

**Australian Government****Australian Taxation Office**

Instructions for endorsement as a tax concession charity or income tax exempt fund

These instructions help you complete the *Application for endorsement as a tax concession charity or income tax exempt fund* (NAT 10651).



Make sure the application is signed and dated before it is lodged. Unsigned applications will be returned to you.



Endorsement gives your organisation access to tax concessions.



The Tax Office has other products explaining endorsement requirements.

To access further information, visit our website www.ato.gov.au/nonprofit

OUR COMMITMENT TO YOU

The information in this publication is current at December 2005.

In the taxpayers' charter we commit to giving you information and advice you can rely on.

If you try to follow the information contained in our written general advice and publications, and in doing so you make an honest mistake, you won't be subject to a penalty. However, as well as the underpaid tax, we may ask you to pay an interest charge.

We make every effort to ensure that this information and advice is accurate. If you follow our advice, which subsequently turns out to be incorrect, or our advice is misleading and you make a mistake as a result, you won't be subject to a penalty or interest charge although you'll be required to pay any underpaid tax.

You are protected under GST law if you have acted on any GST information in this publication. If you have relied on GST advice in this Tax Office publication and that advice has later changed, you will not have to pay any extra GST for the period up to the date of the change. Similarly, you will not have to pay any penalties or interest.

If you feel this publication does not fully cover your circumstances, please seek help from the Tax Office or a professional adviser. Since we regularly revise our publications to take account of any changes to the law, you should make sure this edition is the latest. The easiest way to do this is by checking for a more recent version on our website at www.ato.gov.au

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INTRODUCTION

These instructions will help you complete the form, *Application for endorsement as a tax concession charity or income tax exempt fund* (NAT 10651).

WHO SHOULD USE THIS APPLICATION?

This application is for:

- **charities** that want to apply for endorsement to access one or more of the following concessions:
 - income tax exemption
 - GST charity concessions
 - fringe benefits tax (FBT) rebate
 - FBT exemption
- **non-charitable funds** that want to apply for endorsement to access income tax exemption as an income tax exempt fund.

Overview of entity types and related concessions


For an explanation of each:

- Entity type – see pages 4 and 5
- Concession – see pages 8 and 9.



Entity type	Concession
Charitable fund	Income tax exemption*
	GST charity concessions
Charitable institution	Income tax exemption*
	GST charity concessions
	FBT rebate
Public benevolent institution	Income tax exemption*
	GST charity concessions
	FBT exemption
Health promotion charity	Income tax exemption*
	GST charity concessions
	FBT exemption
Income tax exempt fund	Income tax exemption*


* Endorsed income tax exempt entities may be entitled to a refund of franking credits on franked dividends they receive.


HOW TO COMPLETE THIS APPLICATION

- Refer to these instructions where a question shows a message like this  See instructions page 3
- Print clearly, using a black pen only.
- Use BLOCK LETTERS and print one character per box.

2 0 0 5

- If typing, you can type over the boxes using UPPER CASE only.
- Place  in ALL applicable boxes.
- Answer all questions unless you are directed to a specific question(s).
- If you make a mistake, place a diagonal line through the box . Do not use whiteout. Complete the question in the remaining space.

 Please check that all the information you provide is accurate and complete.

 Penalties may be imposed for giving false or misleading information.

WHERE TO SEND YOUR COMPLETED APPLICATION

Send your completed application to:

Australian Taxation Office
PO Box 3373
ALBURY NSW 2640

ACTUAL TIME TAKEN TO COMPLETE THIS APPLICATION

Please estimate the time taken to complete this application. Include the time taken to collect any information.

APPLYING FOR ENDORSEMENT AS A DEDUCTIBLE GIFT RECIPIENT (DGR)

Some charities and non-charitable funds are also entitled to deductible gift recipient (DGR) status. An organisation seeking endorsement as a DGR should apply on the *Application for endorsement as a deductible gift recipient* (NAT 2948).

For information about the types of organisations that can be DGRs, see *GiftPack for deductible gift recipients & donors* (NAT 3132). Refer to 'More information' on the inside back cover to find out how to obtain these publications.

SECTION A: APPLICANT INFORMATION

1 YOUR ORGANISATION'S AUSTRALIAN BUSINESS NUMBER (ABN) IS:

To access the tax concessions outlined in this application your organisation must have an Australian business number (ABN).

If the pre-printed ABN is incorrect or not supplied, please print your organisation's correct ABN here.

2 YOUR ORGANISATION'S LEGAL NAME IS:


If the pre-printed name is incorrect or not supplied, please print your organisation's correct legal name here.

3 WHAT ENTITY TYPE BEST DESCRIBES YOUR ORGANISATION?

Place in ONE box only.

Each entity type is explained.

- Charitable fund – see page 4.
- Charitable institution – see page 4.
- Public benevolent institution – see page 4.
- Health promotion charity – see page 4.
- Income tax exempt fund – see page 5.

 To be an entity type listed at this question, other than an income tax exempt fund, your organisation must be a charity - see 'Charity' below.

Charity

The characteristics of a charity are:

- it is an entity that is also a trust fund or an institution
- it exists for the public benefit or the relief of poverty
- its purposes are charitable within the legal sense of that term
- it is non-profit, and
- its sole or dominant purpose is charitable.

Briefly, purposes will be charitable if they are to benefit the community, or a section of it, through the following activities.

The relief of poverty or sickness or the needs of the aged, including through public benevolent institutions, hospitals and nursing homes, relief agencies, youth and womens refuges, drug rehabilitation services, disability services, refugee welfare centres, soup kitchens, and organisations that support disadvantaged Indigenous people or supply furniture, clothing and low-cost housing to the poor.

The advancement of education, including through schools, colleges, universities, research and scientific institutes, scouts and similar organisations, scholarship trusts, school building funds and parents and citizens associations.

