

17 December 2012  
NFP Sector Tax Concession Working Group Secretariat  
The Treasury  
Langton Crescent  
**PARKES ACT 2600**

Sent via email: [NFPReform@treasury.gov.au](mailto:NFPReform@treasury.gov.au)

Dear Sir/Madam

**RE: CONSULTATION PAPER – NOT-FOR-PROFIT SECTOR TAX CONCESSION  
WORKING GROUP – OPTIONS FOR REFORM**

We welcome the opportunity to comment on the Discussion Paper *Not for Profit Sector Tax Concession Working Group* ("Discussion Paper"). Crowe Horwath and WHK strongly supports the current suite of reforms in the Not-For-Profit ("NFP") sector, and welcomes the level of recognition now afforded to many worthwhile NFP organisations in the Australian community.

These organisations make an important contribution to the Australian economy and the fabric of our society and accordingly reform of this sector should not be considered lightly.

Crowe Horwath and the WHK group ("WHK") are the fifth largest accounting and advisory firm in Australia. Whilst official Tax Office figures indicate that WHK have 151 clients in the NFP market segment, we have a high number of additional NFP clients for whom we provide audit and non-tax accounting services, particularly in regional Australia.

We act for a large number of micro and small NFP entities. These entities face many challenges in facing reform to the sector owing to the restricted administrative capabilities that come with reduced size. As such, our submission includes commentary on many of the issues that directly affects these clients. We also act for larger and more complex NFP entities and the concerns of this group are also taken into consideration.

If you have any queries or require any further information please contact Tristan Webb on (02) 9367 3035

Yours sincerely  
**WHK GROUP PTY LTD**

**TRISTAN WEBB**  
WHK/Crowe Horwath National Tax Director



## Executive Summary

In our view, the priorities of this reform should focus on simplifying and streamlining the administration of tax concessions for NFPs, whilst retaining or enhancing the level of support currently provided to organisations in the sector. Specifically:

- The development and implementation of a single statutory definition of charity is of fundamental importance to reform in the NFP sector and should be the guiding principle in delineating the concessions made available to charities and other NFPs.

This definition is broadly stated in the Australian Charities and Not-for-profits Commission (ACNC) Bill 2012 (Act no.168 of 2012) (“ACNC Act”) with additional criteria to be confirmed via Regulations to the legislation. The key objective of the reform of the NFP sector has been to simplify and reduce the existence of multiple definitions of charity under Australian law. If the ACNC definition is not adopted across all Australian Legislation and in particular in the administration and regulation of all aspects of taxation, the goal of regulatory simplification for the sector will not be met.

- The categories of NFP should be simplified into four broad tiers:
  1. NFPs approved by the ACNC as operating for benevolent purposes
  2. charities which meet the statutory definitions under the ACNC in all other categories (such as scientific, cultural and educational organisations)
  3. NFPs which deliver significant community service and are funded either in part or whole from consolidated taxpayer revenue (apart from tax concessions)
  4. all other NFPs (see our detailed response to question one below)

- The existing income tax exemptions in Division 50 of the Income Tax Assessment Act 1997 (“ITAA 97”) are appropriate for non-charity NFPs.

However, we support the maintenance of higher standards of transparency, accountability and probity over the conduct and management of monies raised under Deductible Gift Recipient (“DGR”) provisions. Also Division 50 should be substantially simplified to reduce the number of categories of different exempt organisation.

- The principal of mutuality in its present form should be retained.

However, further guidance around mutuality as a measurement base for determining the taxable income of a NFP entity should be pursued. This is particularly relevant as the ACNC Act’s transitional period gradually broadens the regulation of NFPs that will not be approved as charities or that elect not to be within the ACNC regime.

- Automatic DGR status should not be extended to all NFPs that meet the statutory definition of charity.

