

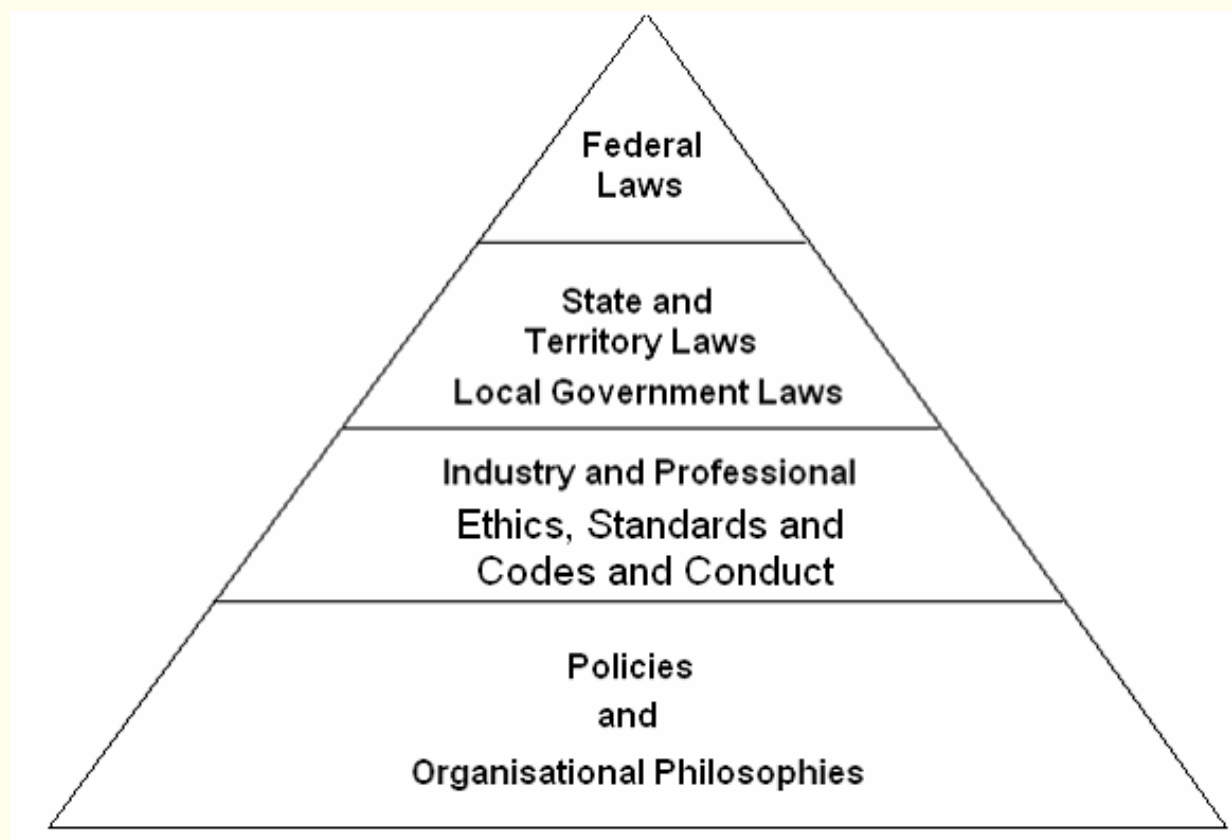
Demystifying Tax Deductibility, Legislative Compliance & FIA Principles & Standards of Fundraising Practice

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Friday, 25 February 2011

12:05pm

Professional Ethics



Agenda

- A. Commonwealth regulation
- B. State regulation
- C. What kinds of transactions?
 1. Sales
 - Memberships
 - Charitable merchandising
 - Special events
 - Sponsorships
 - “Cause related marketing”
 - “Contra” deals
 - Nonprofit sub-entities
 2. Gifts (donations)
 3. Contributions (entrance fees and charity auctions)