The advancement of religion, including religious congregations such as churches and synagogues, seminaries, religious orders, organisations for building or repairing religious buildings, and organisations for supporting clergy and for spreading religious doctrine and practice.


Other purposes beneficial to the community including:

- promoting health, for example, through educating the public about a particular disease
- providing community facilities, for example, museums, libraries, halls, botanical gardens, migrant resource centres, neighbourhood centres and community radio stations
- promoting art and culture through means such as music and drama
- helping to maintain defence and public order and providing emergency services
- relieving distress due to natural disasters such as floods or bushfires
- providing social welfare through activities such as counselling, child care, and family or marriage support services
- helping people cope with the problems of unemployment
- promoting scientific research
- advancing commerce, agriculture and industry through activities such as research and resource development
- protecting animals, and
- preserving historic buildings.

This list is not exhaustive. Other purposes may be charitable where they are intended to provide benefits of social value to the community or a section of the community.

Institutions and funds whose purposes are **not** charitable include:

- sporting, recreational and social clubs
- organisations run for the profit of their members
- organisations run for their members' common interests (this includes professional or trade groups)
- community service organisations that have a significant membership purpose, such as traditional service clubs
- political parties and lobbying groups, and
- commercial or business enterprises operated for fundraising.

 For more information about what is a charity refer to the *Income tax guide for non-profit organisations* (NAT 7967). The guide includes a checklist to work through and provides examples of charities and non-charities.

Refer to 'More information' on the inside back cover to find out how to obtain this publication.

Charitable fund

- To be this entity type your organisation must be a charity – see ‘Charity’ on page 3.

A charitable fund is a fund established under an instrument of trust or a will for a charitable purpose.

It must:

- manage trust property, and/or
- hold trust property to make distributions to other entities or people.

EXAMPLE

AS Foundation was established by a deed of trust and manages assets to pay scholarships from the income. *AS Foundation* is treated as a fund.

In contrast, if your organisation mainly carries on activities that are charitable, it will be a charitable institution and not a charitable fund.

Charitable institution

- To be this entity type your organisation must be a charity – see ‘Charity’ on page 3.

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 from its governing document/s and from its activities, history and control.

An institution may be an organisation established by will or instrument of trust. It may also have the legal structure of an unincorporated association or a corporation. However, incorporation is not enough on its own for an organisation to be an institution – what the organisation does is also relevant. An organisation established, controlled and operated by family members and friends would not normally be an institution.

EXAMPLE

SD Trust was established by a deed of trust and operates a hostel for the homeless. *SD Trust* is treated as an institution.

Public benevolent institution

- To be this entity type your organisation must be a charity – see ‘Charity’ on page 3.

A public benevolent institution (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 non-profit 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 about public benevolent institutions, refer to our publication *GiftPack for deductible gift recipients & donors* (NAT 3132).

Refer to ‘More information’ on the inside back cover to find out how to obtain this publication.

Health promotion charity

- To be this entity type your organisation must be a charity – see ‘Charity’ on page 3.

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

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 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 about health promotion charities, refer to our publication *GiftPack for deductible gift recipients & donors* (NAT 3132).

Refer to ‘More information’ on the inside back cover to find out how to obtain this publication.

Income tax exempt fund

To fall within this entity type, a fund must:

- not be a charitable fund
- be established and maintained under a will or instrument of trust solely for:
 - the purpose of providing money, property or benefits to income tax exempt deductible gift recipients (DGRs), or
 - the establishment of DGRs
- not provide for, or establish DGRs that are ancillary funds or prescribed private funds, and
- where a DGR is endorsed only for a fund, authority or institution that it operates, only provide for, or establish, such a fund, authority or institution.

If a fund can be applied for purposes that are not charitable, it is not a charitable fund. For income tax exempt funds, the choice of DGRs to which they can distribute is not limited to DGRs which are charities, or for charitable purposes in benefiting DGRs.

The beneficiaries of income tax exempt funds can include DGRs that are charities and DGRs that are not charities. An income tax exempt fund could also distribute only to DGRs that are not charities. Government special schools and public authorities for research are examples of DGRs that are not charities.

4 IS YOUR ORGANISATION A HOSPITAL?

Place in ONE box only.

A fringe benefits tax (FBT) exemption is provided to public hospitals (whether government controlled or not) and hospitals carried on by non-profit societies or associations. Such hospitals are not required to seek endorsement to access this FBT exemption.

However, hospitals that are charitable institutions will need to be endorsed to access the income tax and GST charity concessions listed in the table on page 8.

Please note: under the FBT endorsement provisions a hospital **cannot** be endorsed as an FBT exempt public benevolent institution. A hospital employer is limited to the \$17,000 FBT-free capping threshold for each employee and not the \$30,000 cap applicable to public benevolent institutions.

5 WHAT IS YOUR ORGANISATION'S MAIN PURPOSE?

Place in ONE box only.

Choose the purpose that best describes your organisation.

EXAMPLE

A charity that mainly provides relevant information to sufferers of a disease should select 'advancement of health'.

6 WHAT ARE THE AREAS OF YOUR ORGANISATION'S MAIN ACTIVITIES?

Place in ALL applicable boxes.

If you are applying for a fund, please indicate the main activities of the organisations to which the fund mostly distributes.

EXAMPLE

FG Society provides accommodation to aged persons who are poor. It should select 'poverty' and 'aged persons'.

EXAMPLE

CR Services provides a community information and referral service to make people aware of local services and facilities available to them. It should select 'locality or neighbourhood'.

7 GOVERNING DOCUMENTS**7(a) Does your organisation have written governing documents?**

Place in the box that applies.

An organisation's purposes can be found in its written governing document/s. Examples include trust deeds, memorandums and articles of association, constitutions, rules or charters.

