



National Roundtable of Nonprofit Organisations

26 August 2011

The Manager
Philanthropy and Exemptions Unit
Personal and Retirement Income Division
The Treasury
Langton Crescent
PARKES ACT 2600

Exposure Draft – ‘In Australia’ Special Conditions for Tax Concession Entities

The National Roundtable of Nonprofit Organisations (NRNO) welcomes the opportunity to comment on the exposure draft bill and explanatory materials re-stating the ‘in Australia’ special conditions for tax concession entities.

On 18 August 2011 we communicated by phone and email with Ms Fiona McLaren, who authorised an extension until Friday 26 August 2011 for our submission. We are grateful for that consideration.

The Australian Council for International Development (ACFID) is a member of NRNO. We are aware that ACFID has made a detailed submission on this matter, and the content of that submission is specifically endorsed by NRNO.

In addition to supporting the generality of ACFID’s comments, NRNO particularly highlights the risk identified by ACFID that Australian individuals will be less likely to give to organisations if they know that the money they donate could be subject to tax. It is NRNO’s view that Australians give generously to overseas aid projects as well as domestic projects, and that they see those projects as both charitable in nature and “tax deductible” for the donor at tax time – for those purposes, individual donors do not draw a distinction between domestic and international recipients. However, the tax deductibility and tax effectiveness of donations are important factors in donor decision-making and if those factors are reduced or removed then donations are likely to fall sharply, significantly limiting the resources available to the recipient agencies and consequently limiting the work they can do.

In addition, NRNO believes that there is a high level of risk in reforming the ‘in Australia’ special conditions before the Australian Charities and Not-for-Profits Commission (ACNC) has been established and bedded down. Among others, these risks include:

- undermining the future authority of the ACNC as sector regulator; and
- placing artificial boundaries or limits on determinations the ACNC will make and frameworks it will develop in future, including the ‘report-once use-often’ general reporting framework.

Further, it is NRNO's view that the exposure draft addresses one element only of a raft of significant current and proposed changes in the operating environment of not-for-profit organisations in Australia, which will have a significant cumulative impact on NFPs. These include:

- current consultations on better targeting of NFP tax concessions;
- the pay equity case, which will likely increase labour costs for NFPs;
- moves to individualised funding rather than block funding for some parts of the sector;
- introduction of fee-for-service and market-based models for service delivery in some parts of the sector;
- recent natural disasters impacting fundraising for some organisations;
- social bonds that require a commercial return;
- multiple quality service standards and other compliance regimes;
- the announcement of a carbon tax and its potential impact on NFPs.

NRNO considers that the ACNC will be the appropriate body to consider all changes to NFP operating environments holistically, and to work with the sector to ensure any new arrangements take all cumulative changes into account.

NRNO Recommendation: that the Exposure Draft be withdrawn and the current process be suspended until after the establishment of the Australian Charities and Not-for-Profits Commission (ACNC), with the process to be reintroduced at that time as part of a holistic and consultative process.

Sincerely



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