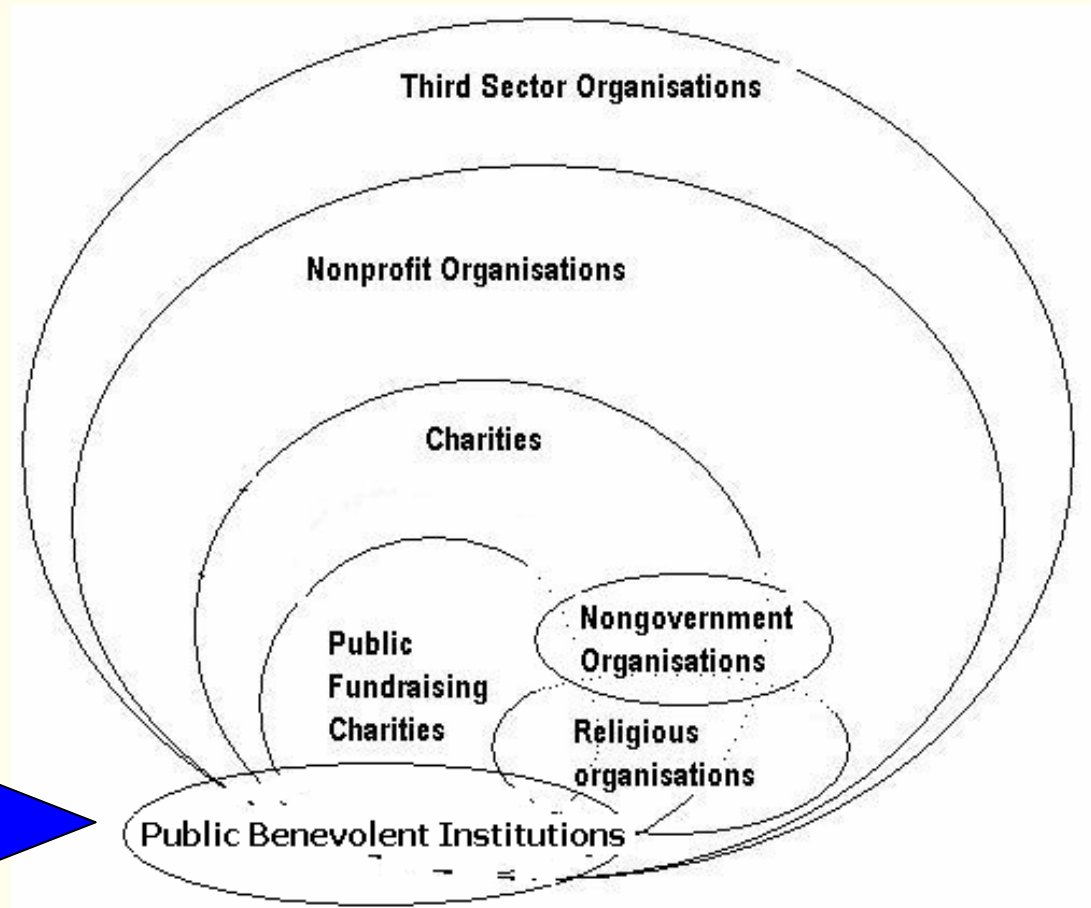
Commonwealth legislation

- **Income Tax Assessment Act**
(deals with tax deductibility of gifts)
- **A New Tax System Goods and Services Tax Act**
(deals with tax on certain types of financial transactions)
- **Trade Practices Act 1974** (deals with certain types of misleading marketing)
- **Privacy Act 1988** (deals with protection of the privacy of the details of individuals recorded by fundraisers)

ATO Endorsements

Numbers of each type:

- TSOs 700,000
- NPOs 320,000
- Charities 44,000
- PFC 20,000
- PBI 10,300



ATO Endorsements

Current details for 57 061 035 050

This extract is based on information supplied by businesses to the Registrar of the Australian Business Register. Neither the Registrar nor the Federal Government guarantee this information is accurate, up to date or complete. Consider verifying this information from other sources.

ABN: 57 061 035 050

[View ABN history](#)

Last modified: 03 Nov 2009

ABN status: Active from 27 Apr 2000

Entity name: GOLD COAST HOUSING COMPANY LIMITED

Entity type: [Australian Public Company](#)

GST status: Effective from 01 Jul 2000

PBI

GST

Main business location

State: QLD

Postcode: 4214

Trading name(s)

GOLD COAST HOUSING COMPANY LIMITED

Other registrations

Tax Concession GOLD COAST HOUSING COMPANY LIMITED, a [Public Benevolent Institution](#), is endorsed to access the following [tax concessions](#) status:

Tax concession	From
FBT Exemption	16 Sep 2006
GST Concession	01 Jul 2005
Income Tax Exemption	01 Jul 2000

FBT

GST

ITE

Deductible Gift Recipient GOLD COAST HOUSING COMPANY LIMITED is endorsed as a Deductible Gift Recipient from 16 Sep 2006. It is covered by [item 1](#) of the table in section 30-15 of the *Income Tax Assessment Act 1997*.

