides benefits to its employees. There are, however, certain FBT concessions that can reduce the organisation's liability.

Go to chapter 5.

State and territory government requirements

Fundraising activities such as bingo, raffles and doorknock appeals are regulated by state and territory authorities. Each state and territory has its own laws for these activities and they have provided an overview of their requirements. You should direct any enquiries about state and territory regulations to the relevant authority in your area.

Go to chapter 6.

Local government requirements

The use of public places such as parks, streets and sporting grounds is regulated by local government. If your organisation's fundraising activities involve the use of a public place, you should check with your local council regarding its requirements.

Go to chapter 7.

More information

At the back of this guide you will find a list of our publications and services, and the different ways you can get more information.

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TAX DEDUCTIBLE GIFTS

01

Deductions for gifts are claimed by the person or organisation that makes the gift (the donor).

Only certain organisations can receive tax deductible gifts. They are called deductible gift recipients (DGRs).

This chapter explains:

- the requirements for a gift to be tax deductible
- arrangements for collecting tax deductible gifts on behalf of DGRs
- options for accessing funding from DGRs, and
- the records donors need to keep.

REQUIREMENTS FOR A GIFT TO BE TAX DEDUCTIBLE

To be tax deductible, a gift must:

- be made to a deductible gift recipient
- really be a gift
- be a gift of money or a certain type of property, and
- comply with any relevant gift conditions.

DEDUCTIBLE GIFT RECIPIENTS

A deductible gift recipient (DGR) is an organisation that is entitled to receive tax deductible gifts. DGRs are:

- listed by name in the tax law, or
- endorsed by the Tax Office.

- !** You can check whether an organisation is a DGR by:
- visiting the Australian Business Register website at www.abn.business.gov.au or
 - phoning us on **13 28 61**.

The majority of DGRs are endorsed by us. The only DGRs that do not need to be endorsed are those listed by name in the income tax law, including prescribed private funds.

DGRs listed by name

DGRs listed by name in the tax law include organisations such as Amnesty International Australia and the Australian Sports Foundation. They also include prescribed private funds. For a full list, refer to our fact sheet *Deductible gift recipients listed by name in the tax law* (NAT 8443).

Endorsed DGRs

There are two types of DGR endorsement:

- where an organisation is endorsed as a whole, for example, public hospitals and public universities, and
- where an organisation is endorsed for the operation of a fund, authority or institution that it owns or includes, for example, school building funds and council libraries.

To be endorsed as a DGR, an organisation must:

- have an Australian business number (ABN)
- fall into a general DGR category or operate a fund, authority or institution that falls into a general DGR category
- have acceptable rules dealing with the transfer of surplus gifts and deductible contributions on winding up or revocation of endorsement
- satisfy the gift fund requirements (if applicable), and
- be in Australia or its fund, authority or institution must be in Australia, unless it is an ancillary fund.

Organisations that meet the requirements for DGR endorsement can apply to the Tax Office using an *Application for endorsement as a deductible gift recipient* (NAT 2948).

There are more than 40 general DGR categories. Examples of the categories include:

- public hospitals
- public authorities for research
- health promotion charities
- public universities
- school building funds
- public benevolent institutions
- public funds for persons in necessitous circumstances
- overseas aid funds
- registered cultural and environmental organisations
- public libraries, museums and art galleries, and
- ancillary funds.

EXAMPLES

Organisations may want to collect tax deductible gifts for emergency relief of victims of disasters. Relevant DGR categories in such circumstances include:

- **necessitous circumstances funds, public benevolent institutions** and **Australian disaster relief funds** – for relief of victims of disasters that occur *in Australia*, and
- **overseas aid funds** and **developed country disaster relief funds** – for relief of victims of disasters that occur *outside Australia*.

Necessitous circumstances funds

A necessitous circumstances fund is a public fund established and maintained for the relief of persons in Australia who are in necessitous circumstances.

The common method of relieving necessitous circumstances is direct distributions of money or goods to people.

The expression ‘necessitous circumstances’ refers to financial necessity. It does not extend to needs generally. The particular circumstances giving rise to financial necessity will not necessarily be permanent. For example, cyclones, floods and other disasters can cause people to be in short-term financial need.

For more information on necessitous circumstances funds, refer to our fact sheet *Necessitous circumstances funds* (NAT 5278).

Public benevolent institutions

Where the relief provided goes beyond distributions of money or goods, the organisation is more likely to be a public benevolent institution.

Examples continued on next page.

A public benevolent institution is a non-profit organisation established and maintained for the direct relief of poverty, sickness, suffering, distress, misfortune, disability or helplessness.

For more information on public benevolent institutions, refer to our publication *GiftPack* (NAT 3132).

Australian disaster relief funds

An Australian disaster relief fund is a public fund established for charitable purposes and is established and maintained solely to provide funds for the relief (including relief by way of assistance to re-establish a community) of people in Australia in distress as a result of a disaster that is declared and meets the relevant criteria.

This type of fund may provide money for a broad range of activities. This includes emergency shelter, health care and food supplies, and providing relief for people through trauma counselling and through work on buildings, amenities, locations and infrastructure.

For more information on Australian disaster relief funds, refer to our web only product *Australian disaster relief funds*.

Overseas aid funds

Overseas aid funds are established to provide relief of people in a country declared by the Minister for Foreign Affairs to be a developing country. These funds may provide money for relief in countries where the aid organisation that owns the fund operates or where its partner aid agencies operate.

Overseas aid funds must meet the requirements of an approval process that is managed by AusAID.

For more information on overseas aid funds, refer to our web only product *Overseas aid funds*.

Developed country disaster relief funds

Developed country disaster relief funds are public funds established and maintained by a public benevolent institution solely for providing money for the relief (including relief by way of assistance to re-establish a community) of people in a developed country who are in distress as a result of a disaster that is recognised by a Treasury minister as a disaster.

This type of fund may provide money for a broad range of activities. This includes emergency shelter, health care and food supplies, and providing relief for people through trauma counselling and through work on buildings, amenities, locations and infrastructure.

For more information on developed country disaster relief funds, refer to our web only product *Developed country disaster relief funds*.

➤ For more information on deductible gift recipients, refer to our publication *GiftPack* (NAT 3132).

To obtain this publication, see 'More information' on the inside back cover.

WHAT IS A GIFT?

Gifts have the following characteristics:

- there is a transfer of money or property
- they are made voluntarily
- they do not provide a material benefit to the donor, and
- they essentially arise from benefaction, and proceed from detached and disinterested generosity.

EXAMPLES

Example 1

During a telethon Kathy calls a DGR to say she will give \$250. She later forgets it and never in fact gives anything to the DGR. Kathy has not made a gift as she has not transferred money or property to the DGR.

Example 2

Anna promises her neighbour's son that she will give \$2 to a DGR for each book he reads in a readathon to raise money for it. He reads five books. Anna's gift of \$10 to the DGR is voluntary even though the amount given depended on the number of books read.

The following payments to DGRs are **not** gifts:

- purchases of raffle or art union tickets
- purchases of chocolates and pens
- the cost of attending fundraising dinners, even if the cost exceeds the value of the dinner
- membership fees
- payments to school building funds as an alternative to an increase in school fees, and
- payments where the donor has an understanding with the recipient that the payments will be used to provide a benefit for the 'donor'.

EXAMPLES

Example 1

Peter attends a fundraising dinner and show. He buys his admission ticket for \$100. On the night, he also makes a voluntary donation of \$500. The \$500 is a gift but the \$100 he paid for the ticket is not.

Example 2

Peng-yew buys a T-shirt signed by a celebrity at a charity auction. This is not a gift even if Peng-yew has paid a lot more than the value of the T-shirt.

! Individuals may be entitled to claim a tax deduction for contributions they make in relation to fundraising events such as fundraising dinners and charity auctions. See 'Tax deductible contributions' on page 11.

An acknowledgment that a recipient makes in appreciation of a payment can be consistent with the payment being a gift.

EXAMPLE

Theo gives \$1,000 to a DGR unsolicited. At the end of the year the board of the DGR meets and decides to recognise his generosity by sending him a bottle of wine and Christmas card thanking him for his donation. The bottle of wine normally sells for \$35. Receiving the bottle of wine will not prevent Theo from claiming the \$1,000 as a tax deductible gift in his tax return.

Other acceptable forms of acknowledgment include lapel badges, stickers, mention in a newsletter, and plaques – if they are of small cost and prominence.

However, enlarging the acknowledgment into forms of advertising would prevent the payment being a gift. Although in such instances there is no gift deduction, businesses may be entitled to claim income tax deductions for advertising payments.

➔ For more information on what is a gift, refer to our publication *GiftPack* (NAT 3132).

To obtain this publication, see 'More information' on the inside back cover.

GIFT TYPES

To be deductible, a gift must be of money or property that is covered by one of the following gift types:

- 1 **\$2 or more:** money
- 2 **Property > \$5,000:** property valued by the Tax Office at more than \$5,000
- 3 **Property < 12 months:** property purchased during the 12 months before the gift was made
- 4 **Shares ≤ \$5,000:** listed shares valued at \$5,000 or less, and acquired at least 12 months before the gift is made – the gift of shares must be made on or after 1 July 2007
- 5 **Trading stock:** trading stock disposed of outside the ordinary course of business
- 6 **Cultural gifts:** property under the Cultural Gifts Program
- 7 **Cultural bequests:** property under the Cultural Bequests Program
- 8 **Heritage gifts:** places listed in the National Heritage List, Commonwealth Heritage List or the Register of the National Estate.

Gifts that fall within the first five gift types ('\$2 or more', 'property > \$5,000', 'property < 12 months', 'shares ≤ \$5,000' and 'trading stock') can be made to almost all categories of DGR. Gifts in the other gift types can be made only to limited categories of DGR.

EXAMPLE

Kylie wants to know if she can claim a deduction for a fridge she is giving to a public benevolent institution that is a DGR.

The gift types for public benevolent institutions are:

- \$2 or more
- property > \$5,000
- property < 12 months
- shares ≤ \$5,000, and
- trading stock.

Kylie can only claim a deduction if the fridge falls within one or more of these gift types.

The different gift types also affect how much can be claimed as a deduction.

EXAMPLES

Example 1

Tracey donates a parcel of 100 shares to a war memorial repair fund that is a DGR. Tracey acquired the shares in an Australian listed public company two years ago when she inherited the shares. If the market value was \$12 per share when Tracey gifted the shares, the total parcel of shares would be valued at \$1,200 (\$12 × 100 shares). Her gift is covered by 'shares ≤ \$5,000'.

Tracey can claim a tax deduction of \$1,200 because the shares were acquired over 12 months ago and the market value of the shares at the time of the gift was less than \$5,000.

⚠ Shares are acquired if they are purchased, inherited, won, received as a gift or received as a bonus. Gifted shares must be in a listed public company and be listed for quotation on an Australian stock exchange.

Example 2

Mark gave some chairs to a public hospital that is a DGR. He bought the chairs six months before he made the gift. His gift is covered by 'property < 12 months'.

The valuation for that gift type is the lesser of:

- the market value of the chairs on the day Mark made the gift, and
- the amount he paid for the chairs.

If the market value was \$700 and the amount paid was \$500, Mark would claim \$500 (provided it does not add to or create a tax loss).

In some situations, a gift may fall within more than one of the gift types. Donors should use the gift type that is most appropriate.

When donors are making a gift of property different valuation rules apply. In some cases, the donor will need to seek a valuation from the Tax Office. In certain circumstances valuation expenses incurred by the donor can be tax deductible.

➤ Information on when valuations are required and the procedures for obtaining valuations are set out in our publication *GiftPack* (NAT 3132).

To obtain this publication, see 'More information' on the inside back cover.

The supply of a service does not fall within any of the gift types. There is no deduction for the gift of a service, as no money or property is transferred to the DGR.

Examples of amounts that are not deductible include a volunteer's expenses in carrying out voluntary work, and the value of unpaid work.

EXAMPLE

Kim is a registered nurse. She carries out volunteer work for a home-based care provider which is a DGR. Kim often incurs petrol costs visiting patients. Kim can't claim a deduction because she has not made a gift of money or property to the DGR itself.

If property is transferred to a DGR as part of providing a service, a deduction may be allowed in relation to the property. The property must actually be transferred to the DGR.

EXAMPLE

Mick offers to repair a timber fence around a DGR's premises and supply the timber for the job. Mick's car expenses to collect the timber are not deductible as a gift because they are part of supplying the service. The timber may be deductible as a gift if it falls within one of the gift types.

➤ For more information on gift types, refer to our publication *GiftPack* (NAT 3132).

To obtain this publication, see 'More information' on the inside back cover.

GIFT CONDITIONS

For some DGRs, the law adds conditions relating to the deductible gifts they can receive. For example, a gift may only be tax deductible if it is made:

- between certain dates, or
- for a specific purpose.

EXAMPLE

XYZ Agency is endorsed as a DGR under the general DGR category 'Public authority for research'. For gifts to XYZ Agency to be tax deductible, they must be made for the purposes of research into the causes, prevention or cure of disease in human beings, animals or plants.

➤ For more information on gift conditions, refer to our publication *GiftPack* (NAT 3132).

To obtain this publication, see 'More information' on the inside back cover.

COLLECTING GIFTS ON BEHALF OF DGRs

Organisations/businesses may collect gifts on behalf of DGRs through workplace giving and other arrangements.

WORKPLACE GIVING PROGRAMS

Workplace giving programs are arrangements where:

- part of an employee's pay is paid, or is to be paid, as a gift to a DGR
- the gift is paid by the employer at the direction of the employee, and
- the gift is made under a regular planned giving arrangement.

A workplace giving program allows a DGR to receive donations as a lump sum from each employer. This reduces the DGR's costs as it has to process only one donation from each employer.

If a portion of an employee's pay is donated to a DGR through regular payroll deductions, the employer may reduce the pay as you go (PAYG) amount it withholds from the employee's pay. For employees, this means they may get the benefit of the reduced tax immediately in their pay.

While the PAYG withholding amount can be reduced because of a gift made through a workplace giving program, the total pay on the employee's payment summary is not reduced by the amount of the gift. This means the employee must claim a deduction for the gift in their annual tax return so that the correct tax can be calculated.

DGRs are not required to issue receipts to donors, although an employer may request a receipt from the DGR.

All the employee needs for their tax records is a statement from their employer. See 'What records are required?' on page 10.

➤ For more information on workplace giving programs, refer to ATO Practice Statement Law Administration PS LA 2002/15.

To obtain this publication, see 'More information' on the inside back cover.

SALARY SACRIFICE ARRANGEMENTS

Employees may also arrange for gifts to be made to DGRs through their employer under salary sacrifice arrangements.

In this situation:

- the employee agrees with their employer that a certain amount of their pre-tax pay will be paid to a DGR
- the employee pays income tax on the reduced salary or wages
- the employer claims the tax deduction for the payment to the DGR, not the employee
- the payment to the DGR is a fringe benefit and – as the recipient is not the employee – the 'otherwise deductible' rule does not apply, and
- the employer may be liable to pay fringe benefits tax (FBT).

Some employers (such as public benevolent institutions and public/non-profit hospitals) are generally not liable to pay FBT, subject to capping thresholds. See 'Organisations that receive concessional FBT treatment' on page 38.

For a salary sacrifice arrangement to be effective, the agreement between the employer and employee must be entered into before the employee becomes entitled to be paid the amount forgone as salary or wages.

The PAYG withholding amount should be based on gross salary and wages paid and should not include salary sacrificed amounts. The employee's PAYG payment summary should show the gross amounts of all salary and wages (excluding salary sacrificed amounts) and the relevant total amount of PAYG withheld for the year.

➤ For information on the FBT implications of salary sacrifice arrangements for employers and employees, refer to our fact sheet *Fringe benefits tax and salary sacrifice arrangements* (NAT 7424).

To obtain this publication, see 'More information' on the inside back cover.

OTHER ARRANGEMENTS

An organisation that is authorised by a DGR to make collections on its behalf may collect tax deductible gifts from the public on behalf of the DGR. Examples include collections through:

- financial institutions – via a direct debit to the customer's bank account
- retail outlets – via an item included in the customer's shopping docket, and
- telephone or electricity providers – via a charge on the customer's statement of account.

DGRs and organisations that are authorised to collect on their behalf will have confirmed:

- arrangements for issuing receipts to donors, and
- that the arrangements in place meet with any state or territory regulations.

The DGR may prefer to issue receipts and ask that the collector supply details of the name, address and amount collected from each donor. Alternatively, arrangements may be agreed to whereby the collector will issue a statement to each donor identifying the amount collected on behalf of the DGR.

Record keeping requirements are discussed under 'What records are required?' on page 10.

State and territory regulations are discussed under 'State and territory government requirements' on page 43.

