

ROTARY DISTRICT
ASSEMBLY
7 MAY 2017 BREAK OUT
SESSION 1
“MONEY MATTERS”

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Program

- Trusts and the Relationship to a Rotary Club
- Taxation Issues and Filing Tax Returns
- RI Dues Invoices and District Dues
- GST Returns
- Accounting Systems
- Donations to the Rotary Foundation
- Insurance
- Questions and Discussion

Trusts and Relationship to Rotary Clubs

- Trusts are donee organisations and do not have to pay tax.
- Clubs that run at a profit are prima facie liable for tax.
- Profit can be offset by a donation to a donee organisation (i.e. the Club's charitable trust).
- Clubs are incorporated and members are protected from Liability, no such protection for a trust.
- Hence best practice recommendation, Clubs run projects transfer profits to Trust.
- Trusts become the custodian of the accumulated funds. (Running projects in trust can expose these funds to loss).

New Trust Reporting Standards

- For Trusts new reporting requirements have come into force and will affect reports 1 July 2015
- Decision as to apply XRB reporting standard tier 3 or tier 4
- Statement of Receipts and Payments

New Trust Reporting Format

Charitable Trust Annual Return Info

[Name]

Statement of Receipts and Payments

"How was it funded?" and "What did it cost?"

For the year ended:

[Financial Year End]

	Notes	Actual* This Year \$	Budget This Year \$	Actual* Last Year \$
Operating Receipts				
Donations, fundraising and other similar receipts*				
Fees, subscriptions and other receipts from members*				
Receipts from providing goods or services*				
Interest, dividends and other investment income receipts*				
Other operating receipts				
Total Operating Receipts		-	-	-
Operating Payments				
Payments related to public fundraising*				
Volunteer and employee related payments*				
Payments related to providing goods or services*				
Grants and donations paid*				
Other operating payments				

New Trust Reporting Format

Total Operating Payments		-	-	-
Operating Surplus or (Deficit)		-	-	-
Capital Receipts				
Receipts from the sale of resources*				
Receipts from borrowings*				
Capital Payments				
Purchase of resources*				
Repayments of borrowings*				
Increase/(Decrease) in Bank Accounts and Cash*		-	-	-
Bank accounts and cash at the beginning of the financial year*		-	-	-
Bank Accounts and Cash at the End of the Financial Year*		-	-	-
Represented by:*				
Cheque account(s)				
Savings account(s)				
Term Deposit account(s)				
Cash Floats				
Petty Cash				
Total Bank Accounts and Cash at the End of the Financial Year*		-	-	-

Income Tax of Rotary Clubs

The Issues:

- Only Organisations approved by the Charities Commission qualify for charitable status and are exempt from income tax.
- Only organisations approved by IRD qualify for approved Donee status

Income Tax Concepts

- The Income Tax Act regards “assessable income as a gross, or top-line concept
- Where assessable income is received, tax deductions are available.
- What is left is called taxable income
- A Club is taxed at 28% on its taxable income

What is not Assessable Income (1)?

- Amounts received by a Club from within the circle of membership under the “mutual principle” This is largely restricted to members’ subscriptions and levies.
- Other amounts received from members by way of gift
 - Sergeants’ fines, shrapnel etc..
 - Members’ donations, raffles (prizes donated), etc.

What is not Assessable Income (1)?

- Amounts received by a Club from outside the circle of membership such as:
 - Gifts and legacies
 - Donations of cash, goods or services
 - Money from the sale of donated goods
 - One-off sale proceeds from capital assets

What is Assessable Income (2)?

- Pretty much everything else, for example
 - Investment income
 - Business income

Business Income

- Any activity that involves the sale of goods or services with the intention of making a profit
 - Sale of tickets to events
 - Sale of purchased goods (excludes sale of donated goods)
 - Money received for services performed

What is Assessable Income (2)?

- Members is within the circle of membership and thus tax-free?
 - Unfortunately this is not correct!
 - Only subscriptions or levies that apply equally to all members are treated as non taxable under the mutual principle.
- Any other transaction between an Association and its members is taxable (Income Tax Act 2007 - sections CB 33 and HE 2).

What is deductible?

- A deduction is broadly defined as any expenditure or loss necessarily incurred in the earning of assessable income e.g.
 - the purchase price of goods sold
 - the cost of food at a fundraising dinner
- The Income Tax Act also creates deductions outside this rule e.g.
 - gifts of cash to an “approved donee”

IRD have a list of approved donees

www.ird.govt.nz/donee-organisations/

What is non-deductible?

- Any expenditure that is NOT associated with earning income.
 - This will cover a proportion of costs associated with the day to day running of the Club, since they relate to the subscriptions that are not assessable income
- Any expenditure on capital assets
- Any donation to anyone who is NOT an approved Donee

Tax effective giving: CLUB

- Ensure deductibility of **Club** giving by only donating to IRD approved donee organisations
- For international giving this means donating to the New Zealand Rotary Club Charitable Trust for the Rotary Foundation or to RNZWCS Ltd for other off shore projects.
- For NZ charitable giving outside the list of approved donees, donate profits to your charitable trust and make the payments out of the trust

Where to from here

- Go back to your Clubs make sure the Club is filing an IR 9. If not, find out why not.
- Download the booklet IR9GU “Clubs and Societies IR 9 Guide” for additional information

Filing Returns

11. Is the organisation one of the following? See "Exempt income" on page 6 of the guide.

- amateur sports club
- racing club
- charitable society
- district improvement society
- veterinary services promoter
- scientific or industrial research promoter
- herd improvement promoter.

