Australian Communities Foundation

13 December 2012

NFP Sector Tax Concession Working Group Secretariat
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir/Madam,

Response to Not-for-profit Sector Tax Concession Working Group
'Fairer, simpler and more effective tax concessions for the not-for-profit sector'
Discussion Paper November 2012.

Thank you for the opportunity to comment on the Discussion Paper.

Australian Communities Foundation is a public, independent, not-for-profit charitable foundation. Our mission is to generate and distribute philanthropic resources to address emerging social issues and meet the needs of our communities. The trustee is Australian Communities Foundation Ltd, a company limited by guarantee and a Tax Concession Charity (TCC).

There are three charitable Funds under the Trustee, designed to provide maximum flexibility for both donations and distributions:

1. Australian Communities Foundation is a public ancillary fund endorsed as Deductible Gift Recipient (DGR) and Income Tax Exempt Fund (ITEF).
2. Australian Communities Foundation Extension Fund is a charitable trust / open fund with TCC endorsement.
3. Australian Communities Foundation Scholarship Fund is a public, ancillary fund endorsed with DGR1 and TCC.

Australian Communities Foundation offers individuals, families, groups, companies and not-for-profit organisations a simple and cost effective way of providing philanthropic resources in a structured, long-term manner. All donations are pooled and invested and the income is used to address disadvantage and build community capacity.

The Foundation uses its significant community and grantmaking expertise to assist donors plan their philanthropic giving and make effective grants which meet their own charitable objectives and address needs in the community. Donors can establish named sub-funds or management accounts.

Australian Communities Foundation has approximately 200 sub-funds with a corpus of $52 million and distributed $3.8 million in 2011-12.

In general, Australian Communities Foundation (ACF) supports both the Philanthropy Australia (PA) and Changemakers Australia submissions, and would particularly stress the following points:

Fitzroy Town Hall
201 Napier Street
Fitzroy
Victoria 3065
Australia

T. +61 3 9412 0412
F. +61 3 9415 7429

E. admin@community foundation.org.au

W. www.community foundation.org.au

ABN 57 967 620 066

- The discussion paper makes a good case for a simpler, clearer and more streamlined tax concession system. ACF supports this, but agrees with the Changemakers Australia submission that this should be a staged approach, making the more straightforward and simple changes immediately, with further consideration being given to the larger reforms which may have unintended consequences.

- ACF supports the Philanthropy Australia position that there is no justification for changing the current arrangements for claiming a refund of franking credits, given that these provide a range of direct and indirect community benefits within Australia. As both PA and Changemakers have pointed out if the tax concession system was not in place and the grantmaking capacity of philanthropic trusts is reduced, government may be required to provide greater levels of support to meet community needs.

- In general, ACF supports the extension of DGR to all charities, with restriction on use of such funds for activities where there is more private than public benefit, such as religious organisations, fee-for-service schools and childcare centres.

- ACF endorses the PA position that certain charitable trusts be excluded from DGR status so that they can continue to provide funds to non-DGR organisations and individuals for charitable purposes, such as education or relief of poverty. ACF's Extension Fund operates as a charitable trust and it is an important vehicle where we have directed bequest funds and other non-tax deductible gifts. This assists the Foundation to more flexibly undertake ACF's mission of supporting community needs. Although this Trust must distribute for charitable purposes, in some instances this involves being able to make grants to non DGRs and individuals.

- ACF also believes that greater thought needs to be given to the concept of fixed tax offsets or to a hybrid system, prior to any decision being made. There could be unintended consequences resulting from both a fixed tax offset and a hybrid system for PAFs.
    - In the case of the fixed tax offset, it may result in a decrease in giving by those with high taxable incomes, as a result of the reduced tax benefit, which may not be offset by an increase in giving by lower income individuals.
    - In the case of the hybrid system, this may skew tax deductible donations towards the establishment of PAFs, and away from Public Ancillary Funds, such as community foundations, which can be argued provide a more efficient, collaborative and transparent model of giving than PAFS, Community Foundations are a giving vehicle which makes philanthropy accessible for all and this includes high net worth individuals. This may also take donations away from direct giving to the Item 1 DGR charitable organisations. ACF strongly argues that this would represent a backward step for philanthropic giving in Australia, and as argued in the PA submission, could lead to more complicated and onerous compliance obligations for the NFP sector.

- The threshold for deductible gifts should be raised, with a mechanism to increase it at regular intervals, in line with CPI. There is a question about whether a $25 threshold may be too high for lower income people, and discourage giving by these people.

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Thank you again for the opportunity to participate in these important reforms a Australian Communities Foundation would be happy to discuss in detail any aspect of our letter.

Yours sincerely

Annie Duncan

Annie Duncan
Chair

For discussion and further information please contact:

Clare Brooks
CEO
Australian Communities Foundation
Telephone - (03) 9412 0412
Email - clare@communityfoundation.org.au