DGR status is a significant incentive for NFPs seeking access to public monies. Two of the major objectives of the ACNC reform process included encouraging philanthropic activity and achieving a reduction in dependence by charities on direct public funding. DGR status that is a challenge to obtain encourages the establishment of more robust organisations, better documented objectives and a better informed and directed executive. Strengthened DGR



provisions should result in better overall corporate governance and organisational performance by entities meeting DGR requirements. Granting blanket recognition of DGR status lessens the effectiveness of this significant policy tool and potentially enables the misdirection of public monies.

For the sake of concision, we have restricted the remainder of this paper to direct responses to the specific questions provided in the Policy Paper. Also, there are questions in the Policy Paper regarding thresholds, rates and concessions. We believe that these questions are generally the purview of government and consequently have decided to abstain from responding to some of them, however where we believe we can make a meaningful contribution we have done so.

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Question	Response
<b>CHAPTER 1 — INCOME TAX EXEMPTION AND REFUNDABLE FRANKING CREDITS</b>	
<p>1. What criteria should be used to determine whether an entity is entitled to an income tax exemption?</p>	<p>We consider that differential criteria should be established to recognise four categories of eligibility to income tax exemption.</p> <ol style="list-style-type: none"> <li>1. Not-For -Profit entities that are recognised and approved by the ACNC as being established and operating for benevolent purposes including the relief of poverty and the provision of health related services such as hospitals and home nursing and welfare organisations.</li> <li>2. Other entities recognised as charities under classifications other than specific benevolence and which do not provide community service obligations or meet community social need. This would typically include non PBI DGR entities and public/private ancillary funds as well as scientific, cultural and educational organisations.</li> <li>3. NFPs which provide significant community benefit through the provision of government community service obligations funded from the public purse by direct appropriation, provision of Grants and Fee-For-Service contractual arrangements. This would include community based service providers including child care, legal, advocacy and employment services.</li> <li>4. NFPs that are categorised as “lower tier” ACNC Act compliant and that fulfil important elements in social and cultural groupings. In regional and remote areas these entities may or may not be associated with a designated charitable activity and may not receive significant public monies .This would superficially include “basic religious charities” and organisations promoting specific ethno-cultural activities not directly related to welfare.</li> </ol>
<p>2. Are the current categories of income tax exempt entity appropriate? If not, what entities should cease to be exempt or what additional entities should be exempt?</p>	<p>The current regime should be substantially simplified to reduce the number of categories of different exempt organisations. We suggest the previous response provides a starting point for possible categories of exempt institution.</p>

Question	Response
	<p>As noted in the executive summary, the objective of reform of the NFP sector has been to simplify and reduce the multiple definitions of charity under Australian law. If a standard ACNC definition is not adopted across all Australian Law, the simplification objectives of the reform process will not be met.</p>
<p>3. Should additional special conditions apply to income tax exemptions? For example, should the public benefit test be extended to entities other than charities, or should exemption for some types of NFP be subject to different conditions than at present?</p>	<p>No. See our response to the previous question.</p>
<p>4. Does the tax system create particular impediments for large or complex NFPs?</p>	<p>Larger NFPs generally have more capacity and resources to comply with the tax system. The issue with large NFPs is the transparency of objectives, activities and outcomes for charitable or tax exempt purposes.</p> <p>A current issue for large NFPs is the lack of clarity over the future tax treatment of commercial vs. non commercial activities (how far the principle from <i>Word Investments</i><sup>1</sup> extends), utilising funds from commercial activities for altruistic ends, staffing and shared services within entities.</p> <p>The scope of this consultation to date has had insufficient regard for smaller NFPs and their capacity to respond to changes to income tax exemptions and concessions.</p>
<p>5. Should other types of NFPs also be able to claim a refund of franking credits?</p>	<p>Yes. Franking credits are simply a recognition of the timing of the taxation point. If tax has been deducted from an exempt organisation's income before they receive it, they are unfairly disadvantaged if they can't then recoup the tax that has been paid.</p> <p>There are issues with NFPs investing in equities which are longer term growth assets in terms of complying with their constituent objects. The implementation of a benchmark calculation of disbursements from invested funds for charitable and tax exempt purposes in line with the Public Ancillary Fund requirements could be considered to provide a basis for investment strategies for</p>