⚠ If you answer 'No' to this question, we will contact you for further information.

You may wish to provide material with your application that shows your organisation's purpose. Examples include:

- copies of annual reports and financial statements (including detailed income and expenditure statements)
- details of all activities undertaken
- minutes of relevant meetings
- copies of any pamphlets, brochures, newsletters, advertisements or any other literature that provides details or advertises your organisation's activities, and
- any other information you feel would assist us in processing your application.

7(b) Do those documents contain a suitable non-profit and winding up clause?

Place in the box that applies.

The Tax Office accepts an organisation as non-profit where its constituent or governing documents prevent it from distributing profits or assets for the benefit of particular people – while it is operating and when it winds up. These documents should contain acceptable clauses showing the organisation's non-profit character. The organisation's actions must be consistent with this requirement.

EXAMPLE

Acceptable clauses to indicate non-profit character are:

Non-profit clause

'The assets and income of the organisation shall be applied solely in furtherance of its above-mentioned objects and no portion shall be distributed directly or indirectly to the members of the organisation except as bona fide compensation for services rendered or expenses incurred on behalf of the organisation.'

Dissolution clause

'In the event of the organisation being dissolved, the amount that remains after such dissolution and the satisfaction of all debts and liabilities shall be transferred to another organisation with similar purposes which is not carried on for the profit or gain of its individual members.'

⚠ If you answer 'No' to this question, we will contact you for further information.

You may wish to provide material with your application that shows your organisation is non-profit.

8 IN WHAT YEAR WAS YOUR ORGANISATION ESTABLISHED?

Write the year in which your organisation was established.

EXAMPLE

GH Association was formed in 1957 by the amalgamation of three societies. It would write 1957 as the year in which it was established, not the years in which the societies were formed.

EXAMPLE

HJ Conference was incorporated by a church in 1978. The church was formed in 1939. *HJ Conference* would write 1978 as the year in which it was established, not the year in which the church was formed.

9 TO WHAT EXTENT DOES YOUR ORGANISATION PURSUE ITS PURPOSES OUTSIDE AUSTRALIA?

If your organisation's purposes are wholly in Australia write 0%. Otherwise, estimate how much of your activities and commitments are outside Australia.

EXAMPLE

LQ College's purpose is to train teachers in particular techniques. It works throughout Australia and the South Pacific. About a quarter of its training is conducted outside Australia. *LQ College* would write 25%.

EXAMPLE

The purpose of *QW Ministries* is to have the gospel spread in Queensland and Papua New Guinea by its itinerant preachers. A third of its activities occur in Papua New Guinea. *QW Ministries* would write 33%.

10 WHAT PERCENTAGE OF YOUR ORGANISATION'S EXPENSES ARE DEVOTED TO PURSUING ITS PURPOSES OUTSIDE AUSTRALIA?

If your organisation's purposes are wholly in Australia write 0%. Otherwise, estimate how much of its expenses go to offshore purposes.

EXAMPLE

If *LQ College* in question 9 spends half of its budget on offshore training, it would write 50%.

EXAMPLE

If *QW Ministries* in question 9 spends only a quarter of its budget on its Papua New Guinea operations, it would write 25%.

SECTION B: ENDORSEMENT INFORMATION

11 IS YOUR ORGANISATION APPLYING FOR:

11(a) endorsement of your organisation as a whole

Place in the box beside this question if you are applying for endorsement of your organisation as a whole (that is, the entire corporation, unincorporated association, trust or other entity).

EXAMPLE

A company is a health promotion charity. It can apply for endorsement to access tax concessions in relation to the whole of its operations.

11(b) endorsement for an FBT exempt public benevolent institution employer that your organisation operates

Place in the box beside this question if you are applying for endorsement for a public benevolent institution (PBI) employer that your organisation operates.

The characteristics of a PBI employer that you operate are:

- it is a PBI
- it is an employer, and
- it is not an entity in its own right, but forms part of your organisation.

The FBT exemption for a PBI employer that you operate does not apply in respect of your organisation's employees generally. It only applies in respect of the employees of the PBI employer itself and it is subject to a \$30,000 cap per employee.

EXAMPLE

A corporation, which is a charitable institution, runs several programs including a hostel. The hostel, which is a part of the corporation, is a public benevolent institution. Also, the hostel is the employer of its own staff.

The corporation would apply under 11(b) for endorsement for an FBT exempt public benevolent institution employer (the hostel) which it operates.

EXAMPLE

An unincorporated association, which is a charitable institution, runs several programs including a shelter. The shelter, which is a part of the unincorporated association, is a public benevolent institution. The association is the employer of all its staff, including those of the shelter, and the shelter is not an employer.

The association cannot apply under 11(b) because the public benevolent institution it operates is not an employer.

EXAMPLE

A trust, whose sole operation is running a relief centre, is a public benevolent institution.

The trust cannot apply under 11(b). Rather, it would apply under 11(a) because the endorsement is to apply to the entity (the trust) as a whole.

EXAMPLE


A corporation, which is a charitable institution, runs several programs including a relief program. The relief program is not a public benevolent institution, even though the people assisted are in need of benevolent relief.

The corporation cannot apply under 11(b) because it does not operate a public benevolent institution.

Date of endorsement

The earliest date that can be entered at this question is 1 July 2005.

If your organisation became entitled to endorsement for a PBI employer that it operates after that date, enter the date on which it became entitled to endorsement.

 For more information about PBI employers see our web only document *Fringe benefits tax and public benevolent institution employment arrangements*.

Refer to 'More information' on the inside back cover to find out how to obtain this publication.

12 WHAT TAX CONCESSIONS IS YOUR ORGANISATION APPLYING TO BE ENDORSED FOR AND FROM WHAT DATE?

Endorsement under the various laws provides access to the concessions listed below.