Important: Please read [Deductible Gift Recipient \(DGR\)](#) information before making a gift.

ACN or ARBN: 061035050

[Search ASIC](#)

DGR

Endorsements

- GST Concessions
 - Non-commercial transactions
 - “charitable sub-entity”
 - Religious groups
- FBT Exemption
- Income tax exemption

Endorsements

- DGR Endorsements
 - DGR status arising from PBI status
 - Note: for beneficiaries in Australia
 - Application pending for “approved organisation” status under “Overseas Aid Gift Deduction Scheme”
 - Step 1 – approved by AusAid
 - Step 2 – endorsed by ATO

1. Sales

Sales are the result of exchange relationships in which a supplier and a purchaser exchange valuable consideration at near market prices

If the supplier is registered for GST, then 1/11th of sale price paid must be remitted to the ATO (with some exceptions)

Exceptions

Where the goods or services supplied are:

- GST free
- Supplies made by a nonprofit at
 - less than 50% of the GST-inclusive market value
 - Less than 75% of the amount a charity paid to acquire the goods and services
 - When the supply is accommodation – at less than 75% of the GST-inclusive value of the accommodation, or
 - Less than 75% of the cost of providing the accommodation

Examples of “sales” in NPOs

- Memberships
 - Charitable merchandising
 - Special event fees/tickets, etc
 - Sponsorships
 - “Cause related marketing”
 - “Contra” deals
- ? How do you work out the tax?

2. Non-profit sub-entities

- A nonprofit can choose to treat a special event as a “non-profit sub-entity” to make the GST simpler.
- The NPO does not charge GST and the nonprofit can not claim the GST it pays on its “inputs”.

3. Gifts

How do you know when a transaction qualifies as a gift?

- Donor must give freely without obligation or duress or as part of a contract
- Donor has an intention to give
- Donor must own the gift
- There is a transfer of money or property
- Donor must not receive any valuable consideration in return (any benefit must be of a non-material nature which is not marketable in the normal sense.)

Case study

- You receive a donation of \$5,000 from a wealthy American tourist who is attending your special event with her friend – a member of your Board
- The American gives you her Amex card and after explaining that she doesn't need a tax deduction in Australia, asks you to make out the receipt in the name of your Board member's daughter
- What are the issues here?

Problem?

Most people think its OK to issue a receipt in
a name different from
the name of the payee?

Tax deductible gifts (TDGs)

Types of TDGs:

- \$2 or more: money
- Gifts of shares in listed companies valued \$5,000 or less
- Property >\$5,000 (valued by ATO)
- Property < 12 months (purchased during the 12 months prior to the gift)
- Trading stock: outside normal business
- Cultural gifts, bequests, heritage property

Tax deductible gifts

Not all gifts are tax deductible

- Only gifts to Deductible Gift Recipients (DGRs) are tax deductible

Who are the DGRs?

- Approximately 30 DGR categories:
 - Those that fall within a category
 - Those that are specifically named
 - Public Benevolent Institutions (PBIs are not all NPOs)

You need to know what category your organisation is in and what special conditions, if any, apply.

Google (Australia) “DGR Table” to read the detail

Examples from the “DGR Table”

DGR table – general categories	Item Number	Other conditions (see chapter 3)	Type of gift (see chapter 6)
<p>Public benevolent institution – a non-profit institution whose dominant purpose is the direct relief of poverty, sickness, destitution, suffering or misfortune and for the benefit of the community, or a section of it.</p> <p>See 'Public benevolent institution'.</p>	4.1.1	<ul style="list-style-type: none"> • in Australia • endorsement • receipts • self-review 	<ul style="list-style-type: none"> • \$2 or more • property >\$5,000 • property <12mths • trading stock
<p>Public art gallery</p> <p>See 'Public library, public museum and public art gallery'.</p>	12.1.4	<ul style="list-style-type: none"> • in Australia • endorsement • receipts • self-review 	<ul style="list-style-type: none"> • \$2 or more • property >\$5,000 • property <12mths • trading stock • cultural gifts • cultural bequests

4. What are Tax Deductible Contributions (TDCs)?

Where a contributor to certain fundraising events receives a minor benefit, some contributors may be able to claim a tax deduction for a portion of their payment

To be a TDC the contribution must:

- Be made to a DGR
- To be for an eligible special event
- To be an eligible contribution
- Comply with DGR gift conditions
- Made by an individual

What are eligible special events?

