



# GROUP OF EIGHT

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## **The Group of Eight Limited Submission to Not-For-Profit Sector Tax Concession Working Group**

1 Thank you for the opportunity to make a submission on this issue, and the Discussion Paper. The potential consequences of some options would impact heavily upon research-intensive universities in Australia. Your terms of reference are wide-ranging, and this submission is confined to the direct implications for research-intensive universities.

2 Go8 universities – like other universities – enjoy not-for-profit status from which they derive various benefits designed to assist them in their operations and financing. It is important that this continues. These arrangements are based on sound public policy principles that take into account the specific circumstances, needs and aims of universities.

Go8 Universities are established under Commonwealth or State enactments, with legislated purposes to serve the Australian people, the public interest, etc. They receive substantial government funding; for Go8 universities, approximately 55% of income is from Commonwealth, State or local government. It would be contrary to apply a business taxation regime to universities which have purposes fundamentally different from businesses.

Any changes to universities' status or eligibility for benefits should consider these policy principles, and any change to the principles should be justified clearly, transparently and publicly. The Go8/research intensive universities would argue that any resulting changes that disadvantage universities, either directly or indirectly, should be offset by compensating measures and funding elsewhere, so that there is no net disadvantage to universities.

3 The Go8 universities would encourage this Review to provide incentives for businesses and individuals to give more freely to the research and education functions undertaken by universities. The Go8 universities would argue that there should be no change to Deductible Gift Recipient (DGR) status for tertiary education and research entities. For Research-intensive universities involved in medical research, as each of the Go8 is, a considerable amount of such research actually occurs in hospitals and medical research institutions, and it is appropriate that DGR status continues for those entities, too.

4 The discussion in your Discussion Paper on encouraging charitable giving (Section 2.4.3) draws upon the Mitchell Review in relation to the Arts. Much of that argument is equally applicable to medical research, and, indeed, to research more generally. The Government is

awaiting the report of the McKeon Strategic Review of Health and Medical Research. That Review has specific terms of reference to address

*"current investment in this sector from both the government and the private sector, including industry, non-government organisations and philanthropy. There also needs to be a sharp focus on... how the Commonwealth Government can get greater buy-in and involvement from other sectors."*

*Matters for Review include*

*2. Current expenditure on, and support for, health and medical research in Australia by governments at all levels, industry, **non-government organisations and philanthropy**; including relevant comparisons internationally.*

*3. Opportunities to improve coordination and leverage additional national and international support for Australian health and medical research through **private sector support and philanthropy**, and opportunities for more efficient use, administration and monitoring of investments and the health and economic returns; including relevant comparisons internationally.*

While final recommendations are awaited, it would be perverse if the Government were to receive contrary recommendations from different reviews.

There has been talk over the years of encouraging philanthropic and other private giving to worthwhile causes, and leveraging increases in funds from various sources. The Bradley Review into Higher Education recommended that the Government match philanthropic donations –

***"Rec 39 That the Australian Government provide funds to match new philanthropic donations received in the sector as a means of stimulating an additional revenue stream from this source with the cost capped per institution, and in total at \$200 million over three years. (Chapter 4.2)"***

The Government response, in Transforming Australia's Higher Education System (2009) stated: *"Not supported at this time."*

The Go8 universities continue to look forward to this Recommendation being implemented, in some way.

Some universities have staff giving arrangements, to encourage giving through salary sacrifice arrangements, and "lifetime giving" (as well as giving through bequests to the university or universities in which they have worked). Favourable taxation treatment would provide an incentive for extending such giving schemes.

5 On specific issues raised in your discussion paper

**Franking Credits:** University endowments may include sizable holdings of shares etc. given to the university, for ongoing benefit. If refunds from franking credits were to be eliminated for universities, there would be an erosion by up to 30% in this revenue stream, which undoubtedly would impact directly on the research programs, and potentially upon the quality and breadth of teaching and learning activities.

**Income Tax Deductions:** There need to be clear, unambiguous signals and incentives for people at all income levels to make greater levels of donations to higher education and research. Givers who have low incomes must be encouraged to share in funding research which may potentially lead to cures for some of the diseases suffered by fellow Australians – diseases which have afflicted their own close relatives. Givers on higher marginal income tax rates should not be penalised for giving at present levels. Indeed, they need to be encouraged to give more. For donors at higher income levels, it would be unrealistic and unfair to reduce the rate at which these donors could claim deductions.

**Fringe benefits tax treatment:** Some university research staff would like to see an inequity between universities and medical research institutes addressed. Researchers of identical experience, working in research institutes or in universities, undertaking similar research functions, are treated differently as a result of fringe benefits eligibility.

6 There is a significant GST concession which supports universities offering affordable student accommodation. Any removal of this concession would impact heavily on students from regional areas distant from universities, and the affordability of accommodation for the considerable number of international students. The international student market, and university finances overall, would be adversely impacted by such a change.

7 There is an issue which may need some clarification. In your paragraph 18, you note that

“Income tax exempt entities must generally meet the ‘in Australia’ special conditions by operating and pursuing their purposes principally in Australia”.

Many of our member universities have activity overseas, which is inextricably related to their functions in Australia. Students gain from international experience. Research is undertaken in other countries as well as in Australia. There is no question that our member universities pursue their purposes principally in Australia. That is the present situation, and will be for the future. That said, is there some proportion of activity at which “principally” begins to be tested, so far as this exemption is concerned?

8 We would be willing to discuss these issues further with you, should you wish. The Go8 contact officer is Alan Mackay, [alan.mackay@go8.edu.au](mailto:alan.mackay@go8.edu.au).

Yours sincerely



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