CONCESSIONS AVAILABLE TO YOUR ORGANISATION

Type of concession	Explanation	Who can access
Income tax exemption	Exemption from paying income tax, removing the need to lodge income tax returns. Condition for entitlement to refunds of franking credits on franked dividends.	Endorsed charities from 1 July 2000 Endorsed income tax exempt funds from 1 July 2005
GST charity concessions	<p>There are a range of GST concessions for transactions involving endorsed charities.</p> <ul style="list-style-type: none"> ■ Gifts and input tax credit adjustments – adjustments for GST credits are not required where an item acquired is gifted to the charity. ■ Accounting on a cash basis – the charity may choose to account on a cash basis regardless of its annual turnover. ■ Supplies for nominal consideration – non-commercial supplies of goods and services (including accommodation) made by the charity are GST-free. ■ Donated second-hand goods – sales by the charity of donated second hand goods are generally GST-free. ■ Raffles and bingo – supplies of raffles and bingo by the charity are GST-free where the supply does not contravene a state or territory law. ■ Fundraising events – the charity may choose to treat all supplies it makes in connection with certain fundraising events as input taxed. The charity is not required to remit GST on supplies made in connection with the event. However, the charity is not entitled to claim GST credits for related purchases. ■ Non-profit sub-entities – a GST registered charity has the option of treating any of its separately identifiable branches as separate entities for GST purposes. Provided that the annual turnover of the non-profit sub-entity is less than \$100,000 it is not required to register for GST. An unregistered non-profit sub-entity does not remit GST on sales and does not claim GST credits for purchases. ■ Reimbursement of volunteer expenses – a GST registered charity is entitled to GST credits for reimbursements made to volunteers for expenses the volunteer incurs that are directly related to his or her activities as a volunteer of the charity. 	Endorsed charities from 1 July 2005

Type of concession	Explanation	Who can access
Fringe benefits tax (FBT) rebate	Entitlement to a rebate equal to 48% of the gross FBT payable, subject to a capping threshold. The maximum grossed-up value of benefits that can be provided to anyone employed by the charity (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.	Endorsed charitable institutions from 1 July 2005 . Does not apply to: <ul style="list-style-type: none"> ■ public benevolent institutions ■ health promotion charities, or ■ charitable institutions established by a law of the Commonwealth, a state or a territory.
FBT exemption	Exemption from paying FBT subject to a capping threshold. Benefits provided to 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. If the total grossed-up value of the fringe benefits provided to an individual employee is more than \$30,000, the employer will be liable for the FBT on the excess amount.	Endorsed public benevolent institutions and health promotion charities only from 1 July 2005

NOTES TO TABLE

Note 1

There are also GST concessions available to charities in so far as they are non-profit organisations. To access these concessions it is not necessary that the charity be endorsed.

Note 2

A GST credit is what a GST registered organisation claims to get back the GST it pays in the price of goods and services it purchases for its enterprise. Your organisation is entitled to a GST credit for the GST included in the price it pays for a purchase, or the GST paid on an import if it is for use in its enterprise, but not to the extent that it uses the purchase to make input taxed sales. Your organisation must have a tax invoice before it can claim a GST credit on an activity statement (except for purchases of \$50 or less excluding GST).

Note 3

Certain organisations are entitled to deductible gift recipient (DGR) status. A DGR is an organisation that can receive income tax deductible gifts. There is a separate application process for organisations seeking DGR status. An organisation seeking endorsement as a DGR should apply on an *Application for endorsement as a deductible gift recipient* (NAT 2948). For more information on the types of organisations that can be DGRs, see *GiftPack for deductible gift recipients & donors* (NAT 3132). Refer to 'More information' on the inside back cover to find out how to obtain this publication.

Note 4

Where an entity qualifies for a tax concession as both a charity and another type of entity, for example a religious institution, the entity may only claim the concession if the entity is endorsed as a charity.

Note 5

Endorsement as an income tax exempt charity also entitles religious institutions to access the GST grouping provisions.

12(a) all available tax concessions

If your organisation wants to be endorsed for all available tax concessions place in the box.

➤ ARE YOU ENTITLED TO BE ENDORSED?

To be entitled to endorsement for income tax exemption your organisation must satisfy the conditions explained at 'Income tax exemption' – see next column.

To be entitled to endorsement for GST and fringe benefits tax concessions, your organisation must have an ABN and be a charity. For more information on GST and FBT endorsements, see pages 15 and 16.

If you select option (a) of this question:

- you are confirming that your organisation is entitled to endorsement for all available concessions, including income tax exemption, and
- we will endorse your organisation for all concessions available to your entity type, as advised by you at question 3 – 'What entity type best describes your organisation?'

The table on page 2 provides an overview of the concessions available to each entity type.

Date of endorsement

The earliest date that can be entered at option (a) is 1 July 2005.

If your organisation became entitled to endorsement for all available concessions after that date, enter the date on which it became entitled to endorsement.

If your organisation is seeking endorsement for income tax exemption for a date before 1 July 2005, do not select this option. You will need to complete option (b).

12(b) one or more of the following:

Place in ALL applicable boxes if your organisation wants to be endorsed for one or more of the concessions listed under this section.

Entitlement to endorsement for each of the concessions is outlined.

- Income tax exemption – see below.
- GST charity concessions – see page 15.
- FBT rebate – see page 16.
- FBT exemption – see page 16.

Income tax exemption

To be endorsed as income tax exempt, an organisation must meet certain requirements.

- Charitable institutions (including public benevolent institutions and health promotion charities) – see below
- Charitable funds – see page 12
- Income tax exempt funds – see page 15.

Charitable institutions

Work through the following conditions to find out if your charitable institution is entitled to be endorsed as an income tax exempt charity. The flow chart on page 11 will help you.

