

TAXATION RULING NO. IT 2281

INCOME TAX : STATUS OF COMMUNITY YOUTH SUPPORT SCHEME
PROJECTS

F.O.I. EMBARGO: May be released

REF H.O. REF: 85/6508-2 DATE OF EFFECT: Immediate

B.O. REF: DATE ORIG. MEMO ISSUED:

F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1077904	GIFTS EXEMPT INCOME	23(e) 78(1) (a) (ii)

FACTS

This office has recently considered the operation of the Income Tax Assessment Act, the Sales Tax (Exemptions and Classifications) Act, and the Bank Account Debits Tax Act in relation to the Community Youth Support Scheme (CYSS).

2. The CYSS is a Commonwealth Government programme administered by the Department of Employment and Industrial Relations. Its objective is to encourage communities to assist local unemployed people to develop their capacities for obtaining employment and to become more self-reliant during periods of unemployment. Through CYSS, grants are made to, and administered by, local management committees which operate local projects. The projects concentrate on improving the employability of participants by encouraging them to perform community service work, odd jobs and casual employment. The projects may offer a range of training and activities aimed at developing skills, abilities and self-reliance of participants with particular emphasis on employment-linked activities, e.g.

- employment-related activities; this includes sale of articles and work pool arrangements, but does not include direct financing of work co-operatives
- training in job skills and in searching for jobs
- work observation and experience, including community service work
- advice, information and referral services
- help with life skills such as budgeting and nutrition which increase self-reliance and contribute to the young person's ability to gain and retain employment
- incidental job placement, with emphasis on casual and part-time work

- incidental recreation activities which also contribute to achieving the manpower objectives of the Scheme.

3. Attendance at the CYSS projects is voluntary and is open to unemployed people between school-leaving age and 25 years who are not in full-time education.

4. Local Management Committees are non-profit bodies run by voluntary members who, with the exception of the Manager of the local office of the Commonwealth Employment Service, are elected annually at a public meeting. The Committees are responsible for operating projects efficiently, including receiving, administering and accounting for CYSS grant funds, for employing, directing and assisting project staff in project operations, for ensuring that suitable premises are available for carrying on project activities and for encouraging the local community to become involved in the project activities by contributing voluntary tuition, materials, equipment and additional funds. The Committees are required to become incorporated within the first year of operation. They must provide a quarterly report of project operation to the Department of Employment and Industrial Relations.

5. CYSS grants and community funds received by a Committee must be used in accordance with CYSS guidelines. A report must be forwarded every two months to the Department on expenditure and revenue received. At the end of each grant period each Committee must provide an auditor's certificate and return any unspent Commonwealth funds to the Department.

RULING

6. The objects of the CYSS are clearly charitable in the accepted legal meaning of that expression. It is accepted that local management committees would be institutions in the sense that they are undertakings, organizations etc. formed to promote a defined purpose. It follows, therefore, that the income of local management committees, e.g. interest on bank accounts etc., would be exempt from income tax under sub-section 23(e) of the Income Tax Assessment Act.

7. It is also accepted that local management committees are public benevolent institutions within the meaning of sub-paragraph 78(1)(a)(ii) of the Income Tax Assessment Act. Qualifying gifts to local management committees would be allowable as income tax deductions.

8. A public benevolent institution is one which provides for the relief of poverty, sickness, suffering, distress, misfortune, destitution or helplessness. It is generally recognized that unemployment amongst the young is a significant social problem and does often lead to poverty, suffering, distress etc. The words poverty, suffering, distress etc. are words of general meaning and, in the context of what may be considered to be a public benevolent institution, they are not required to be interpreted in their absolute or maximum sense. Evershed MR in *Re Coulthurst's Will Trusts* (1951) 1 ALL E.R. 774 observed that poverty does not mean destitution. It is, he

said, "a word of wide and somewhat indefinite import and, perhaps, it is not unfairly characterized for charitable purposes as meaning persons who have to 'go short' in the ordinary acceptance of that term, due regard being had to their status and so forth". Lord Simonds subsequently expressed the same sentiment in *I.R. Commrs v Baddely* (1955) 1 ALL E.R. 525. He said "there may be a good charity for the relief of persons who are not in grinding need or utter destitution but relief connotes need of some sort, either need for a home, or for the means to provide for some necessity or quasi necessity, and not merely an amusement, however healthy".

9. Local management committees do not exist solely to provide employment for young people. They exist because unemployment exists and, as has been stated earlier, their primary object is to assist young people to cope with the problems caused by not being able to obtain employment. The activities of local management committees are accepted as providing relief of poverty, suffering, distress etc. in the sense usually associated with public benevolent institutions. To adopt the words of Williams J. in his decision that Boys' Brigade Incorporated was a public benevolent institution for the purposes of sub-paragraph 78(i)(a)(ii), local management committees assist in keeping the young unemployed off the streets, provide them with intelligent occupation for their leisure hours and generally contribute to their physical, mental and moral well-being and improvement.

10. The acceptance of local management committees as public benevolent institutions also means that they will be exempt from sales tax in respect of goods acquired for their own use and not for sale under item 81 of the First Schedule to the Sales Tax (Exemptions and Classifications) Act. It also means that they will be exempt from Bank Account Debits Tax.

COMMISSIONER OF TAXATION
15 April 1986

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