



20 December 2012

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

Email. NFPReform@treasury.gov.au

Dear Sir,

Re: NOT-FOR-PROFIT SECTOR TAX CONCESSION WORKING GROUP

Thank you for the opportunity for IRT to contribute to the discussion regarding the future of tax concessions for the Not-for-Profit Sector.

IRT is a community based NFP operating in care, services and housing primarily for the aged, for over forty years.

As such, we believe IRT is uniquely placed to contribute to this discuss.

Attached are our comments on the discussion paper.

Yours sincerely

Nieves Murray
Chief Executive



**NOT-FOR-PROFIT SECTOR TAX
CONCESSION WORKING GROUP
Discussion Paper**

IRT COMMENTS

Table of Contents

Introduction	3
Income Tax Exemption	3
Deductible Gift Recipients.....	3
Fringe Benefit Tax Concessions	4
Goods and Services Tax Concessions	4
General	4

1. Introduction

IRT has prepared this paper in the context of being an affected organisation with a direct interest in the outcome of these discussions.

In preparing this response IRT has elected to only comment on those areas of the paper in which IRT has a special interest or unique knowledge or experience.

It is noted that the discussion paper has asked a series of questions for the consideration of respondents. This response does not try to provide an answer or comment on every question; but rather concentrates on those aspects of the discussion paper which are of greatest relevance to the IRT Group.

2. Income Tax Exemption

As a community owned NFP, IRT has always had a philosophy of maintaining a strong commercially disciplined organisation that is then best placed to provide maximum assistance to those persons who require assistance and support and are not able to meet the full cost of procuring those services.

In this context, IRT is of the view that NFP organizations should meet a fundamental definition of charitable, benevolent or socially worthwhile community service, in order qualify for, tax concessional status.

IRT is of the view that there is a degree of confusion in the current scheme regarding the tax exemption status of various organizations based on their structure, ownership or function.

IRT Comment

IRT would support the consolidation of the approval process into the new ACNC structure thus requiring that all NFPs that seek income tax exemption, FBT rebateable status, or GST concessions would in future need to be endorsed by the ACNC Commissioner.

3. Deductible Gift Recipients

IRT is of the view that the DGR status of an organization is now somewhat confused and from a public perspective confusing. There is we believe a strong case for simplification of the DGR rules and the expansion of the DGR coverage across a larger number of entities.

At the same time it is essential that changes to these rules do not in any way distract or dilute the giving intentions of the Australian public. It is crucial that any changes to these rules enhance the transparency, ease and attractiveness of donating.

IRT Comment

IRT believes there is considerable merit in extending the coverage of DGR status to a much broader range of organizations. DGR status will activate a proviso that DGR contributions be limited to defined beneficial purposes.

IRT would support a system of donation support which contained a mixture of tax offsets along the Canadian lines combined with a deduction system with donations able to be channelled through private ancillary funds (PAFs).

IRT would support a clearing house for gifts to DGR entities which is linked to the ACN register. We believe that this could have the benefit of increasing donations through workplace giving.

4. Threshold for a Deductible Gift

IRT Comment

IRT would support the raising of the threshold however would want to ensure that where a donor contributes on a regular basis e.g. weekly, fortnightly or monthly that the total contribution can be applied over the relevant tax period.

5. Fringe Benefit Tax Concessions

IRT makes considerable use of FBT provisions to support staff attraction strategies and would therefore be most reluctant to see the FBT benefits disappear.

IRT is more inclined to the view that the current two tiered system appears to have little public policy benefit and that all eligible entities should, therefore be able to utilize the benefits of FBT provisions in a similar fashion.

IRT is also aware that the current fixed capped provision is gradually diminishing in value for many employees especially the lower paid employee.

There is therefore considerable attraction to consider the alternatives to the current scheme. The paper canvasses the options of an employer or an employee tax offset; or an employee tax free allowance.

IRT Comment

IRT favours a move to an income tax offset to employees administered through the taxation system. This could be implemented quite quickly and has the potential to impact all the employees currently working for entities able to claim one or other level of FBT status.

Such a move would have the additional benefit of providing a solution to the issue of employees engaged by multiple employers; removing the static nature of the current benefit; simplifying the administration of the existing scheme; providing the benefit to all eligible employees; changing the scheme to a single benefit across a broader range of organizations and ensuring a higher degree of transparency than exists with the current scheme.

6. Goods and Services Tax Concessions

IRT Comment

IRT is generally supportive of the maintenance of GST exemption status in the aged care space. However, would like to point out the need for consistency when considering the breadth of services that are included in an aged care service. Most of our customers have a very strong desire to remain independent and in their own home, wherever that housing option may be for the whole of their lives. There is therefore, some public policy benefit to be obtained, we would contend, in reviewing how GST rules are applied in the various settings in which aged services and housing are being provided.

7. General

As an entity with considerable experience of operating a not for profit entity within the broad aged care, housing and welfare environments IRT has a substantial interest in the issues raised in this discussion paper.

We have provided these responses to assist in the further work of the Review and would be more than happy to provide any further contribution to assist the Review in coming to a final position on the various options canvassed in this paper.