

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

**Email:** [NFPReform@treasury.gov.au](mailto:NFPReform@treasury.gov.au)

Dear Sir/Madam

Re: RSB submission to the Not for Profit Tax Concession working Group

The Royal Society for the Blind of South Australia (RSB) a quality accredited organisation is the primary provider of the full range of rehabilitation services to over 12,000 South Australians.

Founded in 1884, the RSB funds approximately 60% of its operational costs (primarily as a result of philanthropy) and is both exempt from taxation and a Deductible Gift Recipient (DGR). Aside from some generic comments regarding the need for the continuation of the current tax concessions (including Imputation Credits and Fringe Benefits Tax) the RSB will confine its comments to matters around which it is familiar and which directly impact on its operations. To assist with your deliberations the RSB has attached a spread sheet specifically answering each of the questions raised and for which the RSB believe it appropriate to respond.

The RSB has read and supports much of the National Disability Services' submission particularly with regard to the history and need for the continuation of current taxation concessions. The current concessions were created to enable "Government" (given references to State and Federal Governments we have combined these as "Government" unless otherwise specified) to meet specific identified needs without providing the direct funding necessary to meet these needs, in the process being able to substantially increase the value of this concession through access to community resources including philanthropy and volunteers, which would generally be unavailable to a "Government" program.

Organisations such as the RSB were created and have continued to meet this need enabling in the case of the RSB, people who are blind or vision impaired to be independent and able to participate in the community. This is invaluable to the individual, family and community from both a human rights and economic perspective.

Prior to commenting on the issues themselves the RSB notes that based on the discussion paper only 4% (\$4 billion out of an estimated \$100 billion) of tax concessions are provided to the Not for Profit Sector, which given the nature and size of the sector and whilst trying not appear ungrateful is a relatively minor contribution in comparison to the total level of tax concessions provided. This is even more so when there is to the best of the RSB's knowledge no research that "grosses" up the value that these concessions deliver to individual, communities and "Government". In assessing the value of tax concessions to the not for profit sector this should also be benchmarked against the value the other 96% of tax concessions deliver.

The RSB is also seeking information with regard to the statement made in the introduction that “Existing arrangements are complex and impose compliance burdens on the sector”, and would appreciate further discussion on why this would be. Given for instance the current exemption scheme once eligibility is established requires no reporting, imputation credits are claimed from a yearly reconciliation and FBT returns are only required once an employee exceeds the grossed up cap in which case a return is required as for any other organisation. Any changes being recommended based on this form of unsubstantiated statement clearly would be incorrect and indeed will only increase compliance costs.

It is clearly for “Governments” to define which areas it wishes to encourage and support with tax concessions and which it will not deliver itself or that will not occur in a commercial market environment based on the needs of the community. For many organisations such as the RSB it’s costs of services far exceed the level of income generated from “Government” or related activities, so in the absence of taxing gifts most organisations would not be in a position of being taxable in any event. Which in itself makes an argument (Page 10) around removing tax concessions to reduce taxes for other organisations somewhat silly and indeed in many instances will only lead to a reduction in essential services to those most in need.

The exception to this is a number of large organisations such as a range of clubs which now conduct significant commercial operations and are able to unfairly access these concessions not for the purpose of community but rather as competitive advantage over their “for profit” competitors.

The RSB’s view is that the concessions are a vital component of enabling people with a disability to be able to improve their quality of life, something not available from a “for profit” organisation or “Government”. This principle should not be changed and any attempt to do so we believe would create substantial cost to the individual, community and “Government”.

In our view fundraising, government funding (which generally only subsidises services) and related activities e.g. income from a sheltered workshop or investments should remain as they are, now free from taxation.

The RSB acknowledges that grey areas arise, when organisations that are tax exempt change their operations from which the concessions were originally granted or attempt to compete with commercial organisations by using their tax concessions as a significant (not incidental) competitive advantage. The RSB is aware of numerous examples of this, including commercial factory operations (not employing people with disabilities), aged care service delivery and the sale of products not incidental to the core business of the organisation.

However if “Government” believe that concessions are an efficient and equitable manner (which is a view the RSB supports) to encourage and support the services that it defines as being eligible for these concessions then this should not be compromised by organisations applying these concessions in the manner not in keeping with the intent of providing these concessions. This includes subsidising commercial undertakings from an exempt income stream in a “for profit” market place.

Accordingly the RSB does not believe the system for tax concessions at the current time requires substantial change but rather those that are using the system inappropriately be made accountable for this and not able to continue to abuse a good system.

However inappropriate use is defined by the Legislation and associated Rules and Regulations and a use irrespective of personal views is not inappropriate if it is permitted under these. As an aside the RSB does not provide meal and entertainment facility leasing in addition to the \$30,000 grossed up capped benefit for any individual employee however if it chose to its use would not be inappropriate if permitted under the Legislation.

The RSB has addressed the FBT issues specifically in its attached response however believes that the retention of this benefit to eligible organisations is integral to attracting and retaining specialist staff within the disability industry. Further the current caps which have been frozen (in spite of undertakings that this would not occur at the time) for many years be reviewed and an appropriate indexation be applied to maintain the real value of this concession.

It is the RSB's view that an exemption model is far more efficient than some hybrid or grant model subject to the above. The RSB believes it's for "Government" to define and support areas of the community that it wishes to support and that disability and in particular blindness are areas that "Government" has traditionally funded very poorly and as a result need access to these concessions to maintain current levels of services.

Further the RSB believes comments that these concessions are a cost to "Government" misrepresents the intent and outcomes from the provision of these concessions given that the investment made by "Government" with regard to these concessions generate significantly more services and supports through philanthropy and volunteering many times over the cost of these concessions.

Whilst the RSB will discuss specific issues further in its response to the 57 questions raised by the Not for Profit Tax Concession Working Group specific issues the RSB believes the current system of both exemption and DGR status to be appropriate. Further the concept of a single clearing house with an electronic menu of choosing which organisation to donate to demonstrates a lack of understanding of how donors are acquired and cultivated to support an organisation. Certainly RSB donors would be unlikely to utilise the internet in this manner.

It is the RSB's view that the current raft of concessions are appropriate subject to minor modification however there needs to be accountability created to ensure that these concessions are being appropriately applied to the areas for which the concessions were created and not to seek a commercial advantage at the detriment of organisations that do not have access to these concessions. Rather than changing the concession scheme there is a need to strengthen accountability, disclosure and governance so that organisations are made accountable and taxable on areas not related to their eligibility for the concessions (as per the changes made with regard to unrelated activities that have already occurred).

Clearly consideration needs to include the purpose for which the concessions were obtained, whether the activities are related to this eligibility and whether the activity is conducted in a manner in keeping with the principles for which the concessions were granted. The system also needs to enable within reason any organisation to lodge a complaint where they feel an organisation has unfairly utilised this concession in a commercial market place. Currently complaints with regard to uncompetitive behaviour can only be lodged with the Australian Consumer and Competition Commission which we believe is highly unlikely to investigate or act on a matter of this nature.

If you require any further information on the above or attached responses please do not hesitate to contact the undersigned.

Yours Faithfully

Andrew Daly  
Executive Director

