



Submission to the
Not-for-profit Sector Tax Concession Discussion Paper

The Treasury
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On behalf of Multiple Sclerosis Australia (MSA)

to

Chair, Ms Linda Lavarch

Not-for-profit Sector Tax Concession Working Group

INTRODUCTION

Multiple Sclerosis Australia (MSA) represents around 23,000 people in Australia who live with Multiple Sclerosis (MS), a majority of who depend on support for physical, psychological and treatment needs through various service sectors and systems. MSA is the peak body who advocates for and on behalf of people with a diagnosis of MS and their support networks. MSA is committed to the best possible outcomes on behalf of people with MS and their family and carers.

Multiple Sclerosis Australia (MSA) is a federation of the Australian state and territory based multiple sclerosis societies who are the members of MSA. It was formed by its founding members as an unincorporated organisation in February 1972 and registered as a company on the 30th January 1975. In April 1999 the Company changed its name from the National Multiple Sclerosis Society of Australia to Multiple Sclerosis Australia. The members and clients of the members of MSA are principally Australians affected by Multiple Sclerosis (MS).

MSA is a company limited by guarantee. The Company's activities are regulated by the Corporations Law (Commonwealth) and other Commonwealth and state laws are applicable. Multiple Sclerosis Australia, is a public benevolent institution which is endorsed for charity concessions as entered in the Australian Business Registrar.

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COMMENTARY

MSA welcomes the opportunity to make a submission to this Not-for-profit Sector Tax Concession Working Group discussion paper and can provide further information through written submission or presentation before the committee. MSA supports the aims of the Australian Charities and Not-for-profits Commission (ACNC) and the terms of reference as lay out. Any reform of the sector that will improve the work undertaken by charitable organisations, is also actively supported. However, very clear and detailed definition of what reform involves in the sector, would be advantageous.

MSA is endorsed as a public benevolent institution. **Given the charitable charter that MSA undertakes on behalf of its members that represent people with MS, the nature of the diverse work and the reliance on philanthropic opportunity to assist our continued work, we believe our organisation requires separate consideration.** It is an important aspect of our Constitution that our work encourages philanthropy and community engagement. The nature of the various societies provides a wide and diverse set of support, opportunities, services and assistance to people with MS. From direct assistance to education of people diagnosed with this progressive neurological disorder to supporting research to find a cure. It is important that MSA is not considered a "club" or "one-focus" organisation.

MS is a progressive neurological diagnosis and condition that cannot be categorised in one category and its complexity is reflected in the complexity of the nature of the work of MSA.

General Comments;

- MSA makes its comments in this submission within a charity context and not in a Not-for-profit context
- MSA would like to observe that incentives be offered to enable organisations to consolidate processes rather than the establishment of another structure
- MSA felt the Concessions are targeted too broadly and as a result the term benevolent appears to be "watered down"
- MSA observed a lack of depth to the Registration Structure and identify that many issues would need to be further identified/considered &
- MSA suggest that ACNC undertake a further review and withdraw/delete obsolete charities to encourage consolidation by financial or other means.

MSA offers the following specific comments in relation to Consultation questions &/or Chapters in the Discussion Paper (November 2012).

REASONS FOR LIMITING TAX CONCESSIONS

While it is acknowledged that concessions do assist in offering benefits to staff, the competitive workforce in the public and for-profit sector are still considered to be comparably more highly paid than the Not-for profit sector. The concessions do not necessarily equate to staff working in the Charity/Not-for-profit sector having higher take home pay.

Chapter 1; INCOME TAX EXEMPTIONS AND REFUNDABLE FRANKING CREDITS

MSA consider that if the concessions were altered, there may be consideration for money to go into "off shore funds".

Consultation Q.1

MSA suggest that criteria should include demonstration of contribution to "relieving government of welfare". It must be obvious that criteria recognise that an organisation is doing something "social" & good.

Consultation Q.2

MSA considers that the current income tax exemptions as they apply to charities are appropriate.

Consultation Q.10

MSA believes that people do not want their donations to charities to be taxable.

Chapter 2; DEDUCTIBLE GIFT RECIPIENTS

MSA supports removal of "limits". Continue with \$2, with organisations being able to offer receipt of donation and– all donations are "tax deductible". The administrative burden for this task has been lessened with advancements in technology. On-line and electronic systems assist in this activity.

MSA suggest that the work load for a donation does not later according to the amount of the donation – that is, the amount donated does not alter the work capacity.

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MSA questions the insertion of the Cost of the Gonski report in this Discussion Paper and suggest it is not appropriate to have it included in this review.

Consultation Q 17

MSA believes that what encourages donation from high income earners is the ability to be able to gain tax deductions.

Clearing Houses for donations to DGRs

MSA does not support this option as it ignores personal relationship with donor and charity. Historically, it is well demonstrated that often the philanthropic nature of donation is when there is a personal connection to the charity or a personal commitment or involvement. MSA would be concerned that this option removes the "personal side" of the act of giving.

Consultation Q 20

MSA considers that this “matching funds” program is an area that could increase incentive to donate. There would need to be consideration of the automatic additional cost they would result as the recognition to employee of their donation, would take more time.

Consultation Q21

MSA considers that the costs associated with such action may deter “living gifts”.

Consultation Q 22

MSA agrees that rules need to be simple.

Consultation Q 23

MSA would consider a suggestion to corporations and corporate foundation to give ½% (0.5) of net profit every year to charity.

Chapter 3; FRINGE BENEFITS TAX CONCESSIONS

MSA recognises that FBT is given a concession and can be used as an advantage to recruitment as the workforce market is competitive and the Not-for-profit sector is recognised as “under market”.

MSA would suggest a cap be considered for entertainment cards .

MSA suggest that the discussion on Salary Packaging can be challenging. While it is suggested that the benefits afforded to NFP’s attract employees, it can also be argued that lower wages may deter. It would be useful to understand more in relation “hotels associations” and “hospital associations” in this discussion.

SUMMARY

MSA recognises the constant challenge for government to balance all sectors and the fairness and equity discussion is very strong. However, given the nature of the core activity and business of MSA changes that would discourage donation, lessens out relationship with substantial beneficiaries or loss any market share of charity would be quite detrimental to our sustainability.

MSA supports a continued discussion on this reform and welcomes the opportunity to be involved.