ACCESSING FUNDING FROM DGRs

Your organisation may be able to access funding from DGRs that operate to provide funding to other organisations.

Examples of such DGRs include:

- the Australian Sports Foundation, which issues discretionary grants to sporting organisations, and
- the Australia Business Arts Foundation, which facilitates funding for the arts through its Australia Cultural Fund.

Where money or other property is transferred to a DGR on condition that it is passed onto a particular organisation or event, the tax deductibility of the payment may be affected.

Donors can make a request that the gift be directed to a particular organisation. Such arrangements will not prevent the payment from being a gift provided that the DGR:

- obtains in its own right the full value or benefit of the property donated, and
- is empowered and has absolute discretion whether to distribute the property to those organisations nominated by the giver.

EXAMPLES

Example 1

Greg is an avid supporter of his local AFL team. He sends a cheque for \$500 to the Australian Sports Foundation (ASF) with a letter stating that the amount is to be given to his favourite team.

The ASF **does not have discretion** whether to apply the amount in accordance with the giver's wishes. The \$500 is not a deductible gift, as no benefaction has been conferred on the DGR.

Example 2

Cecilie is a great supporter of the arts in her local area. She sends a cheque for \$500 to the Australia Business Arts Foundation (AbaF) with a letter stating that she would prefer that the funds be given to an arts organisation that supports visual artists in her region.

AbaF **has the discretion** whether to apply the amount in accordance with the giver's wishes. The \$500 is a deductible gift, as benefaction has been conferred on the DGR.

CLAIMING DEDUCTIONS FOR GIFTS

WHO CAN CLAIM A DEDUCTION?

Deductions for gifts are claimed by the person or organisation that makes the gift (the donor). A donor can be an individual, company, trust or other type of taxpayer.

HOW MUCH CAN BE CLAIMED?

The amount of the deduction depends on the type of gift. For gifts of money, it is the amount of the gift. For gifts of property and shares, there are various valuation rules.

A deduction for a gift cannot add to or create a tax loss for the donor. The deduction can reduce a donor's assessable income to nil in the tax year in which the gift is made, but any excess cannot be claimed in that year or carried forward to a later year as a tax loss. However, donors can elect to spread deductions for certain gifts over a period of up to five years.

WHAT RECORDS ARE REQUIRED?

Donors should keep records of all their deductible gifts, including:

- the date the gift was made
- the name of the DGR to which the gift was made
- the amount of the gift
- a description of the gift if it was property, and
- any election to spread the deduction.

When property has been gifted, additional details may need to be recorded.

If a donor has elected to spread the tax deduction for a gift, any variations to the election should also be kept.

Receipts

Donors should ask for receipts from authorised collectors when making gifts to DGRs and keep the receipts with their other tax records. This will help donors prepare their tax returns and in case their claims are checked by us.

DGRs are not required by the income tax law to issue receipts for deductible gifts, but any receipts they issue must specify:

- that the receipt is for a gift
- the name of the DGR, and
- the ABN of the DGR.

➤ For more information on claiming deductions for gifts, refer to our publication *GiftPack* (NAT 3132).

To obtain this publication, see 'More information' on the inside back cover.

Other statements and records

If a donor does not have a receipt, they should keep any other statement or record with details of their gift to assist in the preparation of their tax return and in case claims are checked by us. For example:

If a donor has made a gift to a DGR ...	then the donor should retain ...
through their employer	a statement from their employer identifying: <ul style="list-style-type: none"> ■ each DGR to which a gift was made or, if each DGR cannot be identified in the statement to the donor because of space or printing constraints, a statement that all of the gifts were made to DGRs, and ■ the total amount of gifts made to the DGRs. This statement can be given to the donor on: <ul style="list-style-type: none"> ■ their PAYG payment summary, or ■ other written or electronic communication from the employer.
at a bank, credit union or other financial institution	statements such as: <ul style="list-style-type: none"> ■ a bank statement showing the amount paid to the DGR ■ a stamped deposit slip showing the amount paid and the name or account number of the DGR.
using internet banking	a printed copy of their transfer details after making the gift.
by credit card or direct debit to their bank, credit union or other financial institution account	their account records.
at a retail outlet	the shopping docket that contains the details of the gift.
through another organisation – such as a telephone or electricity provider	their account records, with proof of payment.

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TAX DEDUCTIBLE CONTRIBUTIONS

02

Certain fundraising events encourage contributions that may extend minor benefits to the contributor. As a benefit is received in return, the contributor is not entitled to claim the contribution as a tax deductible gift. However, individuals may be able to claim a deduction for a portion of their payment as a tax deductible contribution.

This chapter explains:

- the requirements for a contribution to be tax deductible
- what individuals have to do to claim deductions for their contributions, and
- valuing a contribution and a minor benefit.

REQUIREMENTS FOR A CONTRIBUTION TO BE TAX DEDUCTIBLE

To be tax deductible, a contribution must:

- be made to a deductible gift recipient
- be in respect of an eligible fundraising event
- be an eligible contribution
- comply with any relevant gift conditions, and
- be made by an individual.

DEDUCTIBLE GIFT RECIPIENTS

To be a tax deductible contribution, the contribution must be made to a deductible gift recipient (DGR).

DGRs are discussed under 'Deductible gift recipients' on page 4.

Fundraising events held by political parties are ineligible for the concession.

ELIGIBLE FUNDRAISING EVENTS

Eligible fundraising events are DGR fundraising events conducted in Australia. They include:

- fetes, balls, gala shows, dinners, performances or similar events
- events comprising sales of goods if selling such goods is not a normal part of the supplier's business, and
- events that have been approved by the Commissioner of Taxation as a fundraising event.

To be eligible for the concession, the same type of event cannot be conducted more than 15 times in a financial year.

ELIGIBLE CONTRIBUTIONS

There are two types of eligible contributions:

- a right to participate in a fundraising event (for example, the purchase of a ticket to attend a charity ball), and
- a successful bid at a charity auction conducted by a DGR.

To be tax deductible:

- the contribution must be:
 - money over \$150
 - property purchased during the 12 months before making the contribution and valued at more than \$150
 - property valued by the Commissioner at more than \$5,000, or
 - shares acquired at least 12 months before making the contribution and valued at \$5,000 or less but more than \$150, and
- the benefit received by the contributor must be no more than 20% of the value of the contribution or \$150, whichever is less.

! For contributions made to a DGR before 1 January 2007, the contribution threshold was \$250 and the benefit threshold was the lesser of \$100 and 10% of the value of the contribution.

! If the eligible event is a fundraising auction, only contributions of money are eligible for a deduction.

EXAMPLES

Example 1

Gess pays \$260 to attend a charity golf game hosted by a DGR. The market value of an 18-hole golf game is \$20. Gess will be eligible to claim a tax deductible contribution of \$240 (\$260 – \$20) as the market value of the golf game (the minor benefit received) does not exceed the lesser of \$150 and 20% of the value of her contribution (\$52).

Example 2

Bernie buys a ticket for \$400 to a gala performance organised by a DGR. The gala performance has a ticket price on the open market of \$100. Bernie cannot claim any deduction as the market value of the performance – which is the benefit he receives in return for his contribution of \$400 – is more than 20% of the value of his contribution (\$80), even though it is not more than \$150.

Example 3

Julie makes a successful bid at a DGR's charity auction. Julie will be eligible to claim a tax deductible contribution if she pays for the article in cash and it meets all the other conditions required for tax deductible contributions. If Julie attempts to settle her bid by an exchange of property, she cannot claim the value of the property as a tax deductible contribution, even if it meets the other requirements of this concession.

Example 4

Gem contributes a parcel of shares for the right to attend a DGR's annual gala dinner fundraising event. The shares are in an Australian listed public company and were acquired by Gem 18 months before they were contributed to the DGR. At the time of making the contribution, the shares had a market value of \$1,000. The value of the ticket to attend the fundraising event is \$100. Gem will be eligible to claim a tax deductible contribution of \$900 (\$1,000 – \$100) because:

- the market value of the shares at the time of the contribution was less than \$5,000 but more than \$150, and
- the market value of the ticket (the minor benefit received) does not exceed the lesser of \$150 and 20% of the value of her contribution (\$200).

! Contributed shares must be in a listed public company and be listed for quotation on an Australian stock exchange. The contribution must be made on or after 1 July 2007.

GIFT CONDITIONS

To be a tax deductible contribution, a contribution must satisfy any gift conditions applicable to the DGR as though the contribution was a gift.

Gift conditions are discussed under 'Gift conditions' on page 8.

GIFT FUND

If a DGR is required to maintain a gift fund, the whole amount of contributions (gross contributions) must be entered into the gift fund.

➤ For more information on maintaining a gift fund, refer to our publication *GiftPack* (NAT 3132).

To obtain this publication, see 'More information' on the inside back cover.

CLAIMING DEDUCTIONS FOR CONTRIBUTIONS

WHO CAN CLAIM A DEDUCTION?

The deductions are limited to individuals and cannot be claimed by companies using the fundraising events of DGRs to entertain clients.

HOW MUCH CAN BE CLAIMED?

The deduction is limited to that part of the contribution that is in excess of the minor benefit received by the contributor.

EXAMPLES**Example 1**

Brian pays \$300 to attend a play hosted by a DGR, which is open to the public and costs \$30 a ticket on the open market. Brian can claim a deduction of \$270 (\$300 – \$30).

Example 2

Marion successfully bids \$2,000 for a T-shirt at a DGR fundraising auction. The T-shirt has a market value of \$50. Marion can claim a deduction of \$1,950 (\$2,000 – \$50).

It is up to the contributor to find out the value of the contribution – see 'Determining the value of a contribution' on page 14.

The DGR is responsible for determining the value of the minor benefit – see 'Determining the value of a minor benefit' on page 15.

An individual may claim a deduction for both a right to participate at a fundraising event (for example, a fundraising dinner auction) and the purchase of goods or services at a fundraising auction.

An individual attending a fundraising event may claim a maximum of two contributions in relation to attending a fundraising event – for example, the purchase of a ticket for the individual and one for the individual's partner or associate.

There is no limit to the number of deductions that may be claimed for the purchase of goods and services by way of successful bids at a fundraising auction.

EXAMPLE

Rebecca pays \$260 to attend a charity auction conducted by a DGR. The ticket to the auction has a market value of \$20. At the auction, Rebecca successfully bids \$2,000 for a chair with a market value of \$90. She also bids \$1,000 for a painting with a market value of \$100. Rebecca can claim three separate deductions – one of \$240 for her contribution for the right to attend the auction; one of \$1,910 for the purchase of the chair at auction; and a further \$900 for the purchase of the painting.

A deduction for a contribution cannot add to or create a tax loss for the contributor. The deduction can reduce a contributor's assessable income to nil in the tax year in which the contribution is made, but any excess cannot be claimed in that year or carried forward to a later year as a tax loss.

WHAT RECORDS ARE REQUIRED?

Contributors will need to keep records of their deductible contributions. DGRs are not required by the income tax law to issue receipts for deductible contributions, but any receipts they issue must specify:

- the name and Australian business number (ABN) of the DGR
- the fact that the contribution is made in return for a right to attend a specified fundraising event, or for the purchase of goods and services at a fundraising auction
- the amount of the contribution – if the contribution is money, and
- the GST-inclusive market value of the benefit received in return for the contribution (that is, the right to attend or the goods or services purchased).

DETERMINING THE VALUE OF A CONTRIBUTION


It is up to the contributor, not the DGR, to find out the value of the contribution.

For contributions of cash, the value is the amount of the contribution.

The method used to value a contribution of property depends on how the property was acquired.

Where the property was purchased by the contributor during the 12 months before making the contribution, the value of the contribution is the lesser of:

- the market value of the property on the day that the contribution was made, and
- the amount the contributor paid for the property.


 Property is purchased if it is acquired by way of bargain or sale for money or some other valuable consideration. Prizes won in raffles, property received as a gift and inherited property have not been purchased.

EXAMPLE

Christine purchases a car for \$20,000 and 11 months later contributes it to a DGR conducting a fundraising event. At the time the car is contributed, it is valued at \$15,000. The value of Christine's contribution is assessed as the value of the property on the day the contribution is made, that is \$15,000.

Where the property was not purchased by the contributor during the 12 months before making the contribution (for example, the item was purchased more than 12 months earlier, it was inherited or acquired as a prize), the value of the property is the value as determined by the Commissioner.

Where a parcel of shares was acquired by the contributor 12 months or more before making the contribution, the value of the contribution is the market value at the time of the contribution.

 Shares are acquired if they are purchased, inherited, won, received as a gift or received as a bonus.

TAX OFFICE VALUATIONS

Contributors seeking a valuation from the Tax Office must apply to the Australian Valuation Office (AVO), which is part of the Tax Office. The AVO undertakes the valuation.

Requests for valuation forms can be obtained from the AVO. A deposit must accompany the *Request for valuation* when it is lodged with the AVO and the charge for a valuation will be advised when the request is processed.

CONTACT FOR AVO

Visit: www.avo.gov.au
 Phone: (02) 6216 1978
 Fax: (02) 6216 1990
 Mail: **Philanthropy Program**
Australian Valuation Office
PO Box 707
CIVIC SQUARE ACT 2608

DETERMINING THE VALUE OF A MINOR BENEFIT

The DGR is responsible for determining the market value of the minor benefit given in return for a contribution. The minor benefit is valued at its 'market value'.

An assessment of the market value of a minor benefit involves making a reasonable estimate of what would be charged for the benefit on the open market, in an arm's length transaction.

Assessing the market value of a minor benefit may involve the following valuation methods:

Valuation method	Use this method if ...	Base the valuation on ...
Price or market comparison	the benefit is a standard good, service or event commercially available on the open market.	prices commercially charged for the good, service or event on the open market.
	the benefit is a non-standard good, service or event not generally available to the public.	market observations, taking into account prices charged in the commercial sector for a similar or comparable good, service or event.
Cost-based approach	you cannot establish a reasonable estimate using price or market comparisons.	actual costs, notional costs and a profit element associated with providing the benefit.

DINNERS AND SIMILAR EVENTS

Price or market comparisons

You can use price comparisons to provide a reliable estimate of the value of a benefit if the benefit is a standard good, service or event that is commercially available on the open market.

EXAMPLES

Example 1

A DGR uses one evening's performance of a play as a fundraising event and charges \$350 a ticket for the performance. The play is open to the public and ordinarily sells for \$35 a ticket. The market value of that play is \$35, being what a ticket to the performance would ordinarily fetch on the open market.

Example 2

A DGR hosts a two-course charity luncheon at a local restaurant. It charges \$260 a head to attend the charity luncheon. The restaurant would ordinarily charge \$22 a head for a two-course set lunch menu. The market value of the charity luncheon is therefore \$22.

If the event is unusual, not generally available to the public, or the market value of the event is not easily determined, you can make a reasonable estimate of the market value. This is done by taking into account the market price that would be charged for similar transactions in the commercial sector.

EXAMPLE

As a special fundraising event, a DGR wants to host the opening night performance of a play, to be followed by cocktails and an opportunity to meet the performers. While the performance alone sells for \$45 a ticket, the event (as a package with cocktails and meeting the performers) is not readily available on the open market and hence a price comparison may be difficult.

A reasonable estimate of the ticket for the opening night's performance package may be obtained by establishing what might be reasonably charged for cocktails in that local market. In this example, the theatre may be asked to quote on a ticket price with catering included. If celebrity performers are involved, the estimate should also include the amount the celebrities would ordinarily charge on the open market for a 'meet the performers event'.

If market data for the local market is limited or not available, sale comparisons from a wider market (for example, from other Australian capital cities) may be appropriate.

Cost-based approach

If you cannot establish a reasonable estimate of the market value of the benefit using price or market comparisons, you can use a cost-based approach as an alternative method.

When using this method, the market value of the benefit is based on the actual costs, notional costs and a profit element associated with providing the benefit:

- *Actual costs* are costs the DGR incurs to stage the event. For example, payments made by the DGR to advertise or hire a venue for an event.
- *Notional costs* involve factoring in the true costs that would have to be incurred by the DGR on the open market to stage the event. This includes adding in the notional costs of goods and services the DGR has received for free. For example, if a guest speaker waives their ordinary speaker fees.
- *Profit element* is the amount of profit that would be expected to be derived from staging the event on the open market. This may be based on, for example, commercial mark-ups.

The market value of the ticket price to an event, when calculated using this approach, is the sum of all of these elements divided by the estimated number of participants for the event.