A charitable institution is entitled to be endorsed as income tax exempt only if it has an Australian business number and it meets at least **one of three** tests:

- physical presence in Australia test
- deductible gift recipient test, or
- prescribed by law test.

1 Physical presence in Australia test

Your institution will meet this test if:

- it has a physical presence in Australia (which is greater than merely operating through an agent in Australia or holding property in Australia – a division of your institution in Australia would show the necessary physical presence), and
- to the extent that it has a physical presence in Australia, it incurs its expenditure and pursues its objectives principally in Australia. In determining this, there are special rules for offshore use of amounts you received as gifts or government grants.

2 Deductible gift recipient test

Your institution will meet this test if:

- it has been endorsed as a deductible gift recipient in its own right and not merely for a fund, authority or institution it operates, or
- it is listed by name in the income tax law as a deductible gift recipient.

3 Prescribed by law test

Your institution will meet this test if it is prescribed by name in the income tax regulations, and

- is located outside Australia and is exempt from income tax in its country of residence, or
- has a physical presence in Australia but incurs its expenditure and pursues its objectives principally outside Australia.

Does your charitable institution meet at least one of these tests and have an ABN?


Yes – Place an in the appropriate box and write the date of endorsement.

No – It is not entitled to be endorsed for income tax exemption.

Date of endorsement

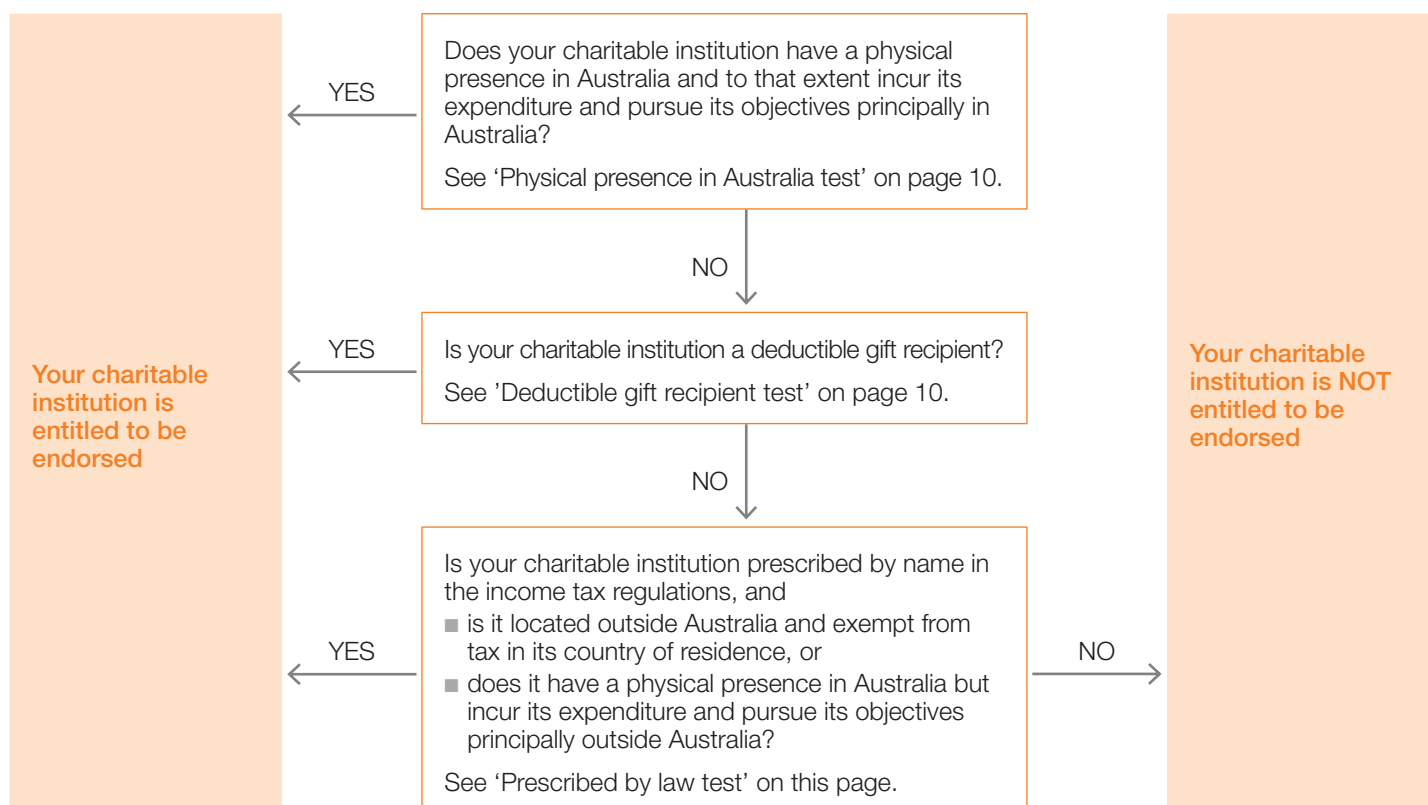
The earliest date a charity can enter at 12(b) for endorsement to access income tax exemption is 1 July 2000.

If your organisation became entitled to endorsement after that date, enter the date on which it became entitled to endorsement.

 The *Income tax guide for non-profit organisations* (NAT 7967) contains more information about endorsement for income tax exemption.

Refer to 'More information' on the inside back cover to find out how to obtain this publication.

Income tax exemption – charitable institutions



Charitable fund

Work through the following conditions to find out if your charitable fund is entitled to be endorsed for income tax exemption. The flow chart on page 14 will help you.

Your charitable fund is entitled to be endorsed for income tax exemption if it has an Australian business number and:

- it is applied for the purposes for which it was established, and
- it also meets additional tests. These tests vary, depending on when and how the fund was established.