- Fetes, balls, gala shows, dinners, performances or similar run by a DGR

What are eligible contributions?

Two types:

- The right to participate in an event
- A successful bid in an auction conducted by a DGR

Conditions:

- Money over \$250
- Property purchased in 12 months prior and valued at more than \$250
- Property valued by ATO at >\$5,000
- Minor benefit Not > 10% or \$100

Individuals?

- Yes, only natural persons may claim a TDC
- That means that tickets sold to corporations, trusts, associations etc are NOT eligible TDCs

Amended rules for “tax deductible contributions” (TDCs)

Remember:

The contribution must be more than \$250 and the benefit can not exceed 10% or ≤\$100

Contribution	Benefit	Tax deduction
\$10	any	Nil
\$50	any	Nil
\$100	any	Nil
\$150	any	Nil
\$200	any	Nil
\$210	any	Nil
\$220	any	Nil
\$230	any	Nil
\$240	any	Nil
\$250	\$25 or less	\$225
\$300	\$30 or less	\$270
\$500	\$50 or less	\$450
\$600	\$60 or less	\$540
\$700	\$70 or less	\$630
\$800	\$80 or less	\$720
\$900	\$90 or less	\$810
\$1000	\$100 or less	\$900
\$1,100	\$100 or less	\$900
\$2,000	\$100 or less	\$900
\$5,000	\$100 or less	\$900
\$10,000	\$100 or less	\$900

State legislation

QLD	NSW	VIC	SA	WA
<u>Collections Act 1966;</u>	<u>Charitable Fundraising Act 1991;</u>	<u>Fundraising Act 1998;</u>	<u>Collections for Charitable Purposes Act 1939;</u>	<u>Charitable Collections Act 1946;</u>
<u>Collections Regulations 2008;</u>	<u>Charitable Fundraising Regulation 2008;</u> <u>Authority Conditions</u>	<u>Fundraising Regulations 2009;</u> <u>Exemption Order;</u> <u>Fundraising Appeals (Amend.) Act 2001;</u>	<u>Collections for Charitable Purposes (Collection Bins)</u>	<u>Charitable Collections Regulations 1947;</u>

Raffles and lotteries – Q & A

Charitable and Nonprofit Gaming Act 1999 (QLD)

Q. Who can run a raffle?

A. Anyone, - if it's run to breakeven, raffle has gross proceeds of <\$2,000, members of an association or those who work at the same location.

A. Holder of license from QOGR for raffles:

- Category 2 Raffles (\$2,000 - \$20,000)
- Category 3 Lotteries (>\$20,000)
- *All promoters must keep records*

Question:

Would you use an architect who didn't know the building codes?

Would you employ a chef who didn't know the food regulations?

Our Boards and Managers must know the rules!

Compliance with laws and regulations – We can't ignore the risks



Tax Office Publications

“Non-profit organisations and fundraising”
(NAT 13095-09.2008)

“GiftPack – for deductible gift recipients & donors”
(NAT 3132-06.2005)

Keep up-to-date:

Subscribe to the ATO email
Daily News for Non-profit Organisations

Principles & Standards of Fundraising Practice

The Principles & Standards of Fundraising Practice are a fundraiser's best practice guidelines to professional, accountable, ethical and transparent fundraising.

Engender Public Trust and Confidence

Principles of Fundraising practice comprise:

- Code of Ethics and Professional Conduct
- Fundraiser's Promise to Donors
- Code of Acceptance & Refusal of Donations
- FIA Complaints Process

International Statement of Ethical Principles

Honesty, Respect, Integrity, Empathy, Transparency

FIA Code of Ethics & Professional Conduct

- **Accountability & disclosure of donations and costs**
- **Promotional material – accurate, truthful and not misleading**
- **Full organisation identification**
- **Confidentiality - Dignity and privacy of beneficiaries**
- **Compliance with legislation per State, standards of fundraising practice**

Fundraiser's Promise to Donors

Creates a bridge of trust and mutual respect between Donors and Fundraisers

- Inform donors – organisation, use of donation, volunteer or employee basis
- Acknowledge donors – written receipt & note of personal thanks
- Respect donors – no influences, harassment, coercion
- Management of complaints

Code of Acceptance & Refusal of Donations

Purpose is to guide clear and consistent decisions related to acceptance/refusal of donations