<sup>1</sup> [2008] HCA 55

Question	Response
	NFPs.
6. Should the ability of tax exempt charities and DGRs to receive refunds for franking credits be limited?	No. See our response to the previous question.
7. Should the ATO endorsement framework be extended to include NFP entities other than charities seeking tax exemption?	No. This would create an unnecessary administrative burden and be contrary to the process of NFP reform that has culminated in the establishment of the ACNC.
8. Should the income tax exemptions for State, Territory and local government bodies be simplified and consolidated into the ITAA 1997? Which entities should be included?	<p>Yes. At present public sector entities directly funded from State of Commonwealth appropriation and receiving Grants from other such bodies (public purse sources) are assessed under Income Tax Equivalent processes. These are necessarily closely linked to machinery of government changes and consolidation into the ITAA1997 may have adverse impacts upon such machinery of government processes.</p> <p>Entities transitioning from such public sector environments and remaining in receipt of Grants or Fee For Service funding from public purse sources should be transitioned to the ACNC jurisdiction. These entities should then be subject to standard concessions charities within the ACNC framework.</p> <p>Entities transitioning to the private sector and competing with other private entities, where the beneficial owner is not a Minister of a Parliament and where the profits are not retained in consolidated revenues should not be regarded as charities.</p>
9. Should the threshold for income tax exemptions for taxable NFP clubs, associations and societies be increased? What would a suitable level be for an updated threshold?	Abstain.
10. Please outline any other suggestions you have to improve the fairness, simplicity and effectiveness of the income tax exemption regime, having regard to the terms of reference.	<p>The effectiveness of the income tax exemption regime can be improved through the requirement to align objectives, activities and outcomes with ACNC requirements and report financial and non financial outcomes.</p> <p>Alignment of the NFP sector with the ACNC principles will not only assist the ATO in determining the equitable application of NFP concessions but also provide a single framework in which NFPs may continue their valuable role in Australian society and communities.</p>

Question	Response
<b>CHAPTER 2 — DEDUCTIBLE GIFT RECIPIENTS</b>	
<p>11. Should all charities be DGRs? Should some entities that are charities (for example, those for the advancement of religion, charitable child care services, and primary and secondary education) be excluded?</p>	<p>No. All charities should not automatically be entitled to DGR status. The determination of DGR status should remain with the ATO with an appealable discretion to allow for individual circumstances.</p> <p>Private donations made to charities result in a reduction in government funding required to fund these activities. On this basis it is desirable to increase the level of donations for these institutions.</p> <p>The exclusion of particular activities or types of organisations is dealt with through the statutory definition of charity currently drafted in the ACNC Act. Activities such as the advancement of religion, charitable child care services, and primary and secondary education are recognised in this definition.</p> <p>Reducing reporting controls over DGR funds could have an adverse impact on public confidence regarding application of donations. In addition, for NFPs with limited resources the necessary transparency and accountability requirements that would necessarily follow the removal of the Tax Office accreditation process would be an onerous imposition.</p> <p>We support the maintenance of higher standards of transparency, accountability and probity over the conduct and management of monies raised under DGR provisions and this can be best achieved by allowing the Commissioner of Taxation to determine DGR status.</p>
<p>12. Based on your response to Q11, should charities endorsed as DGRs be allowed to use DGRs funds to provide religious services, charitable child care services, and primary and secondary education?</p>	<p>As noted above the present mechanism for regulating DGRs provides transparency, accountability and assurances of probity over the application of DGR monies.</p>
<p>13. Would DGR endorsement at the entity level with restrictions based on activity address the behavioural distortions in Australia’s DGR framework? Could unintended consequences follow from this approach?</p>	<p>The adoption of the ACNC definitions of charity as a basis for determination of eligibility to income tax exemption and concessions will necessarily include determination of the ‘character’ of DGR entities.</p> <p>Some very large entities with significant assets are structured with commercial activities</p>

