

Be smart about tax

...and keep your
corporation strong



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Your Indigenous corporation
delivers important services to
your community.

Managing your money well helps
keep those services going.

Many corporations find sorting out their tax is not that easy. There is paper work to do, records to keep and bills to pay. But if you know more about tax, it can mean more money for your corporation and better services for your community.

If you need help with your corporation's tax affairs, the Australian Taxation Office (ATO) can help.

Some important tax matters you need to know about are things like:

- 1 Is your organisation non-profit?**
- 2 What are the benefits of being a non-profit organisation?**
- 3 Are you paying tax on funding and grants?**
- 4 Are you paying super to your staff?**

This is discussed in more detail below.

- ! Did you know that your corporation may qualify for special tax concessions if it meets the requirements of a non-profit organisation?**

1 Is your organisation non-profit?

The term 'non-profit organisation' is used by the ATO to describe certain organisations that do not operate for the profit or gain of their members. This means that all profits go back into your corporation's services and are not distributed to any members. This applies while your corporation is operating and through to when it winds up.

There are many types of non-profit organisations including stores, childcare centres, art centres, neighbourhood associations, medical centres and sports clubs.

2 What are the benefits of being a non-profit organisation?

There are many tax concessions available to non-profit organisations. Some organisations:

- do not have to pay income tax
- can receive tax-deductible donations.

For example, public benevolent institutions and charities may not have to pay income tax or fringe benefits tax, and get GST concessions. For more, see the More information section on page 9.

Registering for an ABN

If you think that your corporation is a non-profit organisation and qualifies for tax concessions, register for an Australian business number (ABN).

An ABN helps you when dealing with the ATO, and helps you with your tax responsibilities. It also helps you deal with other government agencies.

With your ABN you can apply to us to approve you as a deductible gift recipient or a tax concession charity.

With an ABN, you can also register for:

- goods and services tax (GST)
- fringe benefits tax (FBT)
- pay as you go (PAYG) withholding
- other taxes you may need to pay.

Note that a non-profit organisation must register for GST if its GST turnover is more than \$150,000.

Keep your corporation's information up to date

When you register for an ABN, it is important that we have up-to-date information about your corporation. Tell us about any changes to your corporation's registration details and make sure we have a current authorised person to contact.



If you get a grant or funding to run your Indigenous corporation, did you know you may need to pay GST?

3 Are you paying tax on funding and grants?

Do you get funding or grants to run your Indigenous corporation?

If you do, keep some money aside to pay the ATO any tax due on your grant.

If you are not sure whether you should pay tax, how much to pay or how to pay, it's important you find out. You can get help from the ATO or a registered tax agent. See the More information section at the back of this brochure.

How do you know if your corporation needs to pay GST on the grant money you receive?

Talk to the people at the ATO. Ask them whether you need to pay GST on your grant and what your options are.

How do I know how much GST to pay?

Your corporation may be asked to provide a tax invoice to receive the funding which should include the GST amount.

Sometimes the people giving you the funding will give you a recipient-created tax invoice that shows how much GST to pay.

In both cases, the amount of GST will usually be 10 per cent of the grant. You have to report these grants in your activity statements and pay the GST to the ATO.

What is GST?

GST is a goods and services tax. It is a tax of 10% on most goods and services sold or consumed in Australia. The ATO collects tax for the government. The government uses the tax money to provide services to everyone including hospitals, schools, Centrelink benefits, houses and roads.

Case study

The newly registered Community Services Aboriginal Corporation employs 16 people and provides health, legal and welfare services to its Aboriginal clients. The corporation employs a youth justice worker and health and community care workers.

The office manager, Trish, calls the ATO and finds out that the corporation qualifies as an exempt organisation.

This means the corporation does not have to pay income tax.

Trish then applies for an Australian business number (ABN) to make it easier for her when dealing with the ATO and other government agencies. She registers herself as the authorised contact so the ATO can call her if they need to.

Trish has done everything she can to make the corporation run smoothly so they can concentrate on service delivery to members and clients.



Your staff may be eligible to get superannuation. Do you pay your staff super? Do you need to look into it?

4 Paying super to your staff

Your corporation delivers important services to your community and your employees play an important role in delivering the services and building the relationships that make it strong.

Superannuation – or super – is when money from an employer is invested in a fund, known as a super fund, to provide income for employees when they retire. Super is separate to what you pay your employees.

Looking after your employees is good for them, and good for your corporation. Paying super is helping them to plan for the future and get some financial security.

Do you need to pay super?

Generally, you have to pay super for your employees if they:

- are between 18 and 69 years old
- are paid \$450 or more (before tax) in salary or wages in a calendar month
- work full time, part time or on a casual basis.

How much super do you pay?

You need to pay a minimum of 9% of the amount an employee earns for their normal hours of work.

Where do you pay super contributions?

You need to pay contributions into a complying super fund or retirement savings account by the quarterly cut-off dates. Your employees can choose the super fund you pay their super contributions into.

What happens if you don't meet your super obligations?

If you don't pay your employees super and they are eligible, you'll have to pay a superannuation guarantee charge to the ATO.

Case study

Trish knows that the corporation has certain duties as an employer, like paying super.

The corporation's 16 employees all earn over \$450 per month, which means super must be paid into a super fund for them to use when they retire.

Trish calls the ATO to find out how much super the staff need to be paid. She also finds out that staff can choose which super fund they want their money paid into. Once they've told her where they want their money to go, she organises for it to be sent to the super fund.

She makes sure she lets people know how much super they will be paid because she knows it will help the corporation attract and keep good employees.

More information

Tax concessions for non-profits

- Visit our website at **www.ato.gov.au/nonprofit**
- Phone us on **1300 130 248**, for more information about non-profit enquiries, including income tax, ABNs, GST and FBT.

Applying for an ABN and other taxes

You can apply for an ABN:

- online through the Australian Business Register at **www.abr.gov.au** or the Australian Government business website at **www.business.gov.au**
- by phoning us on **13 28 66**
- through a registered tax agent, who will lodge an application for you.

Information about super

To find out more about super:

- visit the ATO website at **www.ato.gov.au** and look up *Employers superannuation*
- phone **13 10 20**.

Publications

You may download the following publications from **www.ato.gov.au**

- *Tax basics for non-profit organisation* (NAT 7966)
- *Income tax guide for non-profit organisations* (NAT 7967)

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations. If you feel that this publication does not fully cover your circumstances, or you are unsure how it applies to you, you can seek further assistance from us.

We regularly revise our publications to take account of any changes to the law, so make sure that you have the latest information. If you are unsure, you can check for more recent information on our website at www.ato.gov.au or contact us.

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