EXAMPLES

Example 1

DGR A hosts a fundraising luncheon with a celebrity sports star as a guest speaker. The costs associated with staging the event are:

Function costs

Guest speaker fees	\$5,000
Venue hire	\$2,000
Food and beverage	\$20,000
Catering staff	\$2,000

Marketing costs

Invitation mail-out	\$1,000
Printing invitations	\$1,500
Menu and other promotional material	\$1,000

Administration costs

Administration overheads	\$700
Insurance	\$2,000
Bump in/out costs	\$500

Total costs	\$35,700
--------------------	-----------------

Profit	\$1,900
--------	---------

Total costs plus profit	\$37,600
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Unit cost per head (at 800 capacity)	\$47
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Price charged per ticket	\$500
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Market value of the minor benefit	\$47
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The market value of the fundraising event is \$47. An individual who purchases a ticket to the event can claim a deduction of \$453, that is, ticket price (\$500) less \$47.

Example 2

DGR B hosts a fundraising luncheon with a sports celebrity as a guest speaker. The DGR is able to secure a donation of all the function inputs to the event, representing a market value of \$29,000, including the sports celebrity's time. This estimate of the market value using the cost-based approach would include both actual and notional costs associated with staging the event:

Function costs

Guest speaker fees	(notional cost)	\$5,000
Venue hire	(notional cost)	\$2,000
Food and beverage	(notional cost)	\$20,000
Catering staff	(notional cost)	\$2,000

Marketing costs

Invitation mail-out	\$1,000
Printing invitations	\$1,500
Menu and other promotional material	\$1,000

Administration costs

Administration overheads	\$700
Insurance	\$2,000
Bump in/out costs	\$500

Total costs	\$35,700
--------------------	-----------------

Profit	\$1,900
--------	---------

Total costs plus profit	\$37,600
--------------------------------	-----------------

Unit cost per head (at 800 capacity)	\$47
---	-------------

Price charged per ticket	\$500
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Market value of the minor benefit	\$47
--	-------------

Notwithstanding the donation of \$29,000 worth of inputs, the total costs (and hence unit cost per head) of staging the event would remain unchanged. The market value of the fundraising event remains \$47. An individual who purchases a ticket to the event can claim a deduction of \$453, that is, ticket price (\$500) less \$47.

TIMING OF THE VALUATION

The market value of the right to attend or participate in a fundraising event is deemed to be the market value at the time that the contribution is made (for example, when a ticket is purchased for the event), rather than when the event is held. Any reasonable estimate of the market value of the minor benefit associated with an event should include an estimate of the input costs as at the time contributions are likely to be made.

EXAMPLE

At the time tickets were sold for a dinner performance at which Celebrity A would perform, Celebrity A's fees were \$5,000. Before the event takes place, but after all tickets to the event are sold, Celebrity A's demand as a performing artist skyrockets, and his fee substantially increases to \$20,000. In calculating the costs of staging the event, Celebrity A's services are \$5,000. Similarly, if unexpectedly on the day of the event, Celebrity A brings along a surprise guest – Celebrity B – to co-host the performance, the cost of Celebrity B's fees need not be reflected in the estimate of costs of staging that event.

AUCTIONS

The market value of goods and services successfully bid at a fundraising auction is deemed to be the market value at the time the contribution is made for the supply of the goods and services.

EXAMPLE

At a charity auction organised by a DGR, Sonya successfully bids \$2,000 for a golf cap owned by a pop artist. The market value of the cap is assessed as no more than \$100 at the time Sonya purchased the item. However, a week after the purchase, the pop artist dies and the market value for similar items owned by the artist increases five-fold. Sonya can still claim a \$1,900 deduction (\$2,000 – \$100). Since the value of the cap has increased after the charity auction purchase, there is no effect on Sonya's entitlement to a \$1,900 deduction.

You may use price comparisons to provide a reasonable estimate of the value of standard market goods and services that are commercially available and have a transferable value on the open market. For example, the market value of a dinner for two, or a teapot purchased at auction, is the price these items would normally fetch on the open market.

EXAMPLE

Marty successfully bids \$1,000 for a T-shirt that retails for \$20. The value of the benefit of the T-shirt purchased at the auction is the market value of the item on the open market, that is, \$20.

If the value of an item has been enhanced, for example, a golf cap signed by a sports celebrity, or a T-shirt worn by a film star, a reasonable estimate of the market value of the item will not be the original price of the item, but the amount it would reasonably achieve on the open market (for example, at a specialist, curiosity or antique shop or a collector's internet site).

EXAMPLE

Monina successfully bids \$1,000 for a football signed by a high-profile football team. The value of such an item fetches \$550 on the sports memorabilia market. The value of the football is \$550, however Monina cannot claim a deduction as the value of the benefit she received in return for her contribution exceeds both \$150 and 20% of the value of her contribution.

If goods or services have no transferable market value at the time of auction, you could reasonably assume that the market value would be nil. Examples of this would be the auction of a child's drawing at a fete or the right to participate in charitable activities that would result in no personal financial gain.

EXAMPLES

Example 1

Anita successfully bids \$300 for the right to camp overnight in a public city park. As the right has no transferable market value, its market value is nil. Anita can claim a deduction for the full amount of \$300 under the gift provisions. See 'Tax deductible gifts' on page 3.

Example 2

Phil successfully bids \$260 to shave the head of his friend Tim at a fundraising event. As the right has no transferable market value, its market value is nil. Phil can claim a deduction for the full amount of \$260 under the gift provisions. See 'Tax deductible gifts' on page 3.

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Are fundraising expenses deductible?	21

NON-PROFIT ORGANISATIONS AND INCOME TAX

03

Non-profit organisations that are not exempt from income tax may have to pay income tax on proceeds they receive from their fundraising activities.

These organisations may be able to claim tax deductions for their related expenses.

This chapter explains whether:

- proceeds from fundraising are assessable, and
- fundraising expenses are deductible.

ARE PROCEEDS FROM FUNDRAISING ASSESSABLE?

Whether a non-profit organisation has to pay income tax on proceeds it receives (receipts) from its fundraising activities will depend on whether the organisation is exempt from income tax. If the organisation is not exempt from income tax the nature of the receipt is also a determining factor.

Only certain categories of organisations are exempt from income tax. They come from these broad groups:

- charities
- community service organisations
- cultural organisations
- educational organisations
- employment organisations
- health organisations
- religious organisations
- resource development organisations
- scientific organisations
- sporting organisations.

Organisations that are charities must be endorsed by the Tax Office to be exempt from income tax. If your organisation falls in both a charity and non-charity group, it still needs endorsement.

Briefly, a charity is an institution or fund established and operated for charitable purposes. Charitable purposes are much broader than most people would think. Charitable purposes are the relief of poverty or sickness or the needs of the aged, the advancement of education, the advancement of religion, other purposes beneficial to the community, and the provision of child care services on a non-profit basis.

Organisations that are not charities can self-assess their entitlement to income tax exemption.

Being exempt from income tax means that your organisation will not be assessed on its receipts and it does not need to lodge an income tax return (unless specifically asked to).

EXAMPLES

Example 1

A charity endorsed as income tax exempt conducts a sausage sizzle to raise funds to help build a new hostel. None of the funds raised through the sausage sizzle will be assessable to the charity.

Example 2

A local hockey club that is exempt from income tax decides to raffle a hockey stick, bag and ball signed by a national hockey representative. The members of the club are each given a book of tickets to sell and proceeds are returned to the club. As the hockey club is exempt from income tax, none of the funds received through the sale of the raffle tickets will be assessable to the club.

➤ To work out if your organisation is exempt from income tax you should refer to our publication *Income tax guide for non-profit organisations* (NAT 7967).

To obtain this publication, see 'More information' on the inside back cover.

Non-profit organisations that are not exempt are taxable and are generally treated as companies for income tax purposes whether they are incorporated or not. Non-profit companies have special rules for lodging income tax returns and special rates of income tax.

When these organisations conduct fundraising activities the receipts may be treated as assessable income of the organisation.

EXAMPLE

A model engineers club that is a taxable non-profit organisation holds an open day each month where members of the public can come and ride its model trains. To raise funds the club decides to install a soft drink vending machine. The club receives commission on the sale of drinks from the machine. The commission income will be assessable to the club.

For non-profit organisations that are taxable, other examples of assessable receipts include:

- proceeds from fundraising drives to the public, for example, sale of lamingtons, cakes or chocolates
- amounts paid by non-members to attend dinners, parties, dances or social functions organised by the club, and
- gaming income derived by a club under arrangements entered into with an external gaming or keno operator.

ARE FUNDRAISING EXPENSES DEDUCTIBLE?

For organisations that are not exempt from income tax, fundraising expenses will be tax deductible to the extent they are incurred in deriving assessable income.

EXAMPLE

A German club that is a taxable non-profit organisation holds an Oktoberfest to raise funds. The sales of food, drinks and souvenirs to members of the public will be assessable to the club. Expenses the club incurred in making these sales will be deductible.

However, there are some deductions that do not have to be incurred in deriving assessable income, for example, superannuation contributions for employees.

➤ For more information on taxable organisations and calculating your organisation's taxable income, refer to our publication *Income tax guide for non-profit organisations* (NAT 7967).

To obtain this publication, see 'More information' on the inside back cover.

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GOODS AND SERVICES TAX

04

When a non-profit organisation undertakes fundraising activities, the related transactions may be subject to goods and services tax (GST).

There are, however, concessions that may be applied to the organisation's fundraising activities, while others will help the organisation meet its GST obligations.

This chapter:

- provides an overview of GST
- explains the range of GST concessions that apply to non-profit organisations, and
- outlines the GST endorsement requirements that apply to charities.

WHAT IS GST?

Goods and services tax (GST) is a broad-based tax of 10% on most goods, services and other items sold or consumed in Australia.



In this chapter when we say:

- **sales** we are referring to the GST term **supplies**
- **purchases** we are referring to the GST term **acquisitions**
- **GST credit** we are referring to the GST term **input tax credit**
- **payments made** or **payments received** we are referring to the GST term **consideration**, and
- **annual turnover** we are referring to the GST term **GST turnover**.

Generally, when a non-profit organisation undertakes fundraising activities, these activities result in transactions being made between the non-profit organisation and other parties.

GST is a tax on transactions. Where goods and services are sold, the amount received for the sale may be subject to GST. Similarly, where goods and services are purchased, the purchaser may be able to claim a GST credit for the GST included in the amount paid.

A non-profit organisation must register for GST if its annual turnover is \$150,000 or more. If its turnover is less, it can register if it chooses.

If your organisation is registered for GST, or is required to be registered, it must include GST in the price of most goods and services it sells or provides (called 'taxable sales'). Where your organisation makes a taxable sale, the GST payable is 1/11th of the amount charged.

If your organisation is registered for GST, or is required to be registered, it is entitled to GST credits for the GST included in the price of certain things it purchases – unless those purchases are for making input taxed sales.

There are some sales that do not have GST included in the sale price. These are either GST-free or input taxed sales.

Your organisation accounts for its GST obligations on its activity statement at the end of each tax period. If the annual turnover of your organisation is less than \$20 million, it normally has quarterly tax periods. However, it can choose to have monthly tax periods.

If your organisation is not registered for GST, and is not required to be registered for GST, it does not include GST in the price of the sales it makes. It also cannot claim a GST credit for the GST included in the price of things it purchases in carrying on its activities.

GST CONCESSIONS

There are a range of GST concessions that apply to non-profit organisations. Some of the concessions may be applied to your organisation's fundraising activities, while others will help your organisation meet its GST obligations.



NOTE TO TABLE OPPOSITE

- * If a charity wants to access this concession, it must be endorsed by the Tax Office to access the concession. For more information see 'Endorsement requirements for charities' on page 32.



GRANTS AND SPONSORSHIP

Fundraising often involves your organisation securing a grant or sponsorship. For an explanation of the GST implications of these forms of fundraising activities see:

- 'Grant funding' on page 31, and
- 'Sponsorship' on page 31.

GST concession	Eligible entity	Explanation of concession
Gifts – a gift to an eligible entity is not consideration for a sale.	<ul style="list-style-type: none"> ■ Non-profit organisation 	See ‘Gifts’ on page 26.
Gifts and GST credit adjustments – adjustments of GST credits are not required when an item acquired is subsequently gifted to an eligible entity.	<ul style="list-style-type: none"> ■ Charitable institution* ■ Charitable fund* ■ Gift deductible entity 	See ‘Gifts and GST credit adjustments’ on page 27.
Donated second-hand goods – sales of donated second-hand goods by an eligible entity are generally GST-free.	<ul style="list-style-type: none"> ■ Charitable institution* ■ Charitable fund* ■ Gift deductible entity ■ Government school 	See ‘Donated second-hand goods’ on page 27.
Raffles and bingo – tickets to raffles and bingo sold by an eligible entity are GST-free provided the holding of the raffle or bingo event does not contravene a state or territory law.	<ul style="list-style-type: none"> ■ Charitable institution* ■ Charitable fund* ■ Gift deductible entity ■ Government school 	See ‘Raffles and bingo’ on page 27.
Fundraising events – an eligible entity may choose to treat all sales it makes in connection with certain fundraising events as input taxed.	<ul style="list-style-type: none"> ■ Charitable institution* ■ Charitable fund* ■ Gift deductible entity ■ Government school 	See ‘Fundraising events’ on page 27.
Non-commercial activities – where an eligible entity makes sales and the payment it receives in return for the things it sold is less than a certain amount, the sales are GST-free.	<ul style="list-style-type: none"> ■ Charitable institution* ■ Charitable fund* ■ Gift deductible entity ■ Government school 	See ‘Non-commercial activities’ on page 29.
Non-profit sub-entities – an eligible entity may conduct some of its fundraising activities through a non-profit sub-entity.	<ul style="list-style-type: none"> ■ Charitable institution* ■ Charitable fund* ■ Gift deductible entity ■ Government school ■ Exempt non-profit organisation 	See ‘Non-profit sub-entities’ on page 29.
School tuck shops – an eligible entity may sell food through a tuck shop or canteen at a primary or secondary school and treat the sales as input taxed.	<ul style="list-style-type: none"> ■ Non-profit organisation 	See ‘School tuck shops’ on page 30.
Accounting on a cash basis – an eligible entity may choose to account on a cash basis regardless of its annual turnover.	<ul style="list-style-type: none"> ■ Charitable institution* ■ Charitable fund* ■ Gift deductible entity ■ Government school 	See ‘Accounting on a cash basis’ on page 30.
Reimbursement of volunteer expenses – an eligible entity can claim GST credits for reimbursements made to volunteers for expenses the volunteer incurs that are directly related to their activities as a volunteer of the entity.	<ul style="list-style-type: none"> ■ Charitable institution* ■ Charitable fund* ■ Gift deductible entity ■ Government school 	See ‘Reimbursement of volunteer expenses’ on page 30.
GST groups – the requirement to satisfy the 90% ownership test is waived where the entity is a non-profit organisation and all the other members of the GST group or proposed GST group are non-profit organisations and members of the same non-profit association.	<ul style="list-style-type: none"> ■ Non-profit organisation 	See ‘GST groups’ on page 31.
Registration threshold – the registration turnover threshold is higher for eligible entities than for other organisations.	<ul style="list-style-type: none"> ■ Non-profit organisation 	See ‘Registering for GST’ on page 33.

GIFTS

A gift made to a non-profit organisation is not consideration for a sale and is not subject to GST. The value of a gift is also excluded when calculating the organisation's annual turnover for the purposes of establishing whether it is required to be registered for GST.

For a payment to be considered a gift it must be made voluntarily and the payer cannot receive a material benefit in return:

- A payment is not voluntary when there is an obligation to make the payment or the non-profit organisation is contractually obliged to use the payment in a specific way.
- A benefit is not a material benefit if it is an item of insubstantial value that cannot be put to a use or is not marketable, such as a pin or a ribbon. An item of greater value, such as a ticket to a dinner, or an item that has a use or function, such as a pen or a book, is a material benefit.

⚠ The GST treatment of transactions discussed in this section may vary where an organisation chooses to apply other GST concessions available to it. For example, see:

- 'Fundraising events' on page 27, and
- 'Non-profit sub-entities' on page 29.

EXAMPLES

Example 1

Mary purchases a magazine at the local newsagency and notices a box of badges placed next to the cash register. The sign on the box explains that a non-profit organisation is seeking public support to fund medical research. Mary places \$2 into the box and takes a badge as recognition for her gift. Mary made the payment voluntarily. The badge is not suitable as a piece of jewellery nor can it serve any useful purpose. The badge does not give Mary any material benefit.

Mary's payment is a gift. The gift made to the non-profit organisation is not consideration for a sale and it is not subject to GST.

Example 2

Byron pays \$2 to a non-profit organisation and in return for his payment receives a chocolate bar. As the chocolate bar can be eaten as a sweet it has a use or function and therefore provides Byron with a material benefit in return for his payment.