Applied for its purposes

To be endorsed for income tax exemption, a charitable fund **must** be applied for the purposes for which it was established. If it is not being applied for those purposes, it is not entitled to be endorsed for income tax exemption.

Examples where a charitable fund is not being applied for its purposes include:

- where distributions are made for non-charitable purposes
- where trust property is being invested in ways to confer private benefits on particular people, or
- where income is being accumulated excessively.

Is your charitable fund being applied for its purposes?

Yes – Read on.

No – It is not entitled to be endorsed for income tax exemption.

Charitable funds established by will before 1 July 1997

If a charitable fund is established by will before 1 July 1997 its entitlement to be endorsed for income tax exemption will depend on the assets it has received from 1 July 1997.

Provided a charitable fund has an Australian business number (ABN) and is being applied for the purposes for which it was established, it will be entitled to endorsement if, on or after 1 July 1997, it:

- has paid valuable consideration for all new assets it received, and
- has not received any assets under a will.

Does your charitable fund meet this test (and the other requirements for endorsement)?

Yes – Place in the appropriate box on the form and write in the date of endorsement (see page 13).

No – Read on.

Assets not wholly acquired before 1 July 1997

If your charitable fund has received assets under a will on or after 1 July 1997 or it has not paid valuable consideration for any new assets received on or after 1 July 1997, it is deemed to consist of two separate trusts, called an 'old trust' and a 'new trust'.

The 'new trust' consists of the following property:

- assets given to the charitable fund after 30 June 1997 for which it did not pay valuable consideration
- assets becoming part of the charitable fund under a will after 30 June 1997
- assets received in substitution for those assets, and
- any income derived from these assets.

'Valuable consideration' is a payment of real and substantial value.

The 'old trust' consists of the remainder of the charitable fund. Effectively this will be the entire fund as at 30 June 1997, and property acquired from that date that:

- is received in substitution for assets held before 1 July 1997
- was given in return for valuable consideration, or
- is income derived from that property.

The 'old trust' is entitled to be endorsed for income tax exemption, provided your charitable fund has an ABN and is being applied for the purposes for which it was established.

Does your charitable fund have an 'old trust' (and meet the other requirements for endorsement)?

Yes – Place in the appropriate box and write the date of endorsement (see page 13). For your fund's 'new trust' read on.

No – Read on.

The 'new trust' has to meet at least one of the three tests set out in 'Charitable funds: the three tests' (see page 13). If the 'new trust' meets this requirement, the whole charitable fund will effectively be entitled to be endorsed for income tax exemption.

Charitable funds not established by will before 1 July 1997

To be endorsed, charitable funds that were not established by will before 1 July 1997 must be established in Australia.

These charitable funds must meet at least **one of three** additional tests explained in the next section.

Charitable funds: the three tests

Charitable funds that are **not** established by will before 1 July 1997 and 'new trusts' must meet at least **one of three** tests, in addition to the requirement that they are applied for the purposes for which they were established.

The tests are:

- Australian purposes test
- deductible gift recipient test, or
- distributions test.

1 Australian purposes test

The charitable fund or 'new trust' must:

- pursue its purposes solely in Australia, and have done so at all times since 1 July 1997, and
- incur its expenditure principally in Australia, and have done so at all times since 1 July 1997. In determining this, there are special rules for offshore use of amounts you received as gifts or government grants.

2 Deductible gift recipient test

Your charitable fund or 'new trust' will meet this test if:

- it has been endorsed as a deductible gift recipient in its own right and not merely for a fund, authority or institution it operates, or
- it is listed by name in the income tax law as a deductible gift recipient or in the income tax regulations as a prescribed private fund.

3 Distributions test

To meet this test your charitable fund or 'new trust' must distribute solely, and at all times since 1 July 1997 have distributed solely to either or both of the following.

- Charities that, to the best of the trustee's knowledge are located in Australia and pursue their purposes solely in Australia and incur their expenditure principally in Australia.
- Charities that, to the best of the trustee's knowledge, are deductible gift recipients.

Date of endorsement

The earliest date a charitable fund can enter at 12(b) for endorsement to access income tax exemption is 1 July 2000.

If your organisation became entitled to endorsement after that date, enter the date on which it became entitled to endorsement.

➤ The *Income tax guide for non-profit organisations* (NAT 7967) contains more information about endorsement for income tax exemption.

