



Landcare Notes

GST and ABN

Taxation requirements change constantly. It's important to keep up to date because there may be legal financial requirements you need to consider under certain circumstances.

This Landcare Note outlines taxation for a non-profit organisation.

What is it?

The two aspects of taxation law your group has to consider are the Goods and Services Tax (GST) and the Australian Business Number (ABN).

GST

GST is a broad-based tax of 10 per cent on most goods and services. It is a transaction-based tax, so no group is exempt from paying it because it's part of the cost of the goods and services you buy.

Most groups are not legally required to register for GST. As a non-profit organisation, you are only required to register if your annual turnover is \$100,000 or more.

Your group can choose to register for GST and then you can claim GST return on the goods and services you have bought, but this means you must also charge GST on everything you have sold.

Once registered for GST you need to keep detailed records and provide a statement to the Australian Tax Office at least once a year, detailing all the transactions involving GST.

ABN

The Australian Business Number (ABN) registration lodges the details of the registered organisation on the Australian Business Register. This register can be used by anyone who wants to find out if an organisation has an ABN and whether it is registered for GST. They

can also find out if the group is endorsed as a deductible gift recipient, where the donor can claim a tax deduction for a donation (see below).

The ABN is a basic element for any business that involves the exchange of goods and services for money. It is easy and free to obtain an ABN. Most Landcare groups have an ABN because it allows them to generate an invoice (charge for a materials or a service). If you have an ABN, it means you won't be charged withholding tax at the highest marginal tax rate for any income (including bank interest) that your group generates during the year.

If you don't have an ABN but do supply goods or services, and receive payment for them, you can make a Statement of Supplier to the recipient. This statement allows you to give the reason why you don't have an ABN, to ensure you are exempt from income tax.

It's worth remembering that many funding bodies will only offer grants to groups who have an ABN and are incorporated.

Use of ABN

As a non-profit organisation, you can use your ABN to apply to the Australian Tax Office for endorsement as a deductible gift recipient (DGR) or income tax exempt charity (ITEC).

You can also register as a pay-as-you-go (PAYG) withholder, register for GST and claim GST credits.

Contact the Tax Office for information on other taxes, how to deal with investment bodies and interact with other government departments, agencies and authorities.

Income tax exemption

Only certain types of not-for-profit groups are exempt from income tax and most Landcare groups fall into this category.



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The Australian Tax Office website provides direction and worksheets for you to assess your group so you can conform to the income tax exempt status.

If you have a large group with significant income-generating activities, you should check your status by contacting the ATO or a registered tax accountant.

Other taxes

If you are a large group employing staff you may have to pay other taxes including income tax and Fringe Benefits Tax (FBT). Detailed information on these responsibilities are given in Australian Tax Office (2005) and the *Our Community* reference (see below). If you do employ staff, refer to Landcare Notes: 10.1 Employing Staff; 10.3 Employing Contractors and Consultants.

Tax processes

Always seek the advice of a registered accountant. They can provide up-to-date information about the best approach and most appropriate operating system for your particular needs and circumstances.

An ABN can be obtained via the Internet through the Australian Business Register, the Business Entry Point, by contacting the Australian Tax Office direct or applying through a tax agent.

If you want to register for an ABN and GST, this can be done jointly on the ABN application form. Remember that if you do register for GST, you will need to allow for this in your financial recording system (see Landcare Note 4.2: Keeping Financial Records).

Key tools

An essential information tool is the induction package for non-profit administrators (see Australian Tax Office (2005), below). If you're

not sure of where you stand, seek advice from an accountant.

Further references

Victorian Landcare Gateway:

www.landcarevic.org.au

ATO (2005) – Induction Package for Non-profit Administrators:

<http://www.ato.gov.au/nonprofit/>

ATO (2005) – The Endorsement Process for Deductible Gift Recipients:

<http://www.ato.gov.au/nonprofit/content.asp?doc=/content/13268.htm&pc=001/004/006/007/001&mnu=1274&mfp=001/004&st=&cy=1>

ATO (2005) – Is Your Organisation Income Tax Exempt?

<http://www.ato.gov.au/nonprofit/content.asp?doc=/content/8555.htm&mnu=28532&mfp=001/004>

ABR – Apply for Australian Business Number:

www.abr.gov.au

BEP – Register for an Australian Business Number (ABN): www.business.gov.au

Landcare coordinators in your region – contact your Catchment Management Authority.

Our Community – Tax Facts and Legal Structures: Help Sheet 10:

http://www.ourcommunity.com.au/financial/financial_article.jsp?articleId=2205

Related Landcare Notes

This Landcare Note is one of a series. These notes provide an excellent guide for the ongoing operation of your group.

Landcare Note 4.2: Keeping Financial Records

Landcare Note 10.1: Employing Staff

Landcare Note 10.3: Employing Contractors and Consultants



Victorian
Landcare
Program

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Landcare Note 4.5

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