Byron's payment is not a gift. The payment received by the non-profit organisation is consideration for a sale. If the organisation is registered for GST, or is required to be registered, the price of the chocolate includes GST and the organisation needs to remit the GST to the Tax Office.

If a non-profit organisation is registered for GST, or is required to be registered, GST is payable on the full amount of a ticket price to a dinner or similar function conducted by the non-profit organisation, even though part of the ticket price may be intended to be a gift to the organisation. When a person attends the dinner they are receiving a material benefit (the dinner) in exchange for the purchase price of the ticket. No part of the payment is a gift when the full purchase price must be paid in order to receive the dinner. This is so even when the ticket price is much more than the value of the meal.

EXAMPLES

Example 1

Brian attends a '\$1,000 a plate' dinner for a non-profit organisation. The value of the meal is \$150. Brian has received a material benefit.

The purchase of the ticket is not a gift. The money received by the non-profit organisation for the ticket is consideration for a sale. If the organisation is registered for GST, or is required to be registered, the price of the ticket includes GST and the organisation needs to remit the GST to the Tax Office. This is the case, even though part of the ticket price is intended to be a gift.

Example 2

Sally buys a clock at a charity auction. The clock has a market value of \$500, but Sally pays \$1,000.

The amount paid to the charity cannot be split between the market value of the clock and a 'gift'. The money received by the charity for the clock is consideration for a sale. If the charity is registered for GST, or is required to be registered, the price of the clock includes GST and the charity needs to remit the GST to the Tax Office.

When a payment is made in addition to the purchase price of a ticket to a dinner or some other item and is truly voluntary, with no material benefit passing to the donor or their associate, the payment is a gift and is not subject to GST. This may occur if a non-profit organisation charges an entrance fee to attend a dinner or function and separately solicits gifts at the event.

EXAMPLE

Fred attends a fundraising trivia night in aid of a non-profit organisation and pays \$20 for admission. Later in the evening he donates \$10 to the organisation.

The \$20 cost of admission is not a gift. However, the \$10 donation is a gift. The \$20 paid for admission to the trivia night is consideration for a sale. If the non-profit organisation is registered for GST, or is required to be registered, the price of the ticket includes GST and the organisation needs to remit the GST to the Tax Office.

GIFTS AND GST CREDIT ADJUSTMENTS

Generally, an organisation can claim GST credits on goods or services purchased as part of its business activities. However, if the organisation has claimed a GST credit and does not use that purchase as part of its business activities, it must repay the GST credit previously claimed.

If an organisation donates to a charitable institution, charitable fund or gift deductible entity a purchase for which it has previously claimed a GST credit, it is not required to repay to the Tax Office the GST credit previously claimed in relation to that purchase.

EXAMPLE

An organisation that sells desktop computers donates two computers from its trading stock to the Assisting with Education charity. The organisation has previously claimed GST credits for the computers.

Although the computers are no longer trading stock, the organisation is not required to repay to the Tax Office the GST credits it has claimed in relation to the computers.

DONATED SECOND-HAND GOODS

A sale of donated second-hand goods by a charitable institution, charitable fund, gift deductible entity or government school is generally GST-free provided there is no change in the original character of the goods.

EXAMPLE

A charity receives donations of damaged second-hand clothes. If the donated clothing is cleaned and/or repaired prior to sale it will be GST-free. If the second-hand clothes are cut up and sold as rags, the sale of the rags will not be GST-free as they are no longer the same as the goods that were donated, but have been manufactured by the charity into a new product, that is, rags.

Goods donated by a business that were trading stock of the business are not second-hand goods and therefore cannot be sold GST-free.

EXAMPLE

The Learning Independence charity holds a fundraising fete where it sells items donated by individuals and local businesses. The Gifts and Novelties local business donates some floor-damaged novelty cups to the charity for sale at the fete. The sale of the donated floor-damaged goods is not GST-free because the novelty cups were trading stock of the business.

RAFFLES AND BINGO

A raffle is a game of chance where the prizes are either goods or cash, or a combination of the two.

The sale of tickets in a raffle and the acceptance of a person's participation in a game of bingo by a charitable institution, charitable fund, gift deductible entity or government school are GST-free provided they do not contravene state or territory law.

For more information, see 'State and territory government requirements' on page 43.

FUNDRAISING EVENTS

A charitable institution, charitable fund, gift deductible entity or government school may choose to treat certain fundraising events as input taxed.

If an organisation chooses to treat a fundraising event as an input taxed fundraising event, it will have to treat **all sales it makes in connection with the event** as input taxed. That is, the organisation will not be entitled to claim GST credits for any acquisitions in relation to the event and it will not be required to charge GST on the sales it makes. The organisation will not be entitled to claim GST credits regardless of whether the supply would have been GST-free had it not made the election.

Proceeds from input taxed fundraising events do not form part of an organisation's annual turnover. Therefore, an organisation does not need to take into account payments received from sales made in connection with fundraising events that are input taxed in determining whether its annual turnover exceeds the \$150,000 registration threshold.

EXAMPLE

XYZ Charity has total annual sales of \$150,000, which includes \$80,000 from sales made at five input taxed fundraising dinners. As input taxed sales are not included in annual turnover for GST purposes, XYZ Charity has an annual turnover below \$150,000 for GST purposes and therefore does not need to register for GST.

A sale will be input taxed if:

- the organisation conducting the event is a charitable institution, charitable fund, gift deductible entity or government school
- the sale is made in connection with the fundraising event
- the organisation chooses to treat all sales in connection with the fundraising event as input taxed before any transactions take place, and
- the event is referred to in the organisation's records as an event that is treated as input taxed.

! If an organisation chooses to treat a fundraising event as input taxed, the organisation:

- must keep records containing details of its choice (for example, in accounts or meeting minutes), and
- does not need to notify the Tax Office of its choice.

The following fundraising events may be treated as input taxed:

- a fete, ball, gala show, dinner, performance or similar event – a similar event may include a charity auction, a cake stall, wine tasting or fashion parade
- an event where all goods are sold for \$20 or less, but
 - the event cannot involve the sale of alcohol or tobacco, and
 - the selling of the goods must not be a normal part of the supplier's business, for example, a charity holds an annual flower day where it sells flowers for \$2 each and the charity is not in the business of selling flowers
- an event that has been approved by us as a fundraising event. If a fundraising event is not one of the types listed above (for example, a golf day, car rally or an art show), the organisation can write to the Tax Office and ask for approval to treat the event as an input taxed fundraising event. We will grant approval only if:
 - the event is held for the purpose of fundraising
 - the organisation is not in the business of conducting such events, and
 - the proceeds from the event are for the direct benefit of the organisation's charitable or non-profit purposes.

The sale of alcohol and tobacco at a fete, ball, gala show, dinner, performance or similar event will not prevent the event from being treated as an input taxed fundraising event.

EXAMPLES

Example 1

The Homes for Homeless Teens charity is organising a fundraising dinner. It chooses to treat the dinner as an input taxed fundraising event. The dinner will be held at a prominent function centre. A well-known television personality will make cocktails during the evening.

Although the charity is selling alcohol, these sales are part of the activities of the fundraising dinner and are input taxed sales.

Example 2

The Assisting with Education charity is organising a fundraising ball. It chooses to treat the ball as an input taxed fundraising event. A car dealership has donated a car as a prize for a raffle. The raffle tickets will only be sold at the fundraising ball, and the raffle will be drawn on the night.

The sale of the raffle tickets is part of the fundraising dinner. The proceeds from the sale of the raffle tickets are treated as input taxed sales.

Example 3

At the fundraising dinner held by The Homes for Homeless Teens charity, the charity intends to sell tickets for its home lottery at the door and draw the winning ticket at the dinner. The home lottery has been conducted throughout the year, and tickets have been sold throughout the year.

The home lottery is a separate event from the dinner. As such, the lottery tickets sold at the door are not treated as input taxed sales.

The sale of lottery tickets may, however, be GST-free. See 'Raffles and bingo' on page 27.

An organisation cannot choose to treat an event as input taxed unless the event is held for the purpose of fundraising. For example, if an organisation holds a dinner for its next AGM, the dinner is not being held for the purpose of fundraising and therefore the sale of tickets to the dinner and other sales it makes cannot be treated as input taxed.

A charitable institution, charitable fund, gift deductible entity or government school can conduct a particular fundraising event up to 15 times in a financial year and choose to treat each event as input taxed.

If an organisation holds more than 15 of the same type of event in a financial year, none of the events can be treated as input taxed fundraising events. For example, if an organisation holds 16 fundraising dinners in a financial year, none of the dinners can be treated as input taxed and the organisation must account for GST for each of the earlier 15 dinners by revising the related BAS. However, the organisation may be able to exclude the sales it makes at the sixteenth and subsequent dinners by forming a non-profit sub-entity for these dinners. See 'Non-profit sub-entities' on page 29.

NON-COMMERCIAL ACTIVITIES

The commercial activities of a charitable institution, charitable fund, gift deductible entity or government school are taxable or input taxed but the non-commercial activities of these organisations can be GST-free.

This means that, if it is registered for GST, the charitable institution, charitable fund, gift deductible entity or government school does not pay GST on the consideration it receives for its non-commercial sales, and it can claim GST credits for the GST included in the price of things acquired to make these sales.

The term 'non-commercial activities' refers to sales made when the payment received for the sale is less than a specified amount. The sale of goods, services or other things is GST-free if the amount charged is:

- less than 50% of the GST-inclusive market value, or
- less than 75% of the amount the charitable institution, charitable fund, gift deductible entity or government school paid to acquire the goods, services or other things that are subsequently sold.

When the sale is a supply of accommodation by a charitable institution, charitable fund, gift deductible entity or government school, the sale is GST-free if the amount charged is:

- less than 75% of the GST-inclusive market value of the accommodation, or
- less than 75% of the cost of providing the accommodation.

EXAMPLE

The Children in Need charity sells block banana and carrot cakes at a fete for \$3.00 each. Similar cakes would sell at a cake shop for \$6.50 each.

As the consideration received for each cake is less than 50% of the GST-inclusive market value, the sale of the cakes is GST-free.

NON-PROFIT SUB-ENTITIES

Charitable institutions, charitable funds, gift deductible entities, government schools and other non-profit organisations that are income tax exempt, may choose to have some (or all) of their separately identifiable branches (units) treated as separate entities for GST purposes. These separate units are called non-profit sub-entities.

The main organisation must itself be registered for GST to be able to use this option.

- ! If an organisation chooses to treat a unit as a non-profit sub-entity, the organisation:
- must keep records containing details about its choice (for example, in accounts or meeting minutes), and
 - does not need to notify the Tax Office of its choice.

A unit is considered to be independent if it:

- maintains an independent system of accounting, and
- can be separately identified because of its activities or location.

A unit could comprise a fundraising activity such as a fete, lamington drive or fundraising dinner. A unit could also comprise all the fundraising activities of the organisation.

A unit cannot be a non-profit sub-entity if its activities are related to the main purpose of the organisation. For example, an organisation cannot form a non-profit sub-entity for its membership activities.

EXAMPLES

Example 1

The River Murray Kayakers sports club is income tax exempt. The club intends to hold an annual fete. A committee is formed for the specific purpose of conducting the fete.

The sports club can treat the committee as a non-profit sub-entity of the club. This is because the committee can be separately identified by its activity.

Example 2

The Encouraging Activity in the Aged charity operates a community centre in the central metropolitan area. The charity intends to establish two new community centres in the southern and northern metropolitan areas.

The charity may treat each new community centre as a non-profit sub-entity. This is because each new community centre can be separately identified by its location.


If the unit's turnover is less than \$150,000, the unit can choose whether to register for GST. If it does not register for GST, it will not include GST in the price of the sales it makes. It will also not be entitled to claim a GST credit for the GST included in the price of goods and services it buys in carrying on its activities.

If the unit has a turnover of \$150,000 or more, it has to register separately for GST and has the same rights and obligations as other GST-registered entities. The GST obligations of the unit will be imposed on the people responsible for managing the unit.

Once the organisation chooses to treat a unit as a non-profit sub-entity, it cannot revoke that choice for 12 months. The organisation cannot make a further choice to treat the unit as a non-profit sub-entity within 12 months after the previous choice was revoked.

SCHOOL TUCK SHOPS

If a non-profit organisation (for example, a Parents and Citizens Association) operates a school tuck shop on the grounds of a primary or secondary school, it can choose to treat all sales of food through the shop as input taxed.

-  If an organisation chooses to treat all sales of food through a school tuck shop as input taxed, the organisation:
- must keep records containing details about its choice (for example, in accounts or meeting minutes), and
 - does not need to notify the Tax Office of its choice.

This means that the organisation does not charge GST on sales of food, and does not claim GST credits for purchases.

As input taxed sales are not included when calculating the annual turnover for GST registration purposes, choosing to treat all sales of food as input taxed may mean that the organisation does not have to register for GST.

If the organisation is registered for GST, treating all sales of food as input taxed makes managing GST easier. Without this concession, some sales of food would be GST-free and others taxable. For example, the sale of fresh fruit is GST-free and the sale of a meat pie is taxable.

Once the organisation chooses to treat all sales of food as input taxed, it cannot revoke that choice for 12 months. The organisation cannot make another choice to treat all sales of food as input taxed within 12 months after the previous choice was revoked.

ACCOUNTING ON A CASH BASIS

Organisations that account for GST use either a cash or non-cash (accruals) method. An organisation can use the cash method provided its annual turnover is under \$2 million. However, a charitable institution, charitable fund, gift deductible entity or government school may continue to account on a cash basis even if its annual turnover is \$2 million or more.

REIMBURSEMENT OF VOLUNTEER EXPENSES

If a charitable institution, charitable fund, gift deductible entity or government school reimburses an individual person for an expense they have incurred that is directly related to their activities as a volunteer of that charity, gift deductible entity or government school, providing it is registered for GST, the organisation can claim a GST credit for the GST included in the price of the thing purchased.


A payment is a reimbursement where the recipient is compensated exactly (meaning precisely, as opposed to approximately), whether wholly or partly, for an expense already incurred although not necessarily disbursed.

To enable the charity, gift deductible entity or government school to claim the GST credit, the volunteer must provide the organisation with the tax invoice relating to the purchase they have made.

EXAMPLE

Sam is a volunteer for a small charitable organisation. He works as a computer programmer and is knowledgeable about different accounting software applications. Sam purchases a software program that would be suitable to record the charity's financial and membership records. The committee reimburses Sam for the expense of purchasing the software program.

Sam gives the charity the tax invoice relating to the purchase. The charity can claim a GST credit for the GST included in the price of the software package.

-  For more information on claiming GST credits for reimbursement to volunteers, refer to our publication *Volunteers and tax* (NAT 4612).

To obtain this publication, see 'More information' on the inside back cover.

GST GROUPS

Non-profit organisations that are members of the same non-profit association may find it useful to form a GST group if they regularly make sales and purchases between each other.

A group is effectively treated as a single entity for GST purposes. This means no GST is payable and no GST credits can be claimed on transactions between group members.

One of the group members has to manage the affairs of the group and is responsible for accounting for the GST transactions of the whole group.

➤ For more information, refer to our fact sheet *GST groups* (NAT 3089).

To obtain this publication, see 'More information' on the inside back cover.

GRANT FUNDING

Often organisations secure funding from government bodies, foundations and private purpose funds.

If your organisation is registered (or required to be registered) for GST, it may have to pay GST on the funding payment it receives if it makes a supply in return for that funding.

EXAMPLE

A government department grants funds to a non-profit organisation that operates a counselling centre. The organisation is registered for GST. There is a binding agreement between the department and the organisation that requires the organisation to provide daily counselling services to the general public, using fully qualified counsellors. The organisation must use the funds to provide the services, otherwise it must repay the funds to the department. The organisation must also repay any unspent funds at the end of the period covered by the agreement.

The non-profit organisation makes a supply of an obligation to provide counselling services, and the funding is payment for the supply. The organisation is required to pay GST on the amount of funding received.

The organisation is not required to pay GST on a funding payment if it does not make a supply in return for the funding.

EXAMPLE

A foundation provides financial support to various organisations that provide developmental opportunities for disadvantaged young people through sports. One such organisation is the Southside Youth Centre. The centre is registered for GST. The foundation admires the work of the centre and wants to help. After discussions with the centre about its financial needs, the foundation agrees to make a payment to the centre. Although the foundation expects the centre to use the money to further its activities, the centre is under no obligation to use the money for any particular purpose.

In this case the organisation is not making a supply to the foundation because it has not entered into a binding obligation to do anything, nor provide anything else in exchange for the payment. The foundation has only a mere expectation that the organisation will use the money to further its activities. An expectation is not enough to create a supply by the organisation to the foundation. The organisation is not required to pay GST on the payment received.