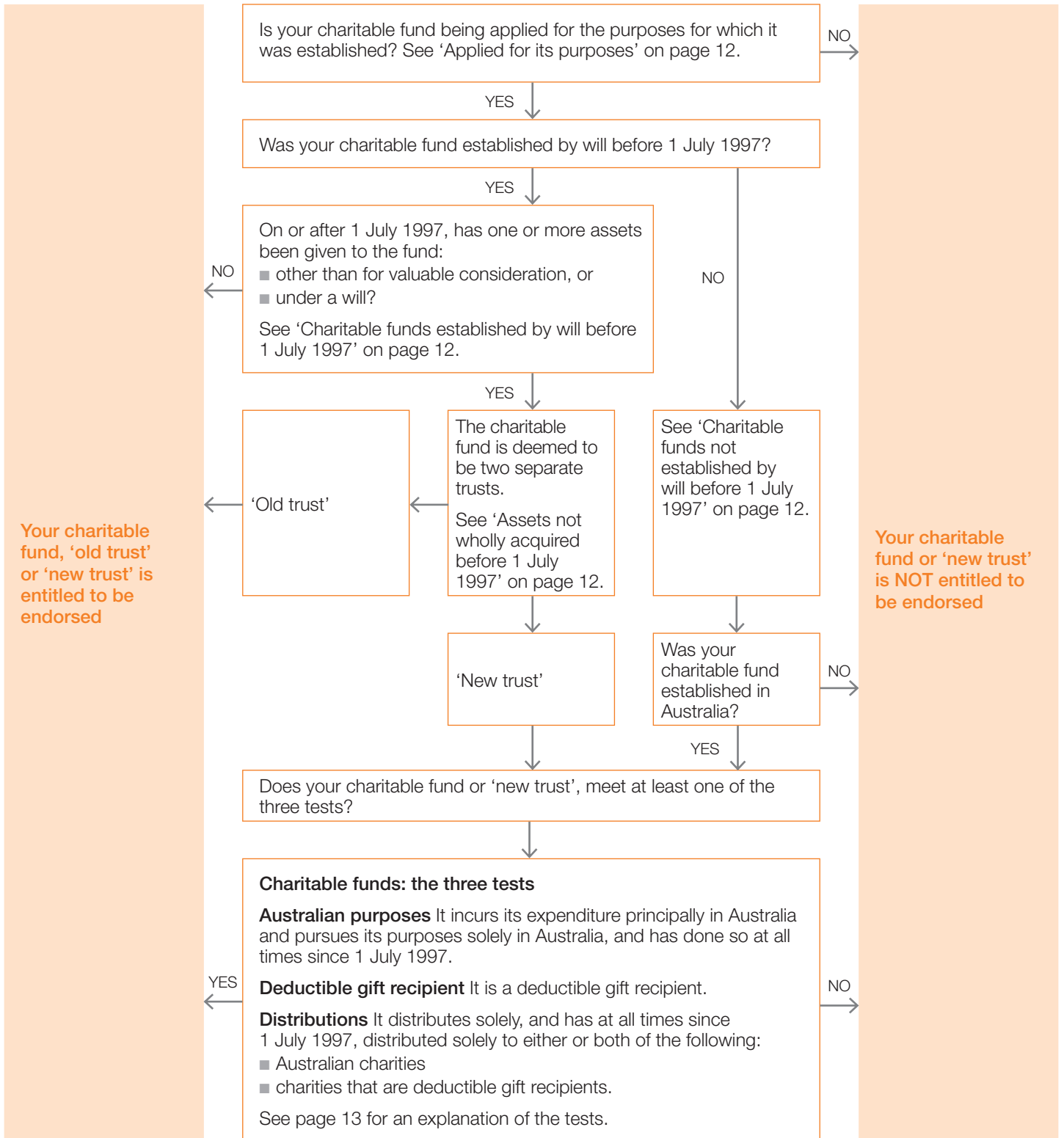
Refer to 'More information' on the inside back cover to find out how to obtain this publication.

Does your charitable fund or 'new trust' meet at least one of these tests (and the other requirements for endorsement)?

Yes – Place in the appropriate box on the form and write the date of endorsement.

No – Your charitable fund or 'new trust' is not entitled to be endorsed for income tax exemption.

Income tax exemption – charitable funds



Income tax exempt funds

Your fund is entitled to be endorsed for income tax exemption if:

- it has an Australian business number
- it meets the description of an income tax exempt fund on page 5
- it is applied for the purposes for which it is established, and
- it distributes solely, and has at all times since 1 July 2005, distributed solely to income tax exempt deductible gift recipients.

Applied for its purposes

To be endorsed for income tax exemption, an income tax exempt fund must be applied for the purposes for which it was established. If it is not being applied for those purposes, it is not entitled to be endorsed for income tax exemption.

Examples where a fund is not being applied for its purposes include:

- where distributions are made for purposes other than the purposes for which the fund is established,
- where trust property is being invested in ways to confer private benefits on particular people, or
- where income is being accumulated excessively.

Distributions to deductible gift recipients

Your fund must only distribute to deductible gift recipients (DGRs) that are income tax exempt entities.

Examples where a fund is not distributing correctly include where distributions are made to taxable entities, or where distributions are made to an entity that is not a deductible gift recipient.

Where a DGR is endorsed only for a fund, authority or institution that it operates, an income tax exempt fund will only be able to assist, or establish, such a fund, authority or institution. It must not assist other parts of that DGR.

Date of endorsement

For income tax exempt funds, the earliest date that can be entered at option (b) for income tax exemption is 1 July 2005.

If your organisation became entitled to endorsement after that date, enter the date on which it became entitled to endorsement.

➤ The *Income tax guide for non-profit organisations* (NAT 7967) contains more information about endorsement for income tax exemption.

Refer to 'More information' on the inside back cover to find out how to obtain this publication.

GST charity concessions

To be endorsed to access GST charity concessions the entity must:

- be a charity, and
- have an ABN.

No additional tests are required to be passed for this endorsement. For a listing of GST charity concessions see the table on page 8.

Date of endorsement

The earliest date a charity can enter at 12(b) for endorsement to access GST charity concessions is 1 July 2005.

If your organisation became entitled to endorsement after that date enter the date on which it became entitled to endorsement.

➤ GST charity concessions are further explained in *Tax basics for non-profit organisations* (NAT 7966).


Refer to 'More information' on the inside back cover to find out how to obtain this publication.

FBT rebate up to a \$30,000 cap per employee (applies to charitable institutions only)

To be endorsed to access the fringe benefits tax rebate the entity must be a charitable institution (other than an institution established by a law of the Commonwealth, a state or a territory).

Examples of charitable institutions that are not eligible for this endorsement are public universities, public museums and public art galleries.

Charitable funds, public benevolent institutions, health promotion charities and income tax exempt funds are also not eligible for this endorsement.

 Public benevolent institutions and health promotion charities may apply to be endorsed for FBT exemption, **not** the FBT rebate.

Organisations that are endorsed for the FBT rebate 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 an FBT rebatable employer (without losing the concession) is \$30,000 for each employee.

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.

Date of endorsement

The earliest date a charitable institution can enter at 12(b) for endorsement to access the FBT rebate is 1 July 2005.

