

## NFP and Charities Update Webinar

12 May 2020

This document outlines the questions raised in the webinar on 12 May 2020. Please note the wording of some questions has been edited for clarity or aggregated into one question if there was more than one on the same issue.

The responses below were prepared on 14 May 2020. Law and administrative practice may have changed since that date and members should exercise care and reference the most up to date information from regulators and government.

**1. My question: will CPA be releasing guidance for not profits about how to handle accounting treatment of JobKeeper (i.e. is it non assessable, non-reportable income like Cashflow boost)?**

**Answer:** The Australian Accounting Standards Board is currently developing guidance on the accounting for benefits received through stimulus measures such as the JobKeeper scheme, and this guidance is likely to be helpful in the preparation of financial statements in accordance with Australian Accounting Standards.

According to the ATO website at <https://www.ato.gov.au/General/JobKeeper-Payment/Tax-and-BAS-agents/> "All JobKeeper payments are assessable income of the business that is eligible to receive the payments. The normal rules for deductibility apply in respect of the amounts a business pays to its employees where those amounts are subsidised by the JobKeeper payment"

**2. Have CPA prepared a template for the entity declaration for client declaration for jobkeeper lodgment <similar to STP declaration> I couldn't find a link on the website**

**Answer:** The TPB has issued some [frequently asked questions](#) which includes information on the requirement to get a signed declaration from the client for the monthly business report, similar to that done for income tax returns and activity statements.

CPA Australia members are asking clients to sign a new or separate engagement letter.

**3. Is the Cash flow boost classed as assessable income?**

**Answer:** According to the ATO website at [https://www.ato.gov.au/Business/Business-activity-statements-\(BAS\)/In-detail/Boosting-cash-flow-for-employers/?anchor=Taxconsequences#Taxconsequences](https://www.ato.gov.au/Business/Business-activity-statements-(BAS)/In-detail/Boosting-cash-flow-for-employers/?anchor=Taxconsequences#Taxconsequences) "You do not need to pay tax on the amount of the cash flow boost as it is non-assessable, non-exempt income. However, if you distribute the cash flow boost from the business to another entity (for example, making a trust distribution or paying a dividend to shareholders) there may be tax consequences for the recipient"

**4. Could you please advise which payments below are included in these Govt. Grants that may be excluded for testing the Decline in Turnover (For ACNC charity).**

5. a) Commonwealth Grants such as CHSP, etc.
6. b) State Govt Grants from DHHS such as HACC, etc.
7. c) NDIS Revenue

**d) My Aged Care revenue**

**Answer:** According to the Australian Treasury FAQ at [https://treasury.gov.au/sites/default/files/2020-05/JobKeeper\\_payment\\_frequently\\_asked\\_questions.pdf](https://treasury.gov.au/sites/default/files/2020-05/JobKeeper_payment_frequently_asked_questions.pdf) “Employing charities registered with the Australian Charities and Not-for-profits Commission (ACNC) can elect to exclude government revenue from the turnover test. This change would maintain the 15 per cent turnover test for charities (excluding universities and non-government schools), but would allow them to use either their total turnover or turnover excluding government revenue for the purposes of assessing eligibility for the JobKeeper Payment”. So charities registered with the ACNC have the option to either include or exclude government revenue from their turnover test.

**8. How does this test apply to Preschools?**

**Answer:** According to the ATO website at <https://www.ato.gov.au/General/JobKeeper-Payment/In-detail/Applying-the-turnover-test/?anchor=BasicTest#Step3workouttherelevantGSTturnover> “School is defined to mean an institution that provides pre-school courses, primary courses, secondary courses or special education courses”. See under the section “ACNC registered charity”.

**9. If an organisation has met the turnover reduction in April, but not met turnover reduction in later months, will this organisation still be eligible for Jobkeeper payment in later months?**

**Answer:** According to ATO guidance, yes. You only need to satisfy the decline in turnover once, even if your organisation recovers to previous levels after this. See the information provided by the ATO on “how to determine a fall in turnover” at <https://www.ato.gov.au/General/JobKeeper-Payment/Employers/Eligible-employers/#Notforprofitorganisations>

**10. What about the rule to exclude Govt revenue when deciding if eligible charity for Job Keeper?**

**Answer:** According to the Australian Treasury FAQ at [https://treasury.gov.au/sites/default/files/2020-05/JobKeeper\\_payment\\_frequently\\_asked\\_questions.pdf](https://treasury.gov.au/sites/default/files/2020-05/JobKeeper_payment_frequently_asked_questions.pdf) “Employing charities registered with the Australian Charities and Not-for-profits Commission (ACNC) can elect to exclude government revenue from the turnover test. This change would maintain the 15 per cent turnover test for charities (excluding universities and non-government schools), but would allow them to use either their total turnover or turnover excluding government revenue for the purposes of assessing eligibility for the JobKeeper Payment”. So charities registered with the ACNC have the option to either include or exclude government revenue from their turnover test.