- Establishing a policy
- What to consider before accepting/refusing donations
 - no material benefit to donor must come into play,
 - no negative publicity
- Key legal points – Fair Trade Acts and Trade Practices Act, Anti-discrimination Act

FIA Complaints Process

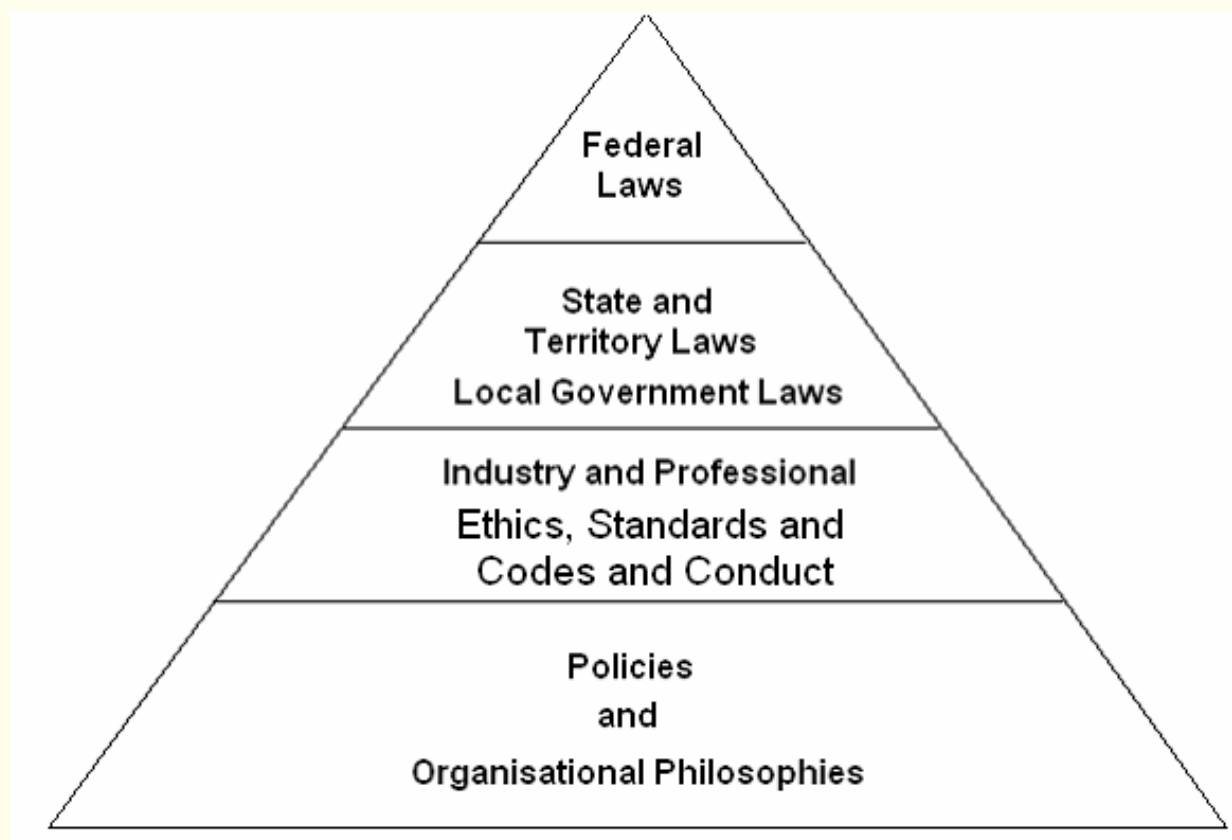
Must be in writing stating grounds of complaint

- Fairness
- Accountable
- Accessible
- Efficient & Effective investigation
- Maintain professional integrity
- Complete data collection
- Process review

Standards of Fundraising Practice

- Standard of Bequest Fundraising Practice
 - Standard of Gaming Fundraising Practice
 - Standard of Charitable Telemarketing Fundraising Practice
 - Standard of Direct Mail Fundraising Practice
 - Standard of Electronic Fundraising Practice
 - Standard of Events Fundraising Practice
 - Standard of Face to Face Fundraising Practice
 - Standard of Grants Fundraising Practice
 - Standard of Overseas Aid Fundraising Practice
 - Standard of Schools Fundraising Practice
 - Standard of Workplace Giving Fundraising Practice
- (Coming soon Social Media Standard)*

Professional Ethics



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 MELBOURNE CONVENTION & EXHIBITION CENTRE
 24 - 27 February 2011



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