



**Submission to the Not-For-Profit Sector Tax Concession Working Group**

**Re: Discussion Paper on “Fairer, simpler and more effective tax concessions for the not-for-profit sector”**

## Who is Oxfam Australia?

**Oxfam Australia** is an Australian, independent, not-for-profit, secular, community-based aid and development organisation, and an affiliate of Oxfam International. Oxfam Australia's work includes long-term development projects, responding to emergencies and campaigning to improve the lives of disadvantaged people around the world. We aim to give disadvantaged people improved access to social services, an effective voice in decisions, equal rights and status, and safety from conflict and disaster.

Oxfam Australia's activities are mainly funded by community donation. Oxfam's development and advocacy programs use 73% of donated funds, 14% is used for fundraising and promotion, and the remaining 13% for administration. In 2009, Oxfam Australia's work reached 4.64 million people in 28 countries. This was made possible by the support of more than 310,000 donors and campaigners.

Oxfam Australia is made up of two legal entities, *Oxfam Australia* which is the parent company operating our fundraising, operations, program and advocacy work. *Oxfam Trading* is a subsidiary which operates 13 retail shops across Australia. Further details can be found here [www.oxfam.org.au](http://www.oxfam.org.au).

Oxfam Australia is;

- Income tax exempt;
- Endorsed as a Charitable Institution
- GST Concession
- Endorsed as a deductible gift recipient;
- Entered on the Overseas Aid Gift Deductibility Scheme (**OAGDS**) Register; and
- FBT exempt as we are a Public Benevolent Institution.

Oxfam Trading is;

- a wholly owned subsidiary of Oxfam Australia
- Income tax exempt;
- Endorsed as a Charitable Institution
- GST Concession
- FBT rebate

## Preamble

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This paper is a response to the Not-For-Profit Sector Tax Concession Working Group paper titled “Fairer, simpler and more effective tax concessions for the not-for-profit sector”. There are 57 questions in total in the paper, Oxfam Australia has responded to specific questions where appropriate. In regards responses to the other questions, we strongly support the *Australian Council for International Development (ACFID)* submission (as our INGO peak body).

## Response to Discussion Paper

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### Section 1: Income Tax Exemption and Refundable Franking Credits

In this section, Oxfam Australia supports the ACFID submission.

### Section 2: Deductible Gift Recipients

In this section, Oxfam Australia supports the ACFID submission. We make the following additional comments;

*Q15 Would a fixed tax offset deliver fairer outcomes? Would a fixed tax offset be more complex than the current system? Would a fixed tax offset be as effective as the current system in terms of recognizing giving?*

Given the likely impact on not for profit organizations of reducing donations, Oxfam Australia **does not** support a fixed tax offset system.

*Q19 Would a clearing house linked to the ACN Register be beneficial for the sector and public?*

Oxfam **does not** support a *clearing house* approach. This is not how donors give or relate to charitable organizations and runs against the notion of NGOs forming relationships with donors. Accordingly, the likely positive impact on charitable giving would be minimal. Oxfam would also be concerned that an administration fee may be applied to this service. Lastly, Oxfam notes that further consultation with the sector around the nature of the information displayed by the clearinghouse would be required, so as to ensure that prospective donors are accessing relevant and meaningful data prior to making a donation decision.

*Q27 Outline any other suggestions you have to improve the fairness, simplicity and effectiveness of the DGR regime, having regard to the terms of reference?*

Oxfam believes the DGR regime (& other NFP tax concessions) is a complex area for the Government to monitor and manage. We believe that it is most important to understand the altruistic objectives of the organization. For example, one of the recent challenges faced by Oxfam Trading (13 shops operating across Australia) is that we need to apply to each State/Territory Government in order to receive payroll tax exemption. Each State/Territory has different criteria in which they determine payroll tax exemption, some require PBI status, some are based on whether the entity distributes funds to its members, some are based on our Constitutional objects, etc... This interaction with State/Territory tax law (not to mention Fundraising law) is complicated, time-consuming and an administrative burden for any NGO that operates across State borders.

Charities and not for profit organizations can be very complex. Many would have commercial or private arms - St Vincent de Paul, Salvos, Red Cross etc and all have shops. However, the legal form of those "commercial" operations may vary widely - some may be incorporated separately (as Oxfam Trading is), while others might be a single entity operating a commercial arm. No matter what form, the key is that the intent of the consolidated organisation is the same. We would like to see the same treatment for the consolidated Oxfam entity as we now get for Oxfam Australia, regardless of whether Oxfam Trading is a separate entity.

### **Section 3: Fringe Benefits Tax Concessions**

In this section, Oxfam Australia supports the ACFID submission. We make the following additional comments;

*Q31 Should salary sacrificed meal entertainment and entertainment facility leasing benefits be brought within the existing caps on FBT concessions?*

Oxfam view is that that the meal entertainment and leasing benefits **should** be brought within the cap. There is a behavioral distortion in that people are artificially encouraged to undertake certain types of expenditure. However, as we detail below, we believe the existing cap should be revised upwards to take account of this change and to allow for CPI over the past decade.

*Q32 Should the cap for FBT concessions be increased if meal entertainment and entertainment facility leasing benefits are brought within the cap?*

Oxfam argue that the FBT concession cap should be increased to include Meal Entertainment and Facility leasing. We would also argue that the cap should be increased in line with CPI to maintain real wages.

*Q38 Should FBT concessions (that is, the exemption and rebate) be phased out?*

Oxfam **does not** agree with phasing out the exemption and rebate. This would have a massive negative impact on the not for profit sector, given the number of employees that rely on these important tax concessions.

*Q39 Should FBT concessions be replaced with direct support for entities that benefit from the application of these concessions?*

Oxfam **does not** agree with replacing these concessions with direct support. This would be a very difficult and complex administrative task. Direct support may also be subject to government funding cuts in the budget each year and is not a viable alternative.

#### **Section 4: Goods and Services Tax Concessions**

In this section, Oxfam Australia supports the ACFID submission.

#### **Section 5: Next Steps**

In this section, Oxfam Australia supports the ACFID submission. We make the following additional comments;

*Q57 Do you have any ideas for reform of NFP sector tax concessions within the terms of reference that have not been considered in this discussion paper?*

Our view is that any changes to the not for profit sector need to be well thought through and carefully modeled. We recommend a measured approach to any tax concession (and other important) changes in the NFP sector. It has the risk of being very disruptive to the sector.



**Andrew Hewett**  
**Executive Director**