**11. Can you comment on the scenario of an ACNC registered organisation, that includes a VRQA registered school, but the school turnover is only 15% of total income (i.e. the organisation predominant activity is non-school activity), does the organisation have to meet the 15% or 30% threshold? The ATO has advised that any ACNC organisation that has a school must meet the 30% threshold - is this correct?**

**Answer:** The ATO guidance on eligible employers states that the 15% decline in turnover threshold only applies to for ACNC-registered charities other than universities and schools, therefore the 30% threshold applies. <https://www.ato.gov.au/General/JobKeeper-Payment/Employers/Eligible-employers/>

**12. When reporting turnover is it based on GST inclusive figures or GST exclusive figures?**

**Answer:** It is based on GST-exclusive amounts. According to the ATO website at <https://www.ato.gov.au/General/JobKeeper-Payment/In-detail/Applying-the-turnover-test/?anchor=Basicest#Step3workouttherelevantGSTturnover:>

“Projected GST turnover and current GST turnover exclude the following:

- GST you included in sales to your customers (if any)
- sales that are input taxed sales (for example, bank interest, sale of shares, residential rental income)
- sales not connected with an enterprise that you carry on (for example, sale of private car)
- sales that are not made for payment (unless a taxable supply to an associate)
- payments for no supply (for example, JobKeeper payments)
- gifts and donations (except for deductible gift recipients and ACNC-registered charities as discussed above)
- sales not connected with Australia, for example
- sales of services made through a business you carry on outside Australia
- sales of goods purchased and sold from a place outside Australia
- sale of real property situated outside Australia.

**13. We've completed Jobseeker for April last Friday. When is the expected date of the payments?**

**Answer:** The Commissioner will pay within 14 days of the claim being lodged which can be done at the end of each month in which the JobKeeper fortnights occur. This is done at the end of each month and payments are made monthly in arrears.

**14. If the Charities having rental income from properties on top of donations whether the same needs to be included in calculating turnover decrease**

**Answer:** More information on what can and cannot be included in the turnover calculation can be found at <https://www.ato.gov.au/General/JobKeeper-Payment/In-detail/Applying-the-turnover-test/?anchor=Basicstest#Step3workouttherelevantGSTturnover>

**During the bushfire crisis, a lot of social media discussion about use of funds donated. what is the ACNC doing to ensure charities who are receiving these funds a compliant?**

**Answer:** To date, the ACNC has taken an educative approach to reduce risk which included developing a webinar for charities whose funding increased significantly as a result of bushfire appeals with tips on governance, record-keeping and financial management processes.

When a charity undertakes fundraising activities, it needs to comply with the fundraising legislation of the states or territories it raises funds in. In addition:

- The responsible persons of a charity are, collectively, responsible for the way a charity conducts its fundraising. The ACNC sees the oversight of fundraising activities as an important aspect of good charity governance.
- No matter how charity funds are raised, the board must ensure that the money, less reasonable expenses, is put towards pursuing the charity's charitable purpose, its rules and comply with any conditions on its DGR category.
- Charities should also be transparent in relation to their fundraising arrangements, particularly where this impacts where contributions end up.

The ACNC has investigation powers and will be particularly concerned where it is alleged that a charity has not met its obligations to the ACNC, for example a charity poses a serious risk to public trust and confidence in the sector, if it has failed to keep or provide required information (including financial information), or failed to meet the governance standards.

**15. When calculating income eligibility for Job Keeper allowance can charities exclude this income from test**

**Answer:** According to the ATO website at <https://www.ato.gov.au/General/JobKeeper-Payment/In-detail/Applying-the-turnover-test/?anchor=Basicstest#Step3workouttherelevantGSTturnover>:

“Projected GST turnover and current GST turnover exclude the following:

- GST you included in sales to your customers (if any)
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- sales not connected with an enterprise that you carry on (for example, sale of private car)
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- sales of services made through a business you carry on outside Australia
- sales of goods purchased and sold from a place outside Australia
- sale of real property situated outside Australia.

**16. Any indication how the government may view all the additional revenue that NFPs will be sitting on over next 6-12 months - unspent grant monies plus JobKeeper relatively easy to receive with such flexible and low threshold?**

**Answer:** The government's policy thinking behind the stimulus measures is to support NFPs and others in financial difficulty. With the JobKeeper scheme, there is an expectation that the entity will have already paid its eligible employees at least \$1500 per fortnight.

**17. We are not eligible to Job keeper yet, should we register now?**

**Answer:** to be eligible for fortnights ending in April and May, an entity has to enrol by 31 May. See more at <https://www.ato.gov.au/General/JobKeeper-Payment/Employers/>

### Useful links

CPA Australia COVID-19 Resources Hub - <https://www.cpaaustralia.com.au/coronavirus-covid-19-impact-resources-support>

ACNC COVID-19 Information - <https://www.acnc.gov.au/node/5781959>

Keeping Charity Size - <https://www.acnc.gov.au/for-charities/manage-your-charity/obligations-acnc/reporting-annually-acnc/keeping-your-charity-size>

The Treasurer announced modifications to Corporations Act to allow AGMS to happen online - <https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/making-it-easier-business-operate-during-covid-19>

Separate rules from ATO on how universities calculate turnover for JobKeeper - <https://www.ato.gov.au/General/JobKeeper-Payment/In-detail/Turnover-test-for-universities/>

ASIC has announced a one month extension for lodgement of financial reports for ALL entities they regulate - <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2020-releases/20-113mr-asic-to-further-extend-financial-reporting-deadlines-for-listed-and-unlisted-entities-and-amends-no-action-position-for-agms/>

Compilation Report on an Engagement to compile Special Purpose Financial Information for regulatory compliance purposes with respect to lease renegotiations due to COVID 19 - <https://www.cpaustralia.com.au/-/media/corporate/allfiles/document/covid-19/business-advice/apes-315-report-disclaimer-and-basis-for-preparation-of-special-purpose-financial-information.docx?la=en&rev=86f0f2312b74460fafd69e4daa8e45c1>

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