SPONSORSHIP

Under a sponsorship arrangement, when an organisation undertakes a fundraising activity it often receives support in the form of money. In return, it may provide advertising, signage or naming rights, or some other type of benefit of value.

This means that the sponsor receives something of value in return for the sponsorship, so the sponsorship payment is not a gift. If the organisation is registered for GST, it has to pay GST on the sponsorship it receives.

EXAMPLE

A GST-registered charity holds a car rally for fundraising purposes. A business agrees to pay money to sponsor the rally, provided the charity acknowledges the business's support by erecting advertising banners along the rally course.

The charity is providing advertising services in return for the sponsorship payment. As the charity is registered for GST, it is required to pay GST on the amount of sponsorship received from the business.

A contra sponsorship arrangement occurs when goods or services (not money) are provided in return for other goods or services. If both parties are registered for GST they will be making taxable sales to one another. Each will have a GST liability for the sale they have made, and an entitlement to a GST credit for their respective purchases. Each party must report amounts for both the sale and the purchase on their respective activity statements.

EXAMPLE

A GST-registered non-profit organisation is raising funds by holding a netball competition. A business that sells sports clothing sponsors the event by providing all the competitors with netball uniforms, on the understanding that the business's logo is displayed prominently on the uniform. The business is also registered for GST.

The non-profit organisation is providing advertising services to the business and the business is selling the netball uniforms to the organisation. As each entity is registered for GST, each must pay GST on the supply they make.

Likewise, the non-profit organisation purchases netball uniforms from the business and the business purchases advertising services from the organisation. Each entity claims a GST credit for the purchase they make.

ENDORSEMENT REQUIREMENTS FOR CHARITIES

If a charity wants to access GST charity concessions, it must be endorsed by the Tax Office.

If an organisation qualifies for a GST concession as both a charity and another type of entity, for example, a gift deductible entity, it may access the concession only if it is endorsed to access GST charity concessions.

Endorsement is different to registration. Endorsement provides a charity with access to concessions. If the charity is registered for a tax, it is generally a payer of that tax.

There will be situations where an entity is endorsed and registered for a tax. For example, a GST-endorsed charity that exceeds the relevant registration turnover threshold must register for GST.

In some instances a charity's endorsement for charity concessions will mean the charity has no tax obligations and is not required to register.

➤ For more information, see the *Instructions for endorsement as a tax concession charity or income tax exempt fund* (NAT 10652).

To obtain this publication, see 'More information' on the inside back cover.

REGISTERING FOR GST

A non-profit organisation must register for GST if its annual turnover is \$150,000 or more. If its turnover is less, it can register if it chooses.

An organisation that is not a non-profit organisation must register for GST if its annual turnover is \$75,000 or more. If its turnover is less, it can register if it chooses to.

Once your organisation is registered for GST, it must include GST in the price of most goods and services sold or provided (called 'taxable sales').

An organisation does not need to be registered for GST in order to access some of the GST concessions available to non-profit organisations.

However, if an organisation is not registered for GST, it cannot claim GST credits on any of its purchases.

EXAMPLES

Example 1

A charity is endorsed and registered for GST. The charity's voluntary secretary incurs accommodation expenses in relation to attending an interstate conference on behalf of the charity. The secretary provided the charity with a tax invoice for the accommodation. The charity reimburses the secretary for those expenses. The charity can claim back the GST credits on the volunteer's expenses because it is registered for GST.

Example 2

Another charity is endorsed but is not registered for GST. The charity's voluntary secretary attends the same conference, incurs the same expenses, provides a tax invoice for the expenses and is reimbursed by the charity. The charity cannot claim back the GST credits on the volunteer's expenses because it is not registered for GST.

Some organisations choose not to register for GST because they consider the GST reporting requirements to be a greater burden than the benefits they would receive, for example, access to GST credits. Access to some GST concessions may allow your organisation to remain outside the GST registration system.

EXAMPLE

An endorsed charity may treat supplies at certain fundraising events as input taxed sales. Proceeds from these fundraising events do not form part of the charity's annual turnover. If the charity's annual turnover is below the \$150,000 registration turnover threshold applicable to non-profit bodies, the charity can choose whether it wants to be registered for GST.

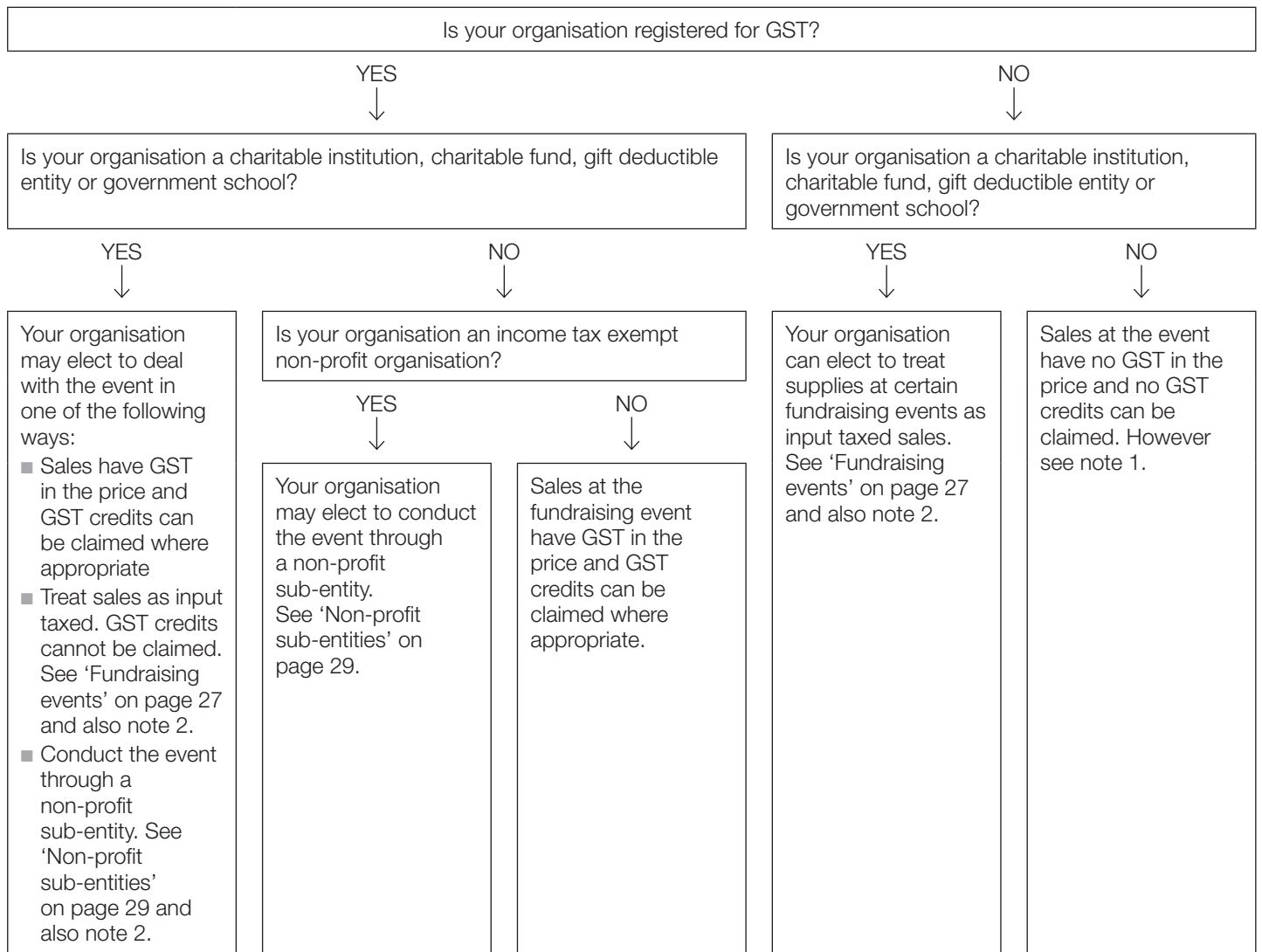
The GST treatment of an organisation's fundraising activities may differ depending on whether the organisation is registered for GST. The flow chart on the next page illustrates the different GST treatments of a fundraising dinner or similar event.

➤ For more information on GST, refer to *GST for small business* (NAT 3014).

To obtain this publication, see 'More information' on the inside back cover.

GST TREATMENT OF A FUNDRAISING DINNER OR SIMILAR EVENT

The flowchart illustrates the different GST treatments of a fundraising dinner or similar event.



NOTES

- 1 If your organisation is not registered for GST but is required to be registered, the sales at the event will have GST in the price and GST credits can be claimed where appropriate. See 'Registering for GST' on page 33.
- 2 If the charitable institution or charitable fund wants to access this concession, it must be endorsed by the Tax Office to access GST charity concessions. For more information see 'Endorsement requirements for charities' on page 32.

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FRINGE BENEFITS TAX

05

Fringe benefits tax (FBT) may apply when a non-profit organisation conducts fundraising activities and provides benefits to its employees or to associates of its employees.

There are, however, certain concessions that can reduce the organisation's liability.

This chapter:

- provides an overview of FBT
- explains which non-profit organisations receive concessional FBT treatment, and
- outlines the FBT endorsement requirements that apply to charities.

WHAT IS FBT?

Fringe benefits tax (FBT) is a tax payable by employers who provide fringe benefits to their employees or to associates of their employees.

FBT may apply when non-profit organisations conduct fundraising activities and provide benefits to their employees. There are, however, certain FBT concessions that can reduce the organisation's liability.

Non-profit organisations are only liable to pay FBT on benefits provided to an employee or an associate of an employee in respect of their employment. This is regardless of whether they are engaged in fundraising activities as part of their duties.

It is important, therefore, to determine the status of the people involved in fundraising activities. Many will be volunteers, some will be contractors and some will be employees of the non-profit organisation.

A genuine volunteer does not work under a contractual obligation for remuneration and would not be an employee or an independent contractor.

For the purposes of FBT, an employee is a person who receives (or is entitled to receive) salary or wages, or a benefit that has been provided in respect of their employment.

Generally benefits provided to volunteers do not attract FBT.

EXAMPLES

Example 1

Nikki volunteers her time with an environmental group planting trees along waterways and fundraising for the environmental group. While planting in country areas, and carrying out fundraising activities in these areas, she is provided with accommodation and basic meals. Nikki is not considered to be an employee and no FBT will arise on these benefits.

Example 2

George provides his services to the local volunteer bushfire brigade fundraising body. He is reimbursed for travel and other minor expenses he incurs in carrying out his duties. George is not considered to be an employee as the reimbursement he receives does not amount to salary or wages. No FBT will arise on these reimbursements.

WHAT IS A FRINGE BENEFIT?

Fringe benefits may be rights, privileges or services.

For example, a fringe benefit is provided when an employer:

- allows an employee to use a work car for private purposes, or
- pays an employee's green fees at golf days.

COMMON FRINGE BENEFITS

One of the most common fringe benefits is a car fringe benefit. This most commonly arises when a car is owned or leased by an employer and made available for the private use of an employee. If the employer's car is garaged at an employee's house, it is treated as having been made available for private use.

Apart from cars, the most common fringe benefits are:

- expense payments, and
- meals/entertainment.

There are 13 categories of fringe benefits. A description of each of these categories of fringe benefits is contained in the publication *Introduction to fringe benefits tax* (NAT 1744).

COMMON EXEMPT BENEFITS

Benefits that are exempt from FBT are exempt for all employers, regardless of your organisation type.

Some benefits exempt from FBT are:

- in-house health care facilities, and
- most minor benefits valued at less than \$300 if it would be unreasonable to treat the benefit as a fringe benefit.

It would be unreasonable to treat a minor benefit as a fringe benefit if:

- you provide the benefit infrequently and irregularly
- the taxable value of the minor benefit and other similar or identical benefits (if they were treated as fringe benefits) is low
- the likely total taxable value of the minor benefit and other associated benefits is low – associated benefits are those benefits provided in conjunction with the minor benefit, for example, accommodation, board, electricity and telephone benefits provided as part of an accommodation package
- it is difficult to calculate the taxable value of the benefit and any associated benefits, or
- the benefit is provided as a result of a contingency (for example, unexpected overtime).

BENEFITS RELATING TO FUNDRAISING ACTIVITIES

OTHERWISE DEDUCTIBLE RULE

If you provide something as a benefit to an employee that they would normally be able to claim as an income tax deduction, you can reduce the taxable value of the benefit by the amount they would have been able to claim. This is called the 'otherwise deductible' rule.

For example, if an employee incurred a work expense, it would be wholly deductible for income tax purposes. Under the otherwise deductible rule, if you reimburse the employee for all or part of this expense, the taxable value of the expense payment fringe benefit would be nil.

EXAMPLE

The Homes for Homeless Teens Charity, a DGR, pays the home telephone accounts (calls only) for its counselling employees. The employees on occasions are required to make and receive calls for emergency situations in their line of work. The payment of the telephone accounts are fringe benefits. At the end of the FBT year, the employees provide an employee declaration with a verifiable estimate of the percentage of business related calls. The otherwise deductible rule will apply to reduce the taxable value of the fringe benefit by the percentage of estimated work related calls.

The examples in this section use employer and employee, but a fringe benefit may be provided by another person on behalf of an employer. It may also be provided to another person on behalf of an employee, for example, a relative.

EXAMPLES

Example 1

A non-profit organisation organises a garage sale, with proceeds going towards the non-profit organisation's cause. An employee of the non-profit organisation purchases a pre-loved jacket for \$15. The non-profit organisation reimburses the employee for the cost of the purchase. The reimbursement is an expense payment fringe benefit, which could be an exempt minor benefit.

Example 2

The Homes for Homeless Teens Charity, a DGR, is organising a fundraising dinner. Tickets to the dinner are priced at \$1,000. When advertising the dinner the charity explains that the cost of the meal is \$100 and the balance of \$900 is a tax deductible contribution. Guests must pay the full \$1,000 to attend. An employee of Builders Pty Ltd attends the dinner. Builders Pty Ltd reimburses the employee for the cost of the ticket. The reimbursement is an expense payment fringe benefit. As the employee is entitled to an income tax deduction of \$900, the otherwise deductible rule applies and the taxable value of the fringe benefit is reduced to \$100.

Example 3

A hospital decides to fundraise by selling cookbooks over the Christmas period. The hospital pays \$12 for each cookbook which are sold for \$16 each. Employees of the hospital are given the opportunity to purchase a cookbook for \$8. This is a property fringe benefit, which could be an exempt minor benefit.

GIFTS

Gifts to employees will generally be considered a fringe benefit, unless they are minor benefits.

EXAMPLES**Example 1**

A charity provides an employee with a gift voucher worth \$50 in appreciation of the employee's work. This may be a minor benefit and exempt from FBT.

Example 2

A non-profit organisation provides a volunteer with six bottles of wine, valued at \$110. This gift is not subject to FBT as the benefit is provided to a volunteer and not to an employee.

Goods donated to a non-profit organisation are not subject to FBT. However, if those goods are then provided to an employee, they may be subject to FBT.

EXAMPLE

A non-profit organisation is donated a car with a market value of \$12,999. An employee of the non-profit organisation's fundraising committee uses the car for the committee's fundraising activities, but is allowed to use the car for their private use on the weekends. The provision of a car for an employee's private use is a car fringe benefit.

- For more information relating to your FBT obligations, refer to:
- *Fringe benefits tax for non-profit organisations* (NAT 14947), and
 - *Fringe benefits tax: a guide for employers* (NAT 1054).

To obtain these publications, see 'More information' on the inside back cover.

ORGANISATIONS THAT RECEIVE CONCESSIONAL FBT TREATMENT

Certain benefits provided by the following organisations receive concessional FBT treatment:

- public benevolent institutions (other than hospitals) and health promotion charities
- public and non-profit hospitals and public ambulance services, and
- rebatable employers.

PUBLIC BENEVOLENT INSTITUTIONS (OTHER THAN HOSPITALS) AND HEALTH PROMOTION CHARITIES

A public benevolent institution is a non-profit institution organised for the direct relief of poverty, sickness, suffering, distress, misfortune, disability or helplessness. A charitable institution is not necessarily a public benevolent institution.

A health promotion charity is a charitable institution whose principal activity is promoting the prevention or control of diseases in human beings.

- For more information about public benevolent institutions and health promotion charities, refer to our publication *GiftPack* (NAT 3132).

To obtain this publication, see 'More information' on the inside back cover.

If your organisation is a public benevolent institution (but not a hospital), or a health promotion charity, benefits you provide to your employees are exempt from FBT where the total grossed-up value of certain fringe benefits for each employee during the FBT year is \$30,000 or less.

The \$30,000 capping threshold applies even if the employee was not employed by you for the full FBT year. For example, if you employed someone from October to March, and the total grossed-up value of the benefits you gave them was \$25,000, you would not have to pay FBT.