No Go to Question 12.

Yes If any part of the club or society's funds is available for the private benefit of any of the members, or the organisation's income is not exempt, complete Boxes 11, 11A, 11B, 11C and 11D. Attach a completed *Financial statements summary* (IR 10) form or a set of financial accounts.

- Print any interest in Box 11. (If a loss, put a minus sign in the last box.)
- Print any dividends in Box 11A.
- Print any taxable Māori authority distributions in Box 11B.
- Other income. Print the net income in Box 11C. (If a loss, put a minus sign in the last box.)
- Add Boxes 11, 11A, 11B and 11C. Print the total in Box 11D. This is the total income. (If a loss, put a minus sign in the last box.)
- Go to Question 13.

11	\$				
11A	\$				
11B	\$				
11C	\$				
11D	\$				

12. All other clubs and societies
If you answered "No" to Questions 10 and 11, complete Boxes 12, 12A, 12B, 12C and 12D. Attach a completed *Financial statements summary* (IR 10) form or a set of financial accounts. See page 7 of the guide.

- Print any interest in Box 12. (If a loss, put a minus sign in the last box.)
- Print any dividends in Box 12A.
- Print any taxable Māori authority distributions in Box 12B.
- Other income. Print the net income in Box 12C. (If a loss, put a minus sign in the last box.)
- Add Boxes 12, 12A, 12B and 12C. Print the total in Box 12D. This is the total income. (If a loss, put a minus sign in the last box.)
- Income tax credit for non-profit bodies. Print the deduction in Box 12E.
- Read page 12 of the guide.
- If Box 12E is larger than Box 12D leave Box 12F blank. Subtract Box 12E from Box 12D. Print the total in Box 12F. (If a loss, put a minus sign in the last box.)

12	\$				380 -
12A	\$				
12B	\$				
12C	\$				5,781.
12D	\$				6,161.00
12E	\$				1,000.00
12F	\$				5,161.

13. Net income (before donations). Copy the total from Box 10, Box 11D or Box 12F to Box 13. (If a loss, put a minus sign in the last box.)

13	\$				5,161.
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14. Donations deduction
Is your organisation a friendly society, building society or a society registered under the Incorporated Societies Act 1908, or Industrial and Provident Societies Act 1908?

No Go to Question 15.

Yes See page 12 of the guide. Print the amount in Box 14.

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14	\$				5,161. -
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15. Net income. Subtract Box 14 from Box 13 and print your answer in Box 15.

15	\$				0.00
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The Solution

- Rotary Clubs can sponsor their own charitable trust
- Rotary in New Zealand has produced a model Charitable Trust deed
- Rotary Clubs are encouraged to use this deed
- The Charities Commission was consulted and agreed that this deed satisfies its registration requirements. The majority of Clubs have now formed Charitable Trusts

RI Dues and District Dues

- RI requires club secretaries to update membership on line or by mail by 1 January and 1 July each year. Confirm with your Club Secretary to ensure that membership filing is up to date.
- The system has been simplified so the invoice will clearly state what is due for payment based on filed information. RDU subscriptions are now incorporated in the RI invoice.
- Amount due is in USD, you can find the official monthly Rotary Foreign exchange rates at

www.rotary.org/en/exchange-rates

- District Dues, sent out in July/August by the current DG.
- Training Dues sent out in Sept/Oct by the DGE

GST

- ▣ Turnover in excess of \$60,000 you need to register for GST

Accounting Systems

- ▣ District 9920 set up a task force to review available accounting systems several years ago and found that Xero suited their needs.
- ▣ If you are interested in hearing more about Xero contact Bruce Howe at bruchowe@ihug.co.nz

Donations to the Rotary Foundation

- ▣ Donations to TRF should go via the New Zealand Rotary Clubs Charitable Trust (NZRCCT) administered by Guardian Trust. (A schedule 32 Trust), unless your Trust has schedule 32 status.
- ▣ Or broadening scope of model trust deed to allow charitable objects to be both in New Zealand and overseas provided funds applied mainly in NZ (51%)
- ▣ Club and Trust Funds should be sent to the District's TRF Treasurer Maurice Hanvey; cheques made out to Guardian Trust.
- ▣ Ensure that funds are received by Maurice by May each year.
- ▣ Centurion funds go to Sue Hamnett

Insurance

▣ Resource Website

- www.rotarysouthpacific.org/information.cf?ID=2435
- Rotary South Pacific District 9910 Information Insurance

▣ Public Liability

- Covers all Rotary, Rotaract, and Interact Clubs in District plus all

▣ Travel

- Covers the DG and DGE and their spouses/partners
- All other Rotarian travel, including volunteers should be arranged with a NZ wide policy with RNZWCS, contact PDG Stuart Batty to arrange.

▣ Material Damage

- Covers District equipment plus ERKs
- Clubs should arrange their own cover for their assets.

Summary

- ▣ New Trust Reporting Requirements
- ▣ Filing Tax Returns
- ▣ RI Dues Invoices
- ▣ Donations to the Rotary Foundation and overseas aid
- ▣ Questions and Discussion

Questions

