

# COMMUNITY BANK® NEWS UPDATE

Issue 5  
June 2019

**AFS**  
*Partners in success*  
Chartered Accountants



Pictured above is the branch team from Sarina and District Community Financial Services Limited (Sarina). AFS has worked with Sarina from the start, assisting with the feasibility study and prospectus and now acting as the share registrar and company auditor. Sarina has contributed over \$2million back into its community since opening 14 years ago.

AFS is privileged to work with Community Bank® clients that each contribute greatly to their local communities. The power of the Community Bank® model to improve communities continues to impress us.

## Accounting standard changes

Two accounting standard changes will be relevant to the preparation of the 30 June 2019 financial statements. We do not expect these changes to impact on the profit share revenue from Bendigo and Adelaide Bank Limited.

1. *AASB 15 Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. An assessment of revenue attained outside of the profit share should be conducted to evaluate the company's exposure.
2. *AASB 9 Financial Instruments* sets out new requirements for recognising and measuring financial assets and liabilities. For Community Bank® companies the main impact will be on trade and other receivables and investments in equity instruments, for example, listed and unlisted shares.

Due to the nature of the Community Bank® companies, impairment of trade receivables will be limited to customers other than Bendigo and Adelaide Bank Limited. The impact on equity instruments will be limited to their classification, with additional options available when revaluing them.

In addition, *AASB 16 Leases* will first apply to Community Bank® companies for the 31 December 2019 half year reporting period. This standard introduces a single, on-balance sheet lease accounting model for lessees. Community Bank® companies will be impacted significantly by this new standard due to lease agreements for branch premises. We recommend preparing for this new standard by reviewing every asset that the company has the right to control the use of but does not own.

If you have any questions on these changes or their impact please contact us on 03 5443 0344.

## Independent review of the Community Bank® profit share

Each year Bendigo and Adelaide Bank Limited engages Ernst & Young (EY) to complete an independent review of the profit share calculations. This information is relied upon as part of the audit of your company to ensure no material issues exist.

Historically this review has focussed on revenue share calculations. With no material changes to the way revenue is calculated the decision was made to adjust the focus of the review. This financial year the review focussed on the cost allocation component of the monthly profit share payments. This was a welcome addition to the reviews performed by EY and provides us with further comfort around the profit share calculations.

Please contact Josh Griffin, Partner at AFS if you have any questions.



Laura Flanagan  
Auditor

## Staff member spotlight:

Laura joined the AFS team in 2012 as a graduate working in the audit team. After gaining some valuable experience in both internal and external audit Laura made the change to management accounting at a local company in Bendigo to further broaden her accounting experience.

Laura returned to AFS in 2017 and her well rounded experience enabled her to help implement a number of new processes. These include the Community Bank® share registry services and assisting with the transition of the Community Bank share registers from ShareData to AFS.

Laura predominantly works with the Community Banks, aiding in the development of financial statements, training of new team members and developing ways the team can work more efficiently through the busy audit season

Outside of working at AFS Laura is heavily involved in dancing, teaching classes at a local studio five days a week and competing in regional, state and national competitions at every opportunity. Her passion for AFL led her to support the mighty yellow and black mainly due to club hero, Matthew "Richo" Richardson.

## Grants, donations and gifts; are they subject to GST?

Community Banks provide contributions to a wide variety of organisations in their communities. There is sometimes confusion around when you can claim a GST credit on these. This will depend on:

- the nature of the contribution (whether it is defined as a donation, gift or grant)
- GST registration status of the organisation receiving the contribution.

The payment of donations or gifts are not subject to GST. Under GST legislation, for a payment to be considered a gift or donation, it must be unfettered. That is, there must be no obligation on the recipient to do anything in recognition of the payment, and no expectation on the part of the donor to receive anything (unless of 'insubstantial' value or not of a 'material character') in return for the payment.

A payment would generally be considered a donation or gift and not subject to GST if:

- the payment is made voluntarily, and not as a result of a prior contractual obligation (written or implied)
- the payer does not receive an advantage of a material character by way of return for making the payment
- the payment essentially arises from benefaction.

It is also important to note that a donation or gift is not income tax deductible unless paid to a Deductible Gift Recipient (DGR). A list of registered DGRs can be found at:

**[www.abr.business.gov.au/Tools/DgrListing](http://www.abr.business.gov.au/Tools/DgrListing)**

The term 'grant' is not defined in GST legislation and therefore the general principles of the GST legislation are applied. A grant will generally be subject to GST if the grant is consideration for a supply by the recipient to the grantor. This will be the case if the grant is conditional and the recipient undertakes or is required to do something in exchange for the funds (for example a specific project or promotion/advertising of the Community Bank®).

Ultimately, a valid tax invoice should always be obtained from the receiving organisation before claiming any GST credits. The GST registration status of an organisation should also be confirmed by entering their ABN at **[abr.business.gov.au](http://abr.business.gov.au)**. If you have any queries please contact Jayde Mullane, AFS Senior Manager on 03 5443 0344.

## Share registers now online

We now look after a number of Community Bank® company share registers online. The key features include:

- shareholder login so that they can update their details (bank, TFN, email address, physical address, phone numbers etc.)
- shareholders can provide read only access for their holding to someone else (e.g. financial planner, accountant etc.) so that they can access dividend statements and holding statements
- the Board is provided access to view all shareholder information
- the system can be used to manage AGM notifications, proxy forms and voting
- dividends are calculated within the system including withholding tax, and dividend statements are generated and emailed to shareholders (if they have provided an email address)
- share certificates are able to be provided online so that hard copies are no longer needed to be physically sent to each shareholder upon transferring or issuing shares
- general correspondence and dividend statements can be sent electronically where a shareholder has registered, resulting in lower costs for the company.

If you would like to know more information about moving your share register online please contact the AFS Share Registry team on 03 5443 0344.