

Federation of Victorian Film Societies Inc

INFORMATION SHEET 05 May 2024



TAXATION ISSUES

TERMINOLOGY:

- FVFS – Federation of Victorian Film Societies.
- ACNC - Australian Charities and Not-for-profits Commission.
- ABN – Australian Business Number.
- GST – Goods and Services tax.
- ATO – Australian Tax Office.
- PAYG – Pay As You Go (Income Tax)
- CAV – Consumer Affairs Victoria.

Once a film society is established it is important to ensure that appropriate steps are taken to minimise the impact of taxes on the business of the film society. To do this, the film society should apply for an ABN, charity status, income tax exemption and GST exemption.

ABN – AUSTRALIAN BUSINESS NUMBER

One of the cornerstones of Australia's tax system is the Australian Business Number (ABN). It is an important part of the Pay-As-You-Go (PAYG) system for businesses. Although a film society would not normally have to pay income tax or be registered for GST, applying for an ABN allows a film society to apply for the appropriate exemptions, and this is recommended by the FVFS.

You will need an ABN if:-

- You **are a non-profit organisation with tax-exempt status**, or
- You plan to seek grants or payments from Government or council, or
- You have annual turnover of \$50,000 or more (\$100,000 for charities and non-profit organisations); or
- You have employees currently paid under the PAYE system; or
- You provide services to businesses.

When you register for an ABN and if your turnover is under \$50,000, state that you do not want to register for GST (under \$100,000 for charities and non-profit organisations).

If your film society provides services to businesses, it is important to get an ABN. Otherwise, businesses making payments to you for your services of more than \$50 will be required to withhold tax under the Pay As You Go (PAYG) system (currently at the rate of 47%, equal to the highest tax rate plus the Medicare levy). "Services to businesses" include grants from organisations such as government departments or local councils, and sponsorships from philanthropic local businesses.

CHARITY REGISTER

Once you have an ABN a film society can register for charity status with the ACNC (Australian Charities and Not-for-profits Commission) at www.acnc.gov.au. This is worth doing if at any time the film society is likely to be receiving a grant or payment from business, Government or Council.

If a film society is also incorporated with the CAV, registering with the ACNC means that their annual financial reports can be registered with the ACNC for free, rather than reporting to the CAV with a fee of \$47.70 to \$190.80, depending on size, each time.)

INCOME-TAX EXEMPT STATUS

To become an income tax exempt charity you must register for an ABN before you can be so endorsed.

"Charity" and "charitable" have a technical legal meaning. Purposes will be charitable if they are of benefit to the community, or a section of it, through:

- advancing culture,
- the advancement of education,
- the relief of poverty or sickness or the needs of the aged,
- the advancement of religion,
- etc.

A film society should include in their objectives words such as "To encourage interest in film as an art form and as a medium of information, social awareness, education and entertainment by means of the exhibition of a wide range of quality cinema selected from all countries and all genres. To promote the study, discussion of and appreciation of film by means of lectures, discussions, exhibitions and publications." The inclusion of such aims allows the film society to qualify for charity status under the ACNC sub-type "Advancing culture".

If you want your film society to be registered as a "charitable institution," it is important that you apply for an ABN as soon as possible, as an ABN is the first step towards endorsement as an "income tax exempt charity."

When completing the Application to Register for the Tax System, answer the appropriate question as follows:

DEDUCTIBLE GIFT RECIPIENT

The requirements for qualifying as a deductible gift recipient are quite onerous and it would be difficult for a film society to qualify. An appropriate answer to the relevant question would therefore be "No".

GOODS AND SERVICES TAX (GST)

When you register for an ABN, as long as your annual turnover is less than \$50,000 per annum (\$100,000 for charities and non-profit organisations) you will not have to register for the GST. Most film societies are expected to be under this threshold, and hence will not need to register for GST.

If you are registered for the GST, you are required to pay one 11th of sales (including memberships) to the ATO as GST. You will be able to claim back the GST on the purchases you make (such as film rentals and rights). Theoretically, the GST is paid only on the value added by the film society.

If you are not registered for the GST, then you do not have to pay GST to the ATO, nor will you be able to claim back the GST paid on purchases.

In general, you are better off if you do not register for the GST. If you do not register for the GST then you don't have any GST component on the value-added portion of the membership fee, nor do you have the onerous job of making quarterly GST reports. As a not-for-profit film society does not make a net profit each year the financial difference is minimal.

Film societies that are required to register for GST would be well advised to consult a professional tax advisor for advice on how best to arrange your accounting procedures to comply with the regulations.

SUMMARY:

- An organisation which is of benefit to the community by promoting the Arts and Culture may be classified as a charity under the Income Tax Assessment Act and ACNC legislation. Many film societies have requested and been granted this classification. Just apply to the ACNC.
- An entity is not exempt from income tax unless they obtain an ABN and become registered as an "income tax exempt charity".
- Registering for an ABN, applying for tax exempt charity status and registering for the GST are three separate actions.
- It is simple and free to apply for an ABN, tax-exempt charity status and the GST.
- If you cannot quote an ABN on your invoices, or demonstrate charity status, any payments greater than \$50 made to you by other businesses may have an amount of 47% withheld and forwarded to the Tax Office. This includes payment for services such as running a screening event for the council, payment for advertising in your newsletter, sponsorships and even the provision of grants by government or the council.
- It is most unlikely that a film society could be endorsed as a deductible gift recipient.
- A film society, being a non-profit organisation, need not register for the GST if the annual turnover is less than \$100,000. Registration is optional in this instance.
- The advice in this information sheet is based on our understanding of the information provided by the ATO and the ACNC and our experience in dealing with these departments. For expert advice see a taxation consultant or contact the ATO or ACNC.

MORE INFORMATION

Many resources regarding taxation are available at the Australian Tax Office website, www.ato.gov.au under “non-profit organisations”, such as “GST registration – Tax basics for non-profit organisations”. This publication is recommended for any non-profit organisation.

There are many more sources of information:

www.abr.gov.au for ABN registration

www.acnc.gov.au for charity issues.

Finally, your own accountant or tax advisor (if you have one) should be able to provide information and advice if you need to apply to register for the GST.

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