If your organisation became entitled to endorsement after that date enter the date on which it became entitled to endorsement.

EXAMPLE

XYZ Inc is a charitable institution operating from 1 July 2000. It has not been providing fringe benefits to date. However it has entered a new enterprise agreement with its employees involving salary packaging arrangements from 1 January 2006. If *XYZ Inc* wants to access the FBT rebate in respect of benefits it provides to its employees, it will need to seek endorsement from 1 January 2006.

FBT exemption up to a \$30,000 cap per employee (applies to public benevolent institutions and health promotion charities only, does not apply to hospitals)

To be endorsed for FBT exemption the entity must be a public benevolent institution or a health promotion charity, and not a hospital. Refer to question 4 for information on the FBT exemption that applies to hospitals.

If an organisation has been endorsed for FBT exemption the benefits it provides to its employees are exempt from FBT where the total grossed-up value of fringe benefits for each employee during the FBT year is \$30,000 or less.


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

If an organisation's employees have received grossed-up benefits above the \$30,000 threshold, it is liable for FBT on the amount of grossed-up benefits above \$30,000.

Date of endorsement

The earliest date a public benevolent institution or health promotion charity can enter at 12(b) for endorsement to access FBT exemption is 1 July 2005.

If your organisation became entitled to endorsement after that date, enter the date on which it became entitled to endorsement.

 *Fringe benefits tax (FBT) – A guide for employers* (NAT 1054) is a comprehensive guide for employers about fringe benefits tax.

Refer to 'More information' on the inside back cover to find out how to obtain this publication.

SECTION C: FINANCIAL INFORMATION

Questions 13 to 20 are compulsory for all applicants. Failure to complete this section may delay processing of your organisation's application.

If you are applying for endorsement of your organisation as a whole, answer the questions in relation to your organisation as a whole.

If you are applying for endorsement for a public benevolent institution (PBI) employer that your organisation operates, answer the questions in relation to that PBI employer, not your organisation.

13 ARE YOUR ORGANISATION'S FINANCIAL STATEMENTS AUDITED BY AN INDEPENDENT AUDITOR EACH YEAR?

Place in the box that applies.

14 WHAT IS THE MOST RECENT YEAR FOR WHICH YOUR ORGANISATION HAS FINANCIAL STATEMENTS?

Write the calendar year in which your organisation's accounting year ends. The year ended 30 June 2005 will be written as **2005**. The year ended 30 November 2005 will also be shown as **2005**.

15 FOR THAT YEAR PROVIDE THE FOLLOWING INFORMATION (IN WHOLE DOLLARS)

All fields must be entered. If there is a nil amount, insert a **0** in that field. For example if your organisation did not receive any donations place a **0** beside this question.

End of year book value of net assets is the value of your organisation's assets less amounts it owes as they are recorded in its books of account. It may be rounded to the nearest thousand dollars.

Receipts may be rounded to the nearest thousand dollars. Place dollar values next to each of the categories listed. For government grants and payments received, include only those received from the Commonwealth, and from a state, territory or local government.

Outgoings may be rounded to the nearest thousand dollars. Place dollar values next to each of the categories listed.

16 DOES YOUR ORGANISATION OWN SHARES IN A COMPANY THAT IS NOT LISTED ON A STOCK EXCHANGE?

Place in the box that applies.

EXAMPLE

ER Association owns shares in a private company. It would answer 'YES'.

17 DOES YOUR ORGANISATION PROVIDE PROPERTY OF ANY KIND FOR THE USE OF ASSOCIATED PERSONS?

Place in the box that applies.

'Associated persons' include members of your organisation's controlling committee or board, trustees, settlers of the trust, members of the company, and persons or entities associated with them.

EXAMPLE

RT Society leases a showroom to a member of its board. It would answer 'YES'.

18 DOES YOUR ORGANISATION MAKE LOANS?

Place in the box that applies.

The term 'loans' includes both secured and unsecured loans.

'Unsecured loans' are loans for which your organisation does not have a mortgage or other security. Ignore bank deposits or cash at bank.

19 HAS YOUR ORGANISATION PURCHASED PROPERTY OF ANY KIND (INCLUDING MONEY) FROM ASSOCIATED PERSONS?

Place in the box that applies.

20 HAS YOUR ORGANISATION SOLD PROPERTY OF ANY KIND (INCLUDING MONEY) TO ASSOCIATED PERSONS?

Place in the box that applies.


SECTION D: DECLARATION

Once you have completed the application you are required to read the declaration.

When you are satisfied that all of the information provided in the application is accurate and complete, you should sign and date the declaration.

The declaration must be signed by one of the following people or a person authorised by them:

- the trustee of the trust
- an office holder of the association
- a director of the company
- the company secretary, or
- a public officer of the company.

 Penalties may be imposed for giving false or misleading information.

YOUR PRIVACY

Some of the information collected on this application form will appear on the Australian Business Register. The following information will be publicly available through the Register:

- your organisation's entity type – charitable fund, charitable institution, public benevolent institution, health promotion charity or income tax exempt fund,
- the tax concessions it has been endorsed to access, and
- the date of effect for each endorsement.

The remainder of the information provided in this application will not be made available to the public.

Some of the information provided in this application may be made available to other government agencies authorised by law to receive it.

MORE INFORMATION

These instructions will sometimes refer you to other publications for more information. To obtain these publications:

- visit our website at **www.ato.gov.au/nonprofit**
- phone **1300 720 092** and quote the NAT number (which is a unique national identifying number we give each of our publications, for example, NAT 7966), or
- write to us at **GPO Box 9935** IN YOUR CAPITAL CITY.

Phone the our information line on **1300 130 248** for direct access to staff trained to deal with non-profit enquiries.

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**.