If your employees have received grossed-up benefits above the \$30,000 threshold, you are liable for FBT on the amount of grossed-up benefits above \$30,000.

ENDORSEMENT REQUIREMENTS FOR CHARITIES

PUBLIC AND NON-PROFIT HOSPITALS AND PUBLIC AMBULANCE SERVICES

Benefits provided by public hospitals and non-profit hospitals that are public benevolent institutions are exempt from FBT if the grossed-up taxable value of certain benefits provided to each employee is \$17,000 or less.

Benefits provided by public ambulance services are also exempt from FBT if the grossed-up taxable value of certain benefits provided to each employee is \$17,000 or less. This is consistent with the FBT treatment of employees of public hospitals.

The \$17,000 threshold applies even if the employee was not employed by you for the full year.

Where your employees have been provided with grossed-up benefits above the \$17,000 threshold, you are liable for FBT on the amount of grossed-up benefits above \$17,000.

REBATABLE EMPLOYERS

Charitable institutions and most non-government organisations that are income tax exempt qualify for an FBT rebate. Qualifying employers are entitled to have their FBT liability reduced by a rebate equal to 48% of the gross FBT payable.

The maximum grossed-up value of benefits that can be provided to anyone employed by a rebatable employer (without losing the concession) is \$30,000.

If the total grossed-up value of the fringe benefits provided to an individual employee is more than \$30,000, a rebate cannot be claimed for the FBT liability on the excess amount.

➤ For more information about which organisations receive concessional FBT treatment, refer to *Fringe benefits tax for non-profit organisations* (NAT 14947).

To obtain this publication, see 'More information' on the inside back cover.

Charities that want to access the FBT exemption or FBT rebate must be endorsed by the Tax Office.

If an entity qualifies for a tax concession as both a charity and another type of entity, the entity may claim the concession only if the entity is endorsed to access charity concessions.

Endorsement is different to registration. Endorsement provides a charity with access to charity tax concessions. If a charity is registered for a tax, it is generally a payer of that tax.

There will be situations where an entity is endorsed and registered for a tax. For example, an FBT endorsed public benevolent institution that is FBT exempt and exceeds the relevant capping threshold must register for FBT. An FBT endorsed charity that is FBT rebatable must register for FBT regardless of whether the capping threshold is exceeded.

In some instances a charity's endorsement for charity concessions will mean the charity has no tax obligations and is not required to register.

➤ For more information, refer to the *Instructions for endorsement as a tax concession charity or income tax exempt fund* (NAT 10652).

To obtain this publication, see 'More information' on the inside back cover.

REGISTERING FOR FBT

Your organisation should register for FBT once you establish that your organisation has to pay FBT. For example, a non-profit organisation will need to register for FBT if it is a rebatable employer that provides fringe benefits, or if it is an exempt employer that exceeds the capping threshold.

EXAMPLES

Example 1

A charitable institution is endorsed for FBT rebate purposes. The endorsed charitable institution will be able to claim a rebate equal to 48% of the FBT otherwise payable, subject to a capping threshold. As an FBT payer, the charitable institution will need to register for FBT regardless of whether the capping threshold is exceeded.

Example 2

A public benevolent institution is endorsed for FBT exemption purposes. It will be able to provide fringe benefits to its employees and, provided the value of these benefits is within the capping threshold for each employee for the year, it will have no FBT liability. If the public benevolent institution exceeds the capping threshold, it will become liable for FBT on amounts exceeding the cap and will need to register as a payer of FBT.

➤ For more information on FBT, refer to the publication *Fringe benefits tax for non-profit organisations* (NAT 14947).

To obtain this publication, see 'More information' on the inside back cover.

WHAT DOES AN ORGANISATION HAVE TO DO IF IT PROVIDES FRINGE BENEFITS?

If you provide fringe benefits you need to:

1 CALCULATE HOW MUCH FBT YOU HAVE TO PAY

As an employer, you must self-assess and calculate how much FBT you must pay each FBT year. The FBT year begins on 1 April and ends on 31 March.

The current rate of FBT is 46.5%, but this can change from time to time. The rate of 46.5% is levied on the grossed-up amount.

What does 'grossed-up' mean?

Grossing-up reflects the gross salary that would have to be earned at the highest marginal tax rate, including Medicare levy, to purchase the benefit from after-tax dollars.

Interaction between FBT and GST

A goods and services tax (GST) of 10% applies to the sale of most goods and services sold in Australia and on goods imported into Australia.

If the benefit provider is entitled to GST credits in relation to the provision of a fringe benefit, you use the higher gross-up rate of 2.0647. If the benefit provider is not entitled to GST credits, you gross-up the benefits using the lower rate of 1.8692.

Always use the lower gross-up rate for reporting on employees' payment summaries.

2 KEEP THE NECESSARY FBT RECORDS

The FBT law requires you to keep certain records relating to the fringe benefits you provide. The specific records required vary from one type of fringe benefit to another.

3 REGISTER FOR FBT

We recommend that you register once you have established that you have to pay FBT.

➤ To register for FBT, complete the *Application for registration – fringe benefits tax* (NAT 1055).

To obtain this publication, see 'More information' on the inside back cover.

Once you are registered, we will send you return form stationery and additional information to help you lodge your return.

4 REPORT FRINGE BENEFITS ON EMPLOYEES' PAYMENT SUMMARIES

You have to report certain fringe benefits on employees' payment summaries. Any employer who provides fringe benefits to an employee with a total taxable value of more than \$2,000 for an FBT year (1 April to 31 March), must record the grossed-up taxable value of the benefits on the employee's payment summary for the corresponding income year (1 July to 30 June).

This must also include any fringe benefits provided to associates of the employee, such as a spouse or child.

The amount reported on the payment summary will not be included in an employee's assessable (or taxable) income or affect the amount of standard Medicare levy payable. The total will, however, be included in a number of income tests relating to government benefits and obligations, including:

- Medicare levy surcharge
- Higher Education Loan Program (HELP) and Student Financial Supplement Scheme (SFSS) repayments
- child support obligations
- mature age worker tax offset
- super co-contribution, and
- entitlement to certain income tested government benefits.

5 LODGE A RETURN AND PAY FBT TO THE TAX OFFICE

You have to lodge a return and pay FBT to the Tax Office. The annual FBT return is due on 21 May.

If you have not previously paid FBT, or if the amount of FBT you had to pay for the previous year was \$3,000 or less, you are required to pay the tax once a year when you lodge your annual FBT return.

If you had to pay FBT of more than \$3,000 for the previous year, you must pay the tax quarterly with your activity statement. A balancing payment (if any) should be made when you lodge your FBT return.

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STATE AND TERRITORY GOVERNMENT REQUIREMENTS

06

Fundraising activities such as bingo, raffles and doorknock appeals are regulated by state and territory authorities.

Each state and territory has its own laws for these activities and they have provided an overview of their requirements.

This chapter:

- outlines state and territory government requirements in relation to fundraising, and
- provides contact details for the relevant authorities.

The states and territories have their own laws regulating the fundraising activities of non-profit organisations. Fundraising activities regulated by state and territory authorities can include public collections, raffles, bingo and art unions.

Some states focus on regulating fundraising activities undertaken by charitable organisations while others regulate fundraising for more general purposes. In addition, some states have different departments or agencies that look after specific fundraising activities.

We would like to acknowledge the content provided by the following authorities.

AUSTRALIAN CAPITAL TERRITORY

ACT Gambling and Racing Commission

Office of Regulatory Services, ACT Department of Justice and Community Safety

NEW SOUTH WALES

NSW Office of Liquor, Gaming and Racing, Department of the Arts, Sport and Recreation

NORTHERN TERRITORY

Licensing and Regulation Division, NT Department of Justice

QUEENSLAND

Department of Justice and Attorney-General, Queensland

Queensland Office of Gaming Regulation

SOUTH AUSTRALIA

Office of the Liquor and Gambling Commissioner

TASMANIA

Liquor and Gaming Branch representing the Tasmanian Gaming Commission

Consumer Affairs and Fair Trading


VICTORIA

Department of Justice (Consumer Affairs Victoria and Victorian Commission for Gambling Regulation)

WESTERN AUSTRALIA

Department of Consumer and Employment Protection

Department of Racing, Gaming and Liquor

 Meanings of terms used in this chapter may differ from those in the other chapters of this guide. The meaning of terms used in all other chapters are provided in the 'Definitions' section on pages 57 and 58.

AUSTRALIAN CAPITAL TERRITORY

RELEVANT AUTHORITY

ACT Gambling and Racing Commission

What types of fundraising activities do we regulate?

The relevant legislation is the *Lotteries Act 1964*. While the definition of 'lottery' is broad, fundraising activities regulated by the Commission are primarily raffles, housie (bingo) and, to a lesser degree, calcuttas.

What permits or approvals are required?

Generally, a permit is required to conduct the abovementioned activities. There may be exceptions where:

- the organisation is non-profit and the prize value is less than \$500, or
- a club/association wants to conduct a lottery among members only and there is no external advertising.

A copy of *Information and conditions* for each fundraising activity is available on the Commission's website (see below).

Other issues to consider

For housie applications, the Commission may also need to consider provisions under the Gambling and Racing Control (Code of Practice) Regulation 2002. A copy is available on the Commission's website.

➤ MORE INFORMATION

Contact the ACT Gambling and Racing Commission.

Visit: www.gamblingandracing.act.gov.au

Phone: (02) 6207 0361

Fax: (02) 6207 7390

Email: lotteries@act.gov.au

Mail: PO Box 214, CIVIC SQUARE ACT 2608

RELEVANT AUTHORITY

Office of Regulatory Services, ACT Department of Justice and Community Safety

What types of fundraising activities do we regulate?

In the ACT, all types of collections made for charitable purposes are regulated by the *Charitable Collections Act 2003*.

Collections include money or goods donated or sold. They include personal door-to-door and public place collections, collection bins, collections by telephone, written appeals, internet and other forms of electronic communication.

What permits or approvals are required?

Unless exempt, collecting for charity requires a licence. A licence application form is available on the Office's website (see below).

Do I need a licence?

You must have a licence (or be included on the licence of a current licensee) if you intend to conduct a collection within the ACT that is not exempt under the *Charitable Collections Act 2003*. For more information, visit the Office's website.

Exempt collections

For some types of collections the *Charitable Collections Act 2003* provides exemption from the requirement to be licensed.

The following are declared not to be a collection:

- where money is received by a school and is a genuine fee or charge by the school for educational purposes, or a voluntary contribution to the school for educational purposes that is solicited or received from a person with parental responsibility for a child who is enrolled at the school
- where the collection is less than \$15,000 in a financial year, or
- where the collection is undertaken by an organisation accredited by AusAID (refer to www.ausaid.gov.au/ngos/accredited.cfm).

It is recommended that you visit the Office's website for charitable collections in the ACT. The site provides access to a greater level of information on the licensing and reporting requirements under the Act, and provides easy access to all forms required by applicants and/or licensees in meeting the obligations under the Act.

➤ MORE INFORMATION

Contact the Office of Regulatory Services.

Visit: www.ors.act.gov.au

Phone: (02) 6207 0475

Fax: (02) 6207 0487

Email: bna.general@act.gov.au

Mail: 255 Canberra Avenue, FYSHWICK ACT 2609

NEW SOUTH WALES

RELEVANT AUTHORITY

NSW Office of Liquor, Gaming and Racing, Department of the Arts, Sport and Recreation

What types of fundraising activities do we regulate?

In New South Wales, the raising of money for a charitable purpose – that is, conducting a fundraising appeal for a charitable purpose – is governed by the *Charitable Fundraising Act 1991*.

The soliciting or receiving of any money, property or other benefit from the public constitutes a fundraising appeal for a charitable purpose if a representation is made (this may be implied) that the appeal is for a charitable purpose or for the support of an organisation having a charitable object.

An appeal may take a variety of forms – donations, sponsorship, telethons, the conduct of lotteries and games of chance, the supply of food, entertainment or other goods or services, or in connection with any other commercial undertaking. A membership drive undertaken by an organisation is a fundraising appeal if one of the objects of the organisation is a charitable object. The term is not limited to simple collections from the public.

If your organisation conducts fundraising appeals for a purpose that is not charitable, then the raising of that money is not governed by the *Charitable Fundraising Act 1991*.

However, if this fundraising includes a form of lottery or game of chance, it may be governed by the *Lotteries and Art Unions Act 1901*. Persons, charities and other organisations may be authorised under this Act to conduct certain lotteries and games of chance as fundraising activities, social pastimes or entertainment, or to promote the sale or use of products or services.

These lotteries and games of chance include activities such as raffles, art unions, charity housie and lotteries for the promotion of a trade or business.

What permits or approvals are required?

If your organisation intends to fundraise for a charitable purpose it must be the holder of an authority to fundraise, a form of NSW government licence. The NSW Office of Liquor, Gaming and Racing in the Department of the Arts, Sport and Recreation is responsible for issuing this type of licence.

If you are a person or an organisation who intends to fundraise for a charitable purpose you must be an authorised fundraiser. However, an authority will only be issued to a natural person in exceptional circumstances.

If you intend to fundraise for a charitable purpose in the name of, or on behalf of, another organisation, the appeal must be authorised by that organisation which in turn must either be an authorised fundraiser or be exempt from the need to be an authorised fundraiser.

Some organisations are allowed to conduct fundraising appeals for a charitable purpose without holding an authority to fundraise, if they are established under a New South Wales Act and are subject to the control of a New South Wales government minister. However, these organisations are still required to comply with the other provisions of the *Charitable Fundraising Act 1991*. Parents and citizens associations and New South Wales state emergency services are examples of such organisations.

Religious bodies are exempt from the provisions of the *Charitable Fundraising Act 1991*.

An authority to fundraise is issued with certain conditions, which are aimed at ensuring financial, fundraising and management accountabilities.

Some forms of lotteries and games of chance require a licence. These include art unions, charity housie, lucky envelopes, chocolate wheels and trade promotion lotteries.

MORE INFORMATION

Contact the NSW Office of Liquor, Gaming and Racing, Department of the Arts, Sport and Recreation.

Visit: www.olgr.nsw.gov.au

On the website you can find:

- application forms
- fact sheets on charitable fundraising and community gaming, and
- the publication *Best Practice Guidelines for Charitable Organisations*.

Phone: **(02) 9995 0666**

Fax: **(02) 9995 0611**

Email: charity.inquiries@olgr.nsw.gov.au or lottery.inquiries@olgr.nsw.gov.au

Mail: **NSW Office of Liquor, Gaming and Racing
GPO Box 7060, SYDNEY NSW 2001**

For information about licence holders, visit the NSW Government Licensing Service website at www.licence.nsw.gov.au

NORTHERN TERRITORY

RELEVANT AUTHORITY

Licensing and Regulation Division, NT Department of Justice

What types of fundraising activities do we regulate?

The relevant legislation is part IV of the *Gaming Control Act* and attendant Regulations, which regulate the following activities:

- lotteries
- trade lotteries, and
- games of chance in the nature of a lottery (raffles, sweepstakes, calcuttas, bingo, mini-lotto and tipping competitions).

What permits or approvals are required?

A permit is required to conduct lotteries and trade lotteries that offer a total prize pool of more than \$5,000. A permit is not required for trade lotteries that have been granted a permit interstate.

Minor lotteries: A minor lottery is where the total value of tickets available for sale is between \$5,001 and \$20,000.

Major lotteries: A major lottery is where the total value of tickets available for sale exceeds \$20,000.

Trade lotteries: A trade lottery is where the total value of prizes offered exceeds \$5,000.

Other issues to consider

Only approved associations, or a person who has obtained the express permission of the minister, may conduct a lottery or game in the nature of a lottery in the Northern Territory. Any person carrying on a trade or business in the Territory may conduct a trade lottery.

MORE INFORMATION

Contact the Licensing and Regulation Division, NT Department of Justice.

Visit: www.nt.gov.au/justice/licenreg

Phone: (08) 8999 1800

Fax: (08) 8999 1888

Mail: PO Box 1154, DARWIN NT 0801

QUEENSLAND

RELEVANT AUTHORITY

Department of Justice and Attorney-General, Queensland

What types of fundraising activities do we regulate?

The Community Justice Services Branch of the Department of Justice and Attorney-General administers the *Collections Act 1966*, which controls how charities and community purpose organisations conduct appeals for public support or fundraising in Queensland. Any organisation that wants to publicly fundraise for a charitable or community purpose is governed by this Act.

Activities regulated by the Department under the *Collections Act 1966* include:

- fundraising appeals
- door-to-door appeals and street collections, and
- commercial appeals on behalf of charities by entrepreneurs.

What permits or approvals are required?