Question	Response
	<p>separated – e.g. branches or subsidiary funds. Taking the DGR status to entity level would not be appropriate for such entities as it would mix DGR and non-DGR activities which were previously appropriately separated. This may result in DGR status being unfairly revoked because of ‘tainting’ by the commercial activities).</p> <p>There is a need to consider if NFPs that operate within formalised frameworks are able to adopt a ‘pooling’ approach or will require entity based endorsement. For example the sporting regulatory bodies and service clubs such as Rotary, Lions, Apex, Quota, and Soroptimists function within Local, Regional, State and Federal levels. Endorsement of the head entity may allow the local entities to receive DGR donations which may then be retained at the local level or forwarded to a higher level subject to designated financial value criteria. These “local retentions” could be accounted to head bodies through present reporting systems.</p>
<p>14. If DGR status is extended to all endorsed charities, should this reform be implemented in stages (for example, over a period of years) in line with the PC’s recommendations, or should it be implemented in some other way?</p>	<p>Existing DGR status should be implemented at the same time as the ACNC Act transitional period for consistency.</p> <p>This will assist in clarity of process for each entity and help avoid difficulty in assessing who will be endorsed and when.</p>
<p>15. 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 recognising giving?</p>	<p>We don’t believe that a fixed tax offset would produce fairer outcomes. The implementation of a fixed tax offset could reduce the amount of donations and skew organised collection activity to taxpayers with lower levels of disposable income as the offset would be more valuable to these taxpayers. This has the potential to increase collection costs and reduce the collection outcomes.</p> <p>As noted above, higher levels of private donations are desirable as it reduces the pressure on government support.</p>
<p>16. Would having a two-tiered tax offset encourage giving by higher income earners?</p>	<p>We do not believe the two-tiered offset will encourage giving by higher income earners, especially not compared to the existing tax deduction. We believe that donors will give funds to charities they consider to be a worthy cause, and will not donate to Private Ancillary Funds in</p>



Question	Response
	<p>order to obtain a slightly higher tax deduction.</p> <p>The two tiered tax offset settings would create threshold opportunities that will skew donations and collection activity and complicate the collection reporting and taxation system.</p>
<p>17. What other strategies would encourage giving to DGRs, especially by high income earners?</p>	<p>Allowing bequests to DGRs under will and estate planning to be tax effective. In particular, allowing a tax deduction in the year that the bequest is established under the will and having assets “tagged” through a binding bequest agreement would encourage giving to DGRs by high income earners. The tax deduction should be available at fair value less selling costs to the donor.</p>
<p>18. Should testamentary giving be encouraged through tax concessions and what mechanisms could be considered to address simplicity, integrity and effectiveness issues?</p>	<p>See suggestion Q17 above. If the asset is “tagged” then the DGR receives the benefit of the growth in the asset over time notwithstanding that the donor has the use of the asset from the date of bequest agreement to the date of death.</p>
<p>19. Would a clearing house linked to the ACN Register be beneficial for the sector and public?</p>	<p>Yes. Major benefits would include:</p> <ul style="list-style-type: none"> <li>- linking of donations with ATO pre-fill data would benefit taxpayers with accurately preparing their tax returns</li> <li>- enabling donors to easily determine, via the ANC Register, whether charities are legitimate and make donations on the same website. This will streamline the donations process.</li> <li>- allowing donors to search the majority of charities to determine which one they wish to donate too.</li> </ul> <p>The only potential drawback from having the clearing house linked to the register, is that there is potential for donors to search for a <b>type</b> of charity they wish to donate to (for example, public hospital), and merely selecting one of the first charities that appear on the page. If the organisations are listed in alphabetical order, there is a risk that those at the start of the alphabet may continuously get selected over those starting with letters at the end of the alphabet. This may disadvantage some organisation within the sector.</p> <p>If the database is too large, the higher the likelihood that donations will not be directed to local, regional or national organisations based on need rather on the vagaries of the search engine</p>

