

Access / leadership magazine Article

ATO Compliance Program for Not for Profits 2009-2010

As 2009 drew to a close many of our readers were aware that the Australian Tax Office had focussed on reviewing the Not for Profit Sector for compliance through a reviews and audits during the year.

Churches are included in reporting this sector for the Compliance review.

In early January the ATO released details of the Compliance program, which contain some disturbing results. Here are some of them,

- They checked 5000 applications for endorsements as a Charity or Deductible Gift Recipient Funds (DGR) and declined 1100 of them
- They reviewed 170 existing DGR and Tax Charity Concessions (TCC) holders which resulted in 40 entitlements being revoked and a further 23 cases receiving written advice to make changes.
- They received 348 complaints from employees over employers not meeting superannuation entitlement requirements that lead to \$3.5 million being recovered.
- They completed 4000 GST reviews that resulted in \$13.5 million of revisions

It is concerning, that important regulatory compulsory areas such as superannuation deductions have been overlooked by employers especially when they have been in existence for many years and the rules are not complex. Other key areas the Not for Profit sector failed in are a little more complex but an analysis of them identifies two important weaknesses

- Wrongful preparation of applications for the endorsement processes
- Non completion of annual reviews for TCC and DGR holders
- Lack of understanding of the taxation requirements

It is strongly recommended that the Churches take taxation matters and employee entitlements seriously and if they do not have the technical expertise on staff, then they liaise with a larger Church who can assist them or they contact a professional experienced in these type of matters.

In concluding, there is one other startling figure quoted by the ATO. They reviewed 1359 clients through visits, desk audits and phone audits for payrolls, including PAYG, super and Fringe benefits that raised an additional \$25 million. The sheer volume of client reviews in this category indicates that they are taking a high level of interest in the payment of wages and salaries. It important that those we pay using religious Practitioner (Pastors) Exempt benefits are genuinely eligible and those receiving other Fringe Benefits qualify.



Graeme Kirkwood
Copyright 2011

Graeme R Kirkwood (Associate Chartered Accountant)

Mailing Address: PO Box 7409 Baulkham Hills Mail Centre NSW 2153 Australia

Mobile: 0412 476 016 **Phone / Fax 61** (02) 96341255 **e-mail:** graeme@globalchurchsolutions.com

Global Church Solutions, is a division of I for Style 2001 Pty Ltd,

A.C.N. 096 897 522 - **A.B.N.** 48 096 897 522