Under the *Collections Act 1966*, you may require either of the following two approvals.

Registering a charity

To be registered as a charity, an association's objectives must meet the definition of 'charitable purpose' under the *Collections Act 1966*. The applicant needs to complete *Form 1 – Application for registration* and lodge it with the Department for approval.

If approved, the Department will issue the applicant with *Form 2 – Certificate of registration as a charity*. It is a one-off requirement for each charity to register if it intends conducting appeals for support. A registered charity may continue to fundraise until its registration is cancelled or it is directed to cease fundraising.

Obtaining a sanction for authority to fundraise

Organisations wanting to fundraise or conduct an appeal for a community purpose may be required to apply for a sanction. The applicant needs to complete *Form 5 – Application for sanction* and lodge it with the Department for approval.

If approved, the Department will issue the applicant with *Form 6 – Certificate of sanction*. The organisation may continue to fundraise until the sanction expires or it is cancelled or it is directed to cease fundraising.

What is the difference between a charity and community purpose organisation?

A charity is an organisation established solely for any charitable purpose as defined by the *Collections Act 1966*. A community purpose organisation is an organisation that wants to raise funds or conduct appeals for the general welfare of the community.

For more information on applying to register a charity or for a sanction to fundraise, phone the Department or visit the website (see below) for a copy of the *Conducting fundraising appeals* fact sheet.

Conducting a door-to-door appeal or street collection

Once registered as a charity or a sanction is obtained, certain rules must be followed when making door-to-door appeals and street collections. Before making an application, phone the Department or visit the website for a copy of the *Collection of charity funds* fact sheet.

The applicant needs to complete *Form 8 – Application to have a day assigned for a door-to-door appeal or street collection* and lodge it with the Department for approval. If approved, the applicant will receive either *Form 9 – Assignment of day for door-to-door appeal* or *Form 10 – Assignment of day for street collection*, depending on which of the two approvals is sought.

Other issues to consider

Registered charities and sanctioned organisations must have their financial records audited annually. A copy of the audited financial statement must be submitted to the Department within seven months of the end of the organisation's financial year. A current copy of the organisation's constitution must be held at the Department. The public can search these documents for a small fee.

Some elements of fundraising or charitable activities in Queensland require approvals from other regulatory bodies. For example, fundraising activities involving liquor are regulated by Liquor Licensing. For more information about liquor licensing, visit www.liquor.qld.gov.au

MORE INFORMATION

Contact the Department of Justice and Attorney-General, Queensland.

Visit: www.fairtrading.qld.gov.au

The Department's Office of Fair Trading website has more information on charities and fundraising in Queensland. You can also download all of the relevant forms and fact sheets.

Phone: **13 13 04**

Fax: **(07) 3246 1589**

Email: BrisbaneOFT@dtftwid.qld.gov.au

Mail: **GPO Box 3111, BRISBANE QLD 4000**

RELEVANT AUTHORITY

Queensland Office of Gaming Regulation

What types of fundraising activities do we regulate?

The Queensland Office of Gaming Regulation regulates all gaming activities conducted in Queensland. One form of legislation that it administers is the *Charitable and Non-Profit Gaming Act 1999*. This provides a framework that enables charitable and non-profit associations throughout Queensland to successfully raise funds through charitable gaming activities.

The *Charitable and Non-Profit Gaming Act 1999* has been enacted to ensure the continuing integrity and probity of the charitable and non-profit gaming industry through:

- clear reporting and accounting requirements
- strengthened requirements for the delivery of prizes
- detailed investigation and enforcement provisions, and
- concise rules of games.

The *Charitable and Non-Profit Gaming Act 1999* regulates the gaming activities currently undertaken by Queensland's charitable and non-profit gaming entities, namely:

- art unions (including raffles, non-profit sweeps and non-profit bingo)
- bingo
- calcutta sweeps
- lucky envelopes, and
- promotional games.

What permits or approvals are required?

All games regulated by the *Charitable and Non-Profit Gaming Act 1999* are divided into the following four categories based on gross proceeds per draw or, in the case of bingo, gross proceeds per bingo session:

Category 1: includes any game where the gross proceeds for each draw, or each bingo session, are \$2,000 or less (excluding lucky envelopes).

Category 2: includes any game where the gross proceeds for each draw, or each bingo session, are greater than \$2,000 and no more than \$20,000. The exception is lucky envelopes which fall within Category 2, the gross proceeds are limited to \$5,000 or less.

Category 3: includes any game that has gross proceeds for each draw of more than \$20,000. Gross proceeds for bingo are not permitted to exceed \$20,000.

Category 4: games, commonly known as trade promotions, are referred to in the *Charitable and Non-Profit Gaming Act 1999* as promotional games.

The *Charitable and Non-Profit Gaming Act 1999* provides for the following licence types:

- a licence to conduct a category 3 game
- a licence to conduct a special category 3 game
- a bingo centre licence, and
- a lucky envelope printer licence.

Issuing licences to conduct games is based on the estimated gross proceeds for a single draw in a game or session. A licence will allow the licence holder to conduct several games and/or gaming activities in accordance with the legislation and conditions of the licence during the term of the licence.

A special licence may also be issued to a person intending to raise funds through the conduct of a single art union to assist persons who have been affected by disaster or have been otherwise disadvantaged. The licence allows entities not normally empowered by the *Charitable and Non-Profit Gaming Act 1999* to legally conduct a game to raise funds for such purposes. However, the chief executive must be satisfied of the existence of exceptional circumstances before granting a special licence.

Other issues to consider

Association

An association is a group of at least four persons, whether or not incorporated, which is formed for a worthwhile common purpose. An association that is not an eligible association is restricted to the conduct of category 1 games. Individuals may also conduct category 1 games providing all proceeds are returned as prizes.

Eligible associations

An eligible association is an association formed for charitable, religious, educational, patriotic, sporting and community purposes, parents and citizens associations and political parties.

All games conducted as either category 2 or category 3 games (except for category 3 games conducted by a special category 3 licensee) are restricted to eligible associations. Eligible associations that conduct category 3 games must be incorporated.

MORE INFORMATION

Contact the Queensland Office of Gaming Regulation.

Visit: www.qogr.qld.gov.au

Phone: (07) 3872 0999
or toll free number 1800 064 848 (Queensland only)

Fax: (07) 3872 0998

Email: info@qogr.qld.gov.au

Mail: Locked Bag 180, CITY EAST QLD 4002

SOUTH AUSTRALIA

RELEVANT AUTHORITY

Office of the Liquor and Gambling Commissioner

What types of fundraising activities do we regulate?

The Office of the Liquor and Gambling Commissioner (OLGC) regulates gambling and community fundraising activities in South Australia, with administrative responsibility for the control of:

- charitable collections, and
- community organisation fundraising lotteries.

Charitable collections must comply with provisions in the *Collections for Charitable Purposes Act 1939* (CCP Act) and the *Collections for Charitable Purposes Act 1939 – Code of Practice*.

Community organisations seeking to raise monies using fundraiser lotteries must comply with the provisions in the *Lottery and Gaming Act 1936* (LG Act) and the Lottery and Gaming Regulations 1993 (LG Regulations).

What permits or approvals are required?

Charitable collections

A person who wants to collect or attempt to collect any money or goods or obtain or attempt to obtain money by the sale of any disc, badge, token, flower, or other device for any charitable purpose as defined, must be the holder of a section 6 licence under the CCP Act.

A collection agent who has entered into a collection contract with a charity as a collector for the charity, and employs another person to collect or attempt to collect any money or goods for a charitable purpose as defined, must be the holder of a section 6A licence under the CCP Act.

A person who wants to conduct entertainment where the proceeds are to be applied to a charitable purpose as defined, must be the holder of a section 7 licence under the CCP Act.

For the purposes of the CCP Act, a 'charitable purpose' means:

- the affording of relief to diseased, disabled, sick, infirm, incurable, poor, destitute, helpless, or unemployed persons, or to the dependants of any such persons
- the relief of distress occasioned by war, whether occasioned in South Australia or elsewhere
- the affording of relief, assistance, or support to persons who are or have been members of the armed forces of Australia or to the dependants of any such persons, and
- the provision of welfare services for animals.

For the purposes of the CCP Act, a person may apply for a licence to the Minister for Gambling, who may grant or refuse a section 6, section 6A or section 7 licence. Such licences are granted subject to a condition that the licensee must comply with the provisions of a code of practice issued by the minister.

TASMANIA

Community organisation fundraising lotteries

The LG Act and LG Regulations regulate, among other things, the fundraising lotteries of community organisations. The LG Regulations provide a series of restrictions on various classes of lottery, including major and minor lotteries, instant lotteries and 'eyes down bingo'.

These lotteries are conducted by non-profit associations and clubs (including charities, social clubs, political parties, registered clubs, sporting clubs and trade unions) having a body of persons that has at least 10 members, a management committee elected by the members and a written constitution.

Major lotteries: A major lottery is a fundraising lottery conducted by a non-profit club or association where the total value of all prizes in the lottery exceeds \$2,000 and the prizes are distributed by lot or drawing. A major lottery does not include an instant lottery, sweepstakes or calcutta sweepstakes.

Instant lotteries: Instant lotteries are fundraising lotteries conducted by non-profit clubs or associations through the sale of approved instant scratch or 'break-open' tickets, that is beer or bingo tickets where the total prizes in a series do not exceed \$5,000.

Bingo lotteries: Bingo sessions are fundraising lotteries conducted by non-profit clubs or associations involving the game of chance commonly known as 'bingo', 'housie', 'housie housie' or 'eyes down bingo'. A bingo licence is required if the total gross proceeds of a session exceeds \$200.

For the purposes of the LG Act and the LG Regulations, the Minister for Gambling may grant or refuse an application for a major lottery, an instant ticket lottery and 'eyes down bingo' lottery.

All lotteries (licensed and exempt) are subject to the lottery rules prescribed in the LG Regulations.

MORE INFORMATION

Contact the Office of the Liquor and Gaming Commissioner.

Visit: **www.olgc.sa.gov.au**

The website contains information about all charitable and lottery activities.

Phone: **(08) 8226 8500**

Fax: **(08) 8226 8588**

Email: **lottery@agd.sa.gov.au**

Mail: **Lottery Licensing
GPO Box 672, ADELAIDE SA 5001**

RELEVANT AUTHORITY

Liquor and Gaming Branch, representing the Tasmanian Gaming Commission

What types of fundraising activities do we regulate?

Fundraising in Tasmania can be undertaken by, or on behalf of, non-profit or charitable organisations. 'Minor gaming' is the term given to authorised games regulated by the Tasmanian Gaming Commission, including raffles, bingo, calcutta sweepstakes, instant draw bingo, lucky envelopes, dancing dollars and Tassie's best punter. The Commission's website clearly defines the rules and conditions of each of these games.

What permits or approvals are required?

An individual or organisation must complete and submit an application for a minor gaming permit (\$90), accompanied by an *Individual Activity Notification* (IAN) form in relation to the authorised game nominated to take place. The Commission then approves or rejects the application. An IAN form can also be submitted as a separate form after permit approval by the Commission. A minor gaming permit is valid for 12 months and any number of authorised games can be conducted in that time under the permit.

A Foreign Games Permit (\$1,250 for five years) is also available for mainland organisations wanting to sell raffle/lottery tickets from premises in Tasmania such as shopping centres. At present, mainland organisations can telemarket and direct mail raffle/lottery tickets into Tasmania without a minor gaming permit. However, the organisation must have a permit in its respective state or territory, and tickets sold are not for on-selling.

Other issues to consider

In all cases, whether or not a minor gaming permit is required, all fundraising activities must be held in accordance with the applicable rules and conditions and with the provisions set out in the *Gaming Control Act 1993*.

The Commission may declare a game to be an exempt game not requiring a minor gaming permit. Examples of this would be raffles with prizes worth \$5,000 and under, and tipping competitions where the total contributions do not exceed \$10,000 and the total sum contributed is distributed as prizes.

The Commission determines which games are to be authorised under the *Gaming Control Act 1993*. To seek approval for a new game, an application must be submitted to the Tasmanian Gaming Commission. Application forms are available on the Commission's website.

A permit is not required to conduct a trade promotion in Tasmania. Schemes for the promotion of business are excluded from the definition of a lottery in the *Gaming Control Act 1993* and are therefore lawful in Tasmania without a permit. More information about trade promotions is available on the Commission's website.

➤ MORE INFORMATION

Contact the Liquor and Gaming Branch, representing the Tasmanian Gaming Commission.

Visit: www.treasury.tas.gov.au

Phone: (03) 6233 2475

Fax: (03) 6234 1728

Email: gaming@treasury.tas.gov.au

Mail: GPO Box 1374, HOBART TAS 7001

RELEVANT AUTHORITY

Consumer Affairs and Fair Trading

What types of fundraising activities do we regulate?

Consumer Affairs and Fair Trading administers the *Collections for Charities Act 2001*.

This legislation applies to any person who solicits money for a charitable purpose from the public. This includes incorporated bodies, individuals, unincorporated bodies and religious organisations.

Soliciting for donations means any request for donation however communicated, and includes solicitation by telephone, email, door-to-door, and standing with a donations tin in public. It also includes the giving of pins, badges and stickers if in response to a donation rather than an actual sale of the item. Donations will usually be money but may also be anything of value, including land and goods.

The Act does not apply to:

- the sale of goods or services such as chocolate fundraisers
- a request for renewal of membership of an organisation
- an appeal by an organisation to its membership such as that by a cricket club or hobby group
- an appeal within premises that are used by a club or religious organisation such as a collection plate
- an appeal to a Commonwealth, state or local authority, or
- raffle tickets.

What permits or approvals are required?

Organisations based outside of Tasmania must not solicit for public donations unless they have obtained approval from the Commissioner of Corporate Affairs. It is an offence to collect without the proper approval, so if you have any doubt, obtain the *Charitable Collectors Handbook* by phoning Consumer Affairs and Fair Trading or visiting the website.

Other issues to consider

Children and young collectors

Children under the age of 12 years may solicit for donations, only if they are under the immediate control of an adult person. Persons aged between 12 and 15 years may solicit for donations, only if they are under the supervision of an adult. Persons 16 years of age or over may solicit for donations without supervision.

Soliciting by telephone

If a person solicits for a charitable purpose by telephone, the caller must identify certain details about the organisation they represent. Fundraisers who telephone residential numbers seeking donations may only do so between 9.00am and 8.00pm on any day.

Going door-to-door and soliciting in a public place

Certain requirements apply when undertaking doorknocks, or soliciting for donations in a public place. The requirements include:

- wearing an identity card
- providing information about the organisation to donors, and
- restricted hours for doorknocks.

Soliciting through writing, electronic media or advertising

Organisations often make written requests for donations. These may be addressed to the recipient or be in the form of a general request or public advertisement. Any written request, however communicated, must include specific information about the organisation and the purpose of the donation.

Collections on public streets

In addition to the requirements of the *Collections for Charities Act*, you must seek permission from Tasmania Police if you wish to collect for donations on a public street. This type of collecting is regulated to avoid overlap between fundraising days and areas, one year in advance. Applications for allocation of a fundraising day may be made at any time but are usually made in October or November. For more information, phone Tasmania Police Traffic Liaison Services on (03) 6230 2111.

➤ MORE INFORMATION

Contact Consumer Affairs and Fair Trading.

Visit: www.consumer.tas.gov.au/business_affairs/charities

Phone: (03) 6233 4523

Fax: (03) 6233 4882

Email: consumer.affairs@justice.tas.gov.au

Mail: GPO Box 1244, HOBART TAS 7001

VICTORIA

RELEVANT AUTHORITY

Consumer Affairs Victoria, Department of Justice

What types of fundraising activities do we regulate?

Fundraising appeals are regulated by the *Fundraising Appeals Act (Vic) 1998* (Fundraising Act). The Fundraising Act is administered by Consumer Affairs Victoria.

A fundraising appeal occurs if a person solicits or receives money or a benefit on the basis of a representation that the soliciting or receiving is not solely for the profit or commercial benefit of the person, cause or thing on whose behalf the appeal is being conducted.

Fundraising appeals include:

- doorknock appeals
- telemarketing
- traffic intersection/highway collections
- donations to clothing bins
- the sale of goods at opportunity shops
- appeals run by commercial fundraisers
- public appeals to support a club, association or an environmental or community cause
- public appeals to support a cause or person or group of persons, and
- the sale of goods where portions of the sale price are donated to a non-profit organisation or cause.