Question	Response
	<p>algorithm or listing mechanism.</p> <p>It is important to ensure that such a system will not preclude charities from receiving donations directly from donors.</p>
<p>20. Are there any barriers which could prohibit the wider adoption of workplace giving programs in Australia? Is there anything the Working Group could recommend to help increase workplace giving in Australia?</p>	<p>Workplace giving could be encouraged through incentives for employers to match employee contributions. (E.g. payroll tax reductions)</p>
<p>21. Do valuation requirements and costs restrict the donation of property? What could be done to improve the requirements?</p>	<p>The transaction costs (e.g. stamp duty, valuation, legal costs) related to the donation of property during the life of a taxpayer makes property donation unattractive. The DGR receiving the property often would not be expected to retain the property and would need to realise the value of the property to continue to pursue its objectives resulting in additional transaction costs on sale. The transaction costs of the donor and recipient make property donation an inefficient method of transferring resources to the NFP sector.</p>
<p>22. Is there a need to review and simplify the integrity rules?</p>	<p>Agree</p>
<p>23. Are there additional barriers relevant to increasing charitable giving by corporations and corporate foundations? Is there anything the Working Group could recommend to help increase charitable giving by corporations and corporate foundations?</p>	<p>Abstain</p>
<p>24. Are the public fund requirements, currently administered by the ATO, either inadequate or unnecessarily onerous?</p>	<p>We consider that the public fund requirements are adequate and effective</p>
<p>25. Are there any possible unintended consequences from eliminating the public fund requirements for entities that have been registered by the ACNC?</p>	<p>The Public Fund requirements would be replaced by reliance on the ACNC Governance compliance framework to ensure that tax deductible gifts are applied for DGR purposes.</p>
<p>26. Should the threshold for deductible gifts be increased from \$2 to \$25 (or to some other amount)?</p>	<p>We suggest that this proposal will have a regressive impact as lower income earners who make smaller donations would be disadvantaged by being unable to claim a donation, or not making donations. Recommend maintaining \$2 threshold.</p>
<p>27. Outline any other suggestions you have to improve the fairness, simplicity and effectiveness</p>	<p>Recognise either through a fixed tax offset or standard tax deduction the work of volunteers for</p>

Question	Response
of the DGR regime, having regard to the terms of reference.	Charities/DGRs/NFP. This could be administered through a similar system to PAYGW through the ACNC lodgement reporting of volunteer inputs.
<b>CHAPTER 3 — FRINGE BENEFITS TAX CONCESSIONS</b>	
28. Assuming that the current two-tiered concessions structure remains (see Part B), what criteria should determine an entity's eligibility to provide exempt benefits to its employees?	The number of different concession levels and categories of NFP organisations results in unnecessary complexity and compliance costs. The main aim of any reforms should be to simplify the eligibility criteria and form of concessions provided. There may be arguments in favour of discontinuing all FBT concessions, and replacing it with an equivalent and proportional income tax offset for employees of endorsed charities under the statutory definition, however these need to be considered carefully to ensure that NFPs are able to compete with private sector employers in the competition for staff.
29. Also assuming that the current two-tiered concessions structure remains (see Part B), what criteria should determine an entity's eligibility to provide rebateable benefits to its employees? Should this be restricted to charities? Should it be extended to all NFP entities? Are there any entities currently entitled to the concessions that should not be eligible?	Abstain.
30. Should there be a two-tiered approach in relation to eligibility? For example, should all tax exempt entities be eligible for the rebate, but a more limited group is eligible for the exemption?	See answer to Q28
31. Should salary sacrificed meal entertainment and entertainment facility leasing benefits be brought within the existing caps on FBT concessions?	Abstain.
32. Should the caps for FBT concessions be increased if meal entertainment and entertainment facility leasing benefits are brought within the caps? Should there be a separate cap for meal entertainment and entertainment facility leasing benefits? If so, what would be an appropriate amount for such a cap?	Abstain.
33. Are there any types of meal entertainment or entertainment facility leasing benefits that should	Abstain.