The Fundraising Act does not apply to soliciting or receiving money or benefits with respect to the following, which are exempt from the definition of a fundraising appeal:

- gaming activities which are regulated under the *Gambling Regulation Act (Vic) 2003* (the regulation which applies to these activities is described below)
- a patriotic fund
- membership of an organisation
- from a member, a person who is in the process of becoming a member of the fundraising organisation, or a relative or personal acquaintance of either of these
- bequests
- a benevolent or philanthropic purpose connected directly with a person or the immediate family of a person who shares a common employer or principal place of business with the fundraiser, and
- from a government body or a corporation, partnership or trust that is permitted to donate money or benefits by its corporate documents.

What permits or approvals are required?

If you are conducting a fundraising appeal, the Fundraising Act requires that:

- you comply with certain rules when you administer and conduct the fundraising appeal (for example, wearing identification badges when collecting from the public and keeping accurate financial records), and
- you register with Consumer Affairs Victoria.

The following organisations are, however, exempt from the requirement to register:

- state schools, council schools or registered schools, and some kindergartens
- universities, TAFE colleges or other tertiary educational institutions
- hospitals or other registered health agencies funded by the Victorian Government
- religious bodies with the authority to marry people
- registered political parties, registered trade unions and registered workplace relations or industrial relations organisations
- non-profit organisations that receive less than \$10,000 gross in a financial year from fundraising, and use only unpaid volunteers
- licensed children's services that receive funding for a pre-school program from the Department of Human Services, and
- the Anti Cancer Council.

Some of these organisations are also exempt from the record-keeping requirements.

MORE INFORMATION

Contact Consumer Affairs Victoria.

You can also contact Consumers Affairs Victoria if you need a liquor licence.

Visit: www.consumer.vic.gov.au

Phone: **1300 558 181**

Fax: **(03) 9627 6007**

Email: consumer@justice.vic.gov.au

Mail: **GPO Box 123, MELBOURNE VIC 3001**

RELEVANT AUTHORITY

Victorian Commission for Gambling Regulation, Department of Justice

What types of fundraising activities do we regulate?

Gaming activities for the benefit of community or charitable organisations are regulated by the *Gambling Regulation Act 2003* (Gaming Act). The Gaming Act is administered by the Victorian Commission for Gambling Regulation.

The Gaming Act declares all lotteries/gaming to be illegal unless authorised by the Gaming Act. Only organisations that are declared by the Victorian Commission for Gambling Regulation to be genuine community or charitable organisations can conduct activities such as raffles, bingo, fundraising events or selling lucky envelopes.

The Commission can declare an organisation to be a community or charitable organisation if it is satisfied that the organisation is conducted in good faith for:

- a philanthropic or benevolent purpose, including the promotion of art, culture, science, religion, education or charity, and including the benefiting of a fund certified to be a patriotic fund under section 24 of the *Patriotic Funds Act 1958* or the fund or part of the fund of the Australian Red Cross Society, or
- a sporting or recreational purpose, including the benefiting of any sporting or recreational club or association, or
- a political party registered under the *Electoral Act 2002*, the *Commonwealth Electoral Act 1918* of the Commonwealth or a law of another state or territory of the Commonwealth corresponding to these Acts.

What permits or approvals are required?

Declaration allows the organisation to conduct raffles where the total retail value of prizes does not exceed \$5,000 or apply for permits to undertake raffles where the retail value of prizes exceeds \$5,000. Permits can also be obtained to conduct bingo, sell lucky envelopes or run a fundraising function where games that would otherwise be unlawful (that is, casino games) may be played.

All gaming activity conducted by community or charitable organisations must be conducted in accordance with the Gaming Act and its associated regulations.

Other issues to consider

Other legislation may apply to fundraising activities in addition to legislation which is specifically aimed at fundraising activities. For example, if planning to sell or service liquor at a fundraising event, you will need to ensure that you have the appropriate liquor licence.

MORE INFORMATION

Contact the Victorian Commission for Gambling Regulation, Minor Gaming Unit.

Visit: www.vcgr.vic.gov.au

Phone: (03) 9651 3630

Fax: (03) 9651 3246

Email: minor.gaming@vcgr.vic.gov.au

Mail: PO Box 1988, MELBOURNE VIC 3001

WESTERN AUSTRALIA

RELEVANT AUTHORITY

Department of Consumer and Employment Protection

What types of fundraising activities do we regulate?

The Department of Consumer and Employment Protection regulates:

- collections of money or goods from the public in Western Australia deemed to be for a charitable purpose, and
- street collections in the Perth metropolitan area regardless of the purpose.

In Western Australia, raffles are not regulated by the Department of Consumer and Employment Protection but by the Department of Racing, Gaming and Liquor.

What permits or approvals are required?

To collect money or goods for a charitable purpose, a licence is required under the *Charitable Collections Act 1946*. The application for a licence is considered by the Charitable Collections Advisory Committee, who make recommendations to the Minister for Consumer and Employment Protection. This process can take two to three months if all documents are in order, but longer if there is a requirement to go back to the organisation for more information.

Any organisation wanting to conduct a street collection in Perth, whether licensed under the Charitable Collections Act or not, must have a separate street collection permit. This permit is also granted by the Minister for Consumer and Employment Protection and requires approximately six weeks' notice to be granted. Street collections are generally held on Fridays.

Other issues to consider

Organisations that collect and receive money from the public for non-charitable purposes **do not** need to be licensed. Some examples are:

- sporting clubs, environmental and conservation groups
- animal welfare, and
- schools or kindergartens that operate their own fundraising events.

The raising of funds solely by the sale of raffle tickets would not require a licence.

➤ MORE INFORMATION

Contact the Department of Consumer and Employment Protection, Charitable Collections Section.

Visit: www.docep.wa.gov.au/charities

The website provides details of licensing requirements, forms, a list of licensed charities in Western Australia, and a calendar of street collections for the year.

Phone: **(08) 9282 0832**

Fax: **(08) 9282 0948**

Email: consumer@docep.wa.gov.au

Mail: **Locked Bag 14, CLOISTERS SQUARE WA 6850**

RELEVANT AUTHORITY

Department of Racing, Gaming and Liquor

What types of fundraising activities do we regulate?

The Gaming and Wagering Commission of Western Australia regulates a number of community gaming activities under the *Gaming and Wagering Commission Act 1987*. These activities include standard lotteries (raffles), bingo, two-up, gaming functions and continuing lotteries (break-open tickets).

What permits or approvals are required?

Permits and approvals are required for all the above activities where gaming, as defined by the Act, takes place, except for social gaming and minor raffles where the prize value is under \$1,000 and the raffle is conducted and drawn within eight days.

Other issues to consider

The Act prohibits the conduct of (community) gaming for private gain or any commercial undertaking.

➤ MORE INFORMATION

Contact the Department of Racing, Gaming and Liquor.

Visit: www.rgl.wa.gov.au

Phone: **(08) 9425 1888**

Fax: **(08) 9221 7108**

Email: rgl@rgl.wa.gov.au

Mail: **PO Box 6119, EAST PERTH WA 6892**

LOCAL GOVERNMENT
REQUIREMENTS

07

Local government authorities manage and regulate the use of public places. Public places are lands not under private ownership or lands that are vested in the Australian, state or territory governments. They can include parks, playgrounds, lake or coastal foreshores, sporting grounds, swimming pools, streets, footpaths, cycle ways, town centres, libraries, community centres, theatres and public galleries.

If a non-profit organisation wants to conduct fundraising activities in a public place, it should first find out the requirements of the relevant local council. In some instances, it may also need to consult other public institutions, such as state or territory road authorities.

Requirements vary from council to council, but generally can include:

- ensuring that the proposed activity is permissible under the relevant planning policy, planning scheme or local environment plan
- providing evidence of public liability insurance cover for the event, sufficient security and adequate toilet facilities
- obtaining permits for preparing and selling food on site, operating electrical equipment, closing streets and selling alcohol, and
- providing evidence that any rides (for example, jumping castles or merry-go-rounds) comply with relevant Australian standards, especially occupational health and safety laws.

The Australian Local Government Association (ALGA) is a national representative for local government. Its members include all of the state and territory local government associations and the ACT Government.

You can find a complete list of local government authorities on ALGA's website at www.alga.asn.au/links/obc.php

DEFINITIONS

Australian business number (ABN)

Your ABN is your identifier for certain dealings with the Tax Office and other governments and agencies.

Australian Business Register (ABR)

The ABR is a public register that contains details of all Australian business number (ABN) registrations.

Charity

A charity is an institution or fund established for a charitable purpose. Examples of charities include:

- religious institutions
- aged persons homes
- homeless hostels
- primary or secondary schools run by churches
- organisations relieving the special needs of people with disabilities, and
- societies that promote the fine arts.

For more information on charities, refer to our publication *Income tax guide for non-profit organisations* (NAT 7967).

Charitable fund

A charitable fund is a fund established under an instrument of trust or a will for a charitable purpose. The purposes set out in the will or instrument of trust must be charitable. Charitable funds mainly manage trust property, and/or hold trust property to make distributions to other entities or persons. In contrast, if the trustee mainly carries on activities that are charitable, the fund will be treated as a charitable institution and not as a charitable fund.

For more information on charitable funds, refer to our publication *Income tax guide for non-profit organisations* (NAT 7967).

Charitable institution

A charitable institution is an institution that is established and run to advance or promote a charitable purpose. An organisation's purposes can be found in its governing document(s) and from its activities, history and control. A charitable institution will carry on charitable activities while a charitable fund mainly manages and/or holds trust property.

For more information on charitable institutions, refer to our publication *Income tax guide for non-profit organisations* (NAT 7967).

Charitable purpose

A charitable purpose is one which the law regards as charitable. The term 'charitable' has a technical legal meaning that is different from its everyday meaning. Charitable purposes are any of the following purposes:

- the relief of poverty or sickness or the needs of the aged
- the advancement of education
- the advancement of religion
- other purposes beneficial to the community, and
- the provision of child care services on a non-profit basis.

Deductible gift recipient (DGR)

A DGR is an organisation that is entitled to receive income tax deductible gifts. All DGRs have to be endorsed by the Tax Office, unless they are listed by name in the income tax law.

There are two types of endorsement:

- where an organisation is endorsed as a DGR as a whole, or
- where an organisation is endorsed as a DGR for the operation of a fund, authority or institution that it owns or includes.

For the second type, only gifts to the fund, authority or institution are tax deductible.

For more information on DGRs, refer to our publication *GiftPack* (NAT 3132).

Endorsement

Endorsement is the process under which organisations apply to the Tax Office for approval to:

- access charity concessions under the income tax, FBT and GST laws. The relevant application form is *Application for endorsement as a tax concession charity or income tax exempt fund* (NAT 10651), and/or
- receive income tax deductible gifts. The relevant application form is *Application for endorsement as a deductible gift recipient* (NAT 2948).

Fringe benefits tax (FBT)

FBT is a tax payable by employers who provide fringe benefits to their employees or associates of their employees. For example, a fringe benefit is provided when an employer:

- allows an employee to use a work car for private purposes
- gives an employee a cheap loan, or
- pays an employee's private health insurance costs.

Goods and services tax (GST)

GST is a broad-based tax of 10% on the supply of most goods, services and anything else consumed in Australia and the importation of goods into Australia.

GST credit

A GST credit is what you claim to get back the GST you pay in the price of goods and services you purchase for your business or enterprise. You are entitled to a GST credit for the GST included in the price you pay for a purchase, or included in the price you paid on an import, if it is for use in your business or enterprise, but not to the extent that you use the purchase or import to make input taxed sales, or if the purchase or import is of a private or domestic nature. You must have a tax invoice before you can claim a GST credit on your activity statement (except for purchases of \$75 or less excluding GST).

GST-free sales

You do not include GST in the price of GST-free sales that you make, but you are entitled to GST credits for things you have purchased or imported that relate to making the GST-free sales. Examples of GST-free sales include:

- basic food
- exports
- sewerage and water
- the sale of a business as a going concern
- non-commercial activities of charities, and
- most education and health services.

Health promotion charity

A health promotion charity is a non-profit charitable institution whose principal activity is promoting the prevention or control of diseases in human beings. The characteristics of a health promotion charity are:

- its principal activity is promoting the prevention or the control of diseases in human beings, and
- it is a charity that is a charitable institution.

Examples of activities that can promote the prevention or control of disease include:

- providing relevant information to sufferers of a disease, health professionals, carers and to the public
- researching how to detect, prevent or treat diseases, and
- developing or providing relevant aids and equipment to sufferers of a disease.

For more information on health promotion charities, refer to our publication *GiftPack* (NAT 3132).

Non-profit

An organisation is non-profit for determining income tax exempt status if it is not carried on for the profit or gain of its individual members. This applies for direct and indirect gains, and both while the organisation is being carried on and on its winding up. The Tax Office accepts an organisation as non-profit if its constitution or governing documents prohibit distribution of profits or gains to individual members and its actions are consistent with the prohibition.

Input taxed sales

You do not include GST in the price of input taxed sales you make, but neither are you entitled to GST credits for things you have purchased or imported that relate to making those input taxed sales. In some cases, you may be entitled to claim reduced GST credits. Examples of input taxed sales include:

- most financial supplies, and
- supplies of residential rent and residential premises.

Public benevolent institution (PBI)

A PBI is a non-profit institution organised for the direct relief of poverty, sickness, suffering, distress, misfortune, disability or helplessness. The characteristics of a PBI are:

- it is set up for needs that require benevolent relief
- it relieves those needs by directly providing services to people suffering them
- it is carried on for the public benefit
- it is non-profit
- it is an institution, and
- its dominant purpose is providing benevolent relief.

Examples of PBIs are organisations that:

- provide hostel accommodation for the homeless
- treat sufferers of disease
- provide home help for the aged and the infirm
- transport the sick or disabled, or
- rescue people who are lost or stranded.

For more information on PBIs, refer to our publication *GiftPack* (NAT 3132).

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MORE INFORMATION

PUBLICATIONS

To obtain copies of our publications:

- visit our website at www.ato.gov.au/nonprofit
- phone **1300 720 092**
- write to us at

Australian Taxation Office
GPO Box 9990
IN YOUR CAPITAL CITY

General overview information

Tax basics for non-profit organisations (NAT 7966) is for all non-profit organisations. It:

- provides an overview of tax obligations and concessions for non-profit organisations
- helps you identify which taxes affect your organisation, including income tax, fringe benefits tax, goods and services tax, and pay as you go, and
- explains where to find more detailed information.

More detailed information

Income tax guide for non-profit organisations (NAT 7967) is for all non-profit organisations. It explains:

- how to work out if your organisation is exempt from income tax
- the endorsement process for charities, and
- the income tax treatment of non-profit organisations that are not exempt.

GiftPack (NAT 3132) is for organisations that want to receive tax deductible gifts and donors that want to claim deductions for their gifts. It explains:

- who can receive tax deductible gifts
- the endorsement process for deductible gift recipients
- the types of gifts that are tax deductible, and
- what donors have to do to claim deductions for their gifts.

Volunteers and tax (NAT 4612) is for volunteers and organisations that deal with volunteers. It explains the tax treatment of transactions that commonly occur between non-profit organisations and their volunteers.

Other guides are available with detailed information on goods and services tax, PAYG withholding, fringe benefits tax, superannuation, capital gains tax, activity statements and record keeping.

We also have a range of fact sheets on specific topics written especially for non-profit organisations.

Technical information

If you are looking for technical information such as rulings, practice statements and tax laws, you can find them on our website.

SERVICES

Internet

Our website includes an area specifically for non-profit organisations. The *Non-profit organisations* home page at www.ato.gov.au/nonprofit links you to information about:

- taxes relevant to non-profit organisations, including income tax, fringe benefits tax, goods and services tax, and pay as you go
- exemptions or concessions that may apply, and
- other issues, such as fundraising, record keeping, volunteers and deductible gifts.

Email update service

Use the **Subscribe** link on our home page to subscribe to the *Non-profit organisations* webspace and receive free email updates when information is updated or added, including articles from the **Non-profit news service**. This will keep you up to date on key tax issues affecting the non-profit sector, new publications we release for non-profit organisations, and changes to tax law.

Speakers and seminars

Subject to availability, we have experienced tax officers who can deliver a variety of informative and practical tax presentations and workshops. To discuss requirements for your meeting, seminar or function, phone **1300 130 282** or email speakersandseminars@ato.gov.au

Phone

Phone our information line on **1300 130 248** for help with matters specific to non-profit organisations including the endorsement process for charities and deductible gift recipients, income tax, GST and fringe benefits tax concessions.

If you do not speak English well and want to talk to a tax officer, phone the Translating and Interpreting Service on **13 14 50** for help with your call.

If you have a hearing or speech impairment and have access to appropriate TTY or modem equipment, phone **13 36 77**. If you do not have access to TTY or modem equipment, phone the Speech to Speech Relay Service on **1300 555 727**.

Mail

Write to us at:

Australian Taxation Office
PO Box 3000
PENRITH NSW 2740