Question	Response
<p>remain exempt/rebateable if these items are otherwise subject to the relevant caps?</p>	
<p>34. Should there be a requirement on eligible employers to deny FBT concessions to employees that have claimed a concession from another employer? Would this impose an unacceptable compliance burden on those employers? Are there other ways of restricting access to multiple caps?</p>	<p>No – placement of compliance burden on employers would be unreasonable. Use of refundable tax offset to employees via income tax system would be a more effective means of enforcing any such cap.</p> <p>Should the current system remain (and a refundable tax offset implemented) each employee should only be entitled to one cap (not multiples); regardless of the number of employers they work for. Similar to the tax-free threshold declaration, one option to administer and implement the cap, would be for an employee to make a declaration of the amount/percentage of the cap they wish to claim for each place of employment, and cannot change unless employment arrangements change (such as ceasing employment with one employer). It should be up to the employee to monitor their progress towards reaching such caps, to reduce the burden on employers.</p>
<p>35. Should the rate for FBT rebates be re-aligned with the FBT tax rate? Is there any reason for not aligning the rates?</p>	<p>Abstain.</p>
<p>36. Should the limitation on tax exempt bodies in the minor benefits exemption be removed? Is there any reason why the limitation should not be removed?</p>	<p>No. The limit establishes a threshold for activity and cost that needs to be minimised to preserve the integrity of the tax system</p>
<p>37. Is the provision of FBT concessions to current eligible entities appropriate? Should the concessions be available to more NFP entities?</p>	<p>FBT concession are appropriate except see comments Q29 regarding FBT rebate</p>
<p>38. Should FBT concessions (that is, the exemption and rebate) be phased out?</p>	<p>If replaced with an equivalent level of support via other mechanisms, such as the tax rebate per Q.40 there may be a valid argument in favour of removal of the FBT concessions. This is because the FBT concession system is overly complex.</p> <p>Where entities are funded via operational Grants, removal of the FBT concessions may have a significant impact on the costing for program operations and threaten the community service deliverables. Insufficient time to expand this issue. Neutral response would be better</p>
<p>39. Should FBT concessions be replaced with direct support for entities that benefit from the</p>	<p>No. A tax offset system for employees may be more appropriate if a demonstrable reduction in</p>

Question	Response
application of these concessions?	complexity can be achieved.
40. Should FBT concessions be replaced with tax based support for entities that are eligible for example, by refundable tax offsets to employers; a direct tax offset to the employees or a tax free allowance for employees?	Yes. Providing an incentive similar to remote area allowances would encourage employees to work in the NFP sector, and enable NFP employers to offer equivalent remuneration after-tax compared to private sector organisations. It may be worth exploring tax based support in addition to the FBT concessions.
41. Should FBT concessions be limited to non-remuneration benefits?	Abstain.
42. If FBT concessions are to be phased out or if concessions were to be limited to non-remuneration benefits, which entity types should be eligible to receive support to replace these concessions?	All endorsed charities (using the new definition of charity, including any policy-led exclusions) should be eligible for employees to receive tax-based support.
<b>CHAPTER 4 — GOODS AND SERVICES TAX CONCESSIONS</b>	
43. Does the existing fundraising concession create uncertainty, or additional compliance burdens, for NFP entities that wish to engage in fundraising activities that fall outside of the scope of the concession?	Having a \$20 maximum selling price for fundraising goods sold creates a compliance and administrative burden for NFP entities, and should either be increased significantly or removed.
44. Would a principles-based definition of the types of fundraising activities that are input-taxed reduce the compliance burden for entities that engage in fundraising?	Yes. A principles-based approach that clearly defines the types of activities that are input-taxed will reduce the compliance burden for fundraising entities. Furthermore, giving NFP entities the ability to make a formal self-assessment of their charity events (and therefore determine the ability to input-tax) should make the process easier.
45. Should current GST concessions continue to apply for eligible NFP entities?	Yes, but they could be greatly simplified. We concur with the discussion paper, in that the current apportionment rules should be removed as this both confusing and complex, and be replaced with the option of being either input taxed or taxable.
46. Are there any other issues or concerns with the operation of the GST concessions in their current form?	No other issue or concerns
47. Would an opt-in arrangement result in a reduced compliance burden for charities that would otherwise need to apply apportionment rules to supplies made for nominal consideration?	Apportionment rules should be scrapped, with entities required to choose the input taxed or taxable options. Q44 outcome would resolve this issue.

Question	Response
48. If an opt-in arrangement is favoured, would the preference be to treat the supplies as taxable or input taxed? Why?	Preference would be to treat supplies as input taxed as this would result in less compliance costs for NFPs.
49. Is there an alternative way of reducing the compliance burden associated with apportionment for supplies made for nominal consideration?	As previously noted, the apportionment rules should be removed.
<b>CHAPTER 5 — MUTUALITY, CLUBS AND SOCIETIES</b>	
50. Should the gaming, catering, entertainment and hospitality activities of NFP clubs and societies be subject to a concessional rate of tax, for income greater than a relatively high threshold, instead of being exempt?	We support the principle of mutuality as a measurement base for determining the taxable income of a NFP entity. The principle of mutuality should be retained as it encourages community contribution and participation in NFPs that offer services and facilities to members and non members.
51. What would be a suitable threshold and rate of tax if such activities were to be subject to tax?	<p>We would suggest that there is an inherent danger in the introduction of such thresholds, and it will inevitably lead to skewing of behaviour and potential manipulation of results to meet any such thresholds. A better solution may be a non-financial metrics benchmarking system based on data from ACNC-type annual information statements that will enable identification of organisations with significant anomalies.</p> <p>If a threshold system were being contemplated, a similar system to that adopted in New Zealand, USA and Canada could also be adopted in Australia, whereby if 75% of a club's total receipts are derived from members or through investment income, the club should be entitled to a concession as follows:</p> <ul style="list-style-type: none"> <li>- if turnover is &lt; \$250,000 the Club should not have to pay any tax;</li> <li>- if turnover is &gt; \$250,000 the Club should be entitled to a concessional rate of tax of 15%</li> </ul> <p>If member and investment income represents less than 75% to total income, the club should not be entitled to any tax concessions and have to pay tax at the company rate of 30%</p>
52. Should the mutuality principle be extended to all NFP member-based organisations?	Yes. Guidance and additional thresholds as previously discussed would be appropriate.
53. Should the mutuality principle be legislated to provide that all income from dealings between entities and their members is assessable?	See answers to questions 51 and 52 above.

Question	Response
54. Should a balancing adjustment be allowed for mutual clubs and societies to allow for mutual gains or mutual losses?	Yes
55. Is existing law adequate to address concerns about exploitation of the mutuality principle for tax evasion? Should a specific anti-avoidance rule be introduced to allow more effective action to be taken to address such concerns?	No, no specific anti-avoidance law should be introduced.
<b>CHAPTER 6 — NEXT STEPS</b>	
56. Are there any areas in which greater streamlining of concessions could be achieved?	As discussed adoption of the ACN Act as the basis for such consistency will allow other legislation to manage the variants in concessional treatments in a more effective, efficient and equitable manner.
57. 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?	No comment or suggestion.