

Introduction

1. Compassion is an international Christian child development organisation committed to working in partnership with local churches around the world to foster the economic, social, physical, spiritual and emotional development of children living in extreme poverty in 25 developing countries. In Australia, it operates as a PBI in its own right. For the purpose of its overseas aid work, Compassion Australia operates an Overseas Aid and Development Fund.
2. This submission is in response to the June 2017 discussion paper, “Tax Deductible Gift Recipient Reform Opportunities”. We limit our response to the questions raised in the discussion paper that are most relevant to our organisation, as a registered DGR under the DFAT Overseas Aid Gift Deduction Scheme.
3. We note the discussion paper raises one of the issues as “requirements for DGR eligibility are directed at ensuring the activities of DGRs deliver benefits to the Australian community”. Our concern with this objective is that it is a further attempt on the part of Treasury to re-address the “in Australia” requirements which have been subject to a number of discussion papers over the past few years. The proposed “in Australia” special conditions were strongly rejected by the sector as it restricts the ability of charities whose primary focus is on alleviating poverty overseas, from pursuing those objectives.

Response to discussion questions

1. Should the ACNC require additional information from all charities about their advocacy activities?
 - Charities are already subject to substantial annual reporting requirements.
 - If a member of the public believes that a charity is engaging in inappropriate activity, they can make a complaint to the ACNC.
 - This would increase the time and resources that charities need to put into reporting and compliance.
2. Is the Annual Information Statement the appropriate vehicle for collecting this information?
 - The Annual Information Statement already collects extensive information on charities activities.

- Charities should be free to advocate on issues aligned with their purpose, as long as the activities are within legal boundaries, without additional scrutiny.
 - If there are concerns regarding charities activities, there are already clear mechanisms in place through the ACNC to address these concerns.
3. What is the best way to collect the information without imposing significant additional reporting burden?
- Collecting further information would unnecessarily impose additional burden on charities who already are required to report extensively to multiple state and federal bodies.
4. What are stakeholders' views on the proposal to transfer the administration of the four DGR Registers to the ATO? Are there any specific issues that need consideration?
- We acknowledge the need to simplify the administration of DGR registers, however we have concerns with handing that responsibility to a department, whose primary responsibility is revenue raising. The administration of tax benefits to charities is in recognition of the valuable work they do in the community, thus reducing much of the burden on the Government to provide these social services. Tax concessions provide the means for charities to provide incentives to donors, attract staff, and ensure the most funds are directed toward the needs they serve. Putting the administration of these concession to the ATO, whose objectives are vastly different to that of the charitable sector, creates a clear conflict.
 - We suggest consolidating the administration of these funds to the ACNC as the body created to regulate the sector.
5. What are stakeholders' views on the proposal to remove the public fund requirements for charities and allow organisations to be endorsed in multiple DGR categories? Are regulatory compliance savings likely to arise for charities who are also DGRs?
- We welcome this proposal to remove the public fund requirement as it would reduce the compliance burden on many charities, as well as provide options for charities who do not fit neatly into one DGR category.
6. What are stakeholders' views on the introduction of a formal rolling review program and the proposals to require DGRs to make annual certifications? Are there other approaches that could be considered?

- Charities are already required to report extensively to multiple state and federal regulators. The government already has access to extensive information by which to detect any non-compliance from a DGR.
 - If a member of the public believes that a charity is engaging in inappropriate activity, they can make a complaint to the ACNC. The ACNC has extensive compliance mechanisms available to address concerns.
 - This proposal would increase the time and resources that charities need to put into reporting and compliance.
 - The ATO and ACNC already require charities to self-assess ongoing compliance and report if they are no longer eligible for DGR benefits.
 - It is our view that existing mechanisms and reporting are sufficient to monitor ongoing DGR eligibility. Any further requirements would further burden charities who already have extensive compliance and reporting requirements.
7. What are stakeholders' views on the idea of having a general sunset rule of five years for specifically listed DGRs? What about existing listings, should they be reviewed at least once every five years to ensure they continue to meet the 'exceptional circumstances' policy requirement for listing?
- The time and effort that would be required within charities to re-apply, and for this paperwork to be processed by government would be enormous. This would be at a direct cost to taxpayers.
 - There is little wrong with the current system, other than internal government inefficiencies. These inefficiencies could be removed by centralising the administration of DGRs to the ACNC. The existing system requires regular reporting and a complaints process that can identify charities who may need to be reviewed. In our view, this is sufficient to monitor compliance.

Conclusion

In summary, we recommend that the administration of DGRs to be handed to the ACNC. We also recommend not to place additional reporting and compliance burdens on charities. There is already extensive reporting required by charities, as well as strong mechanisms by which non-compliance may be detected and remediated.

Thank you for providing us with the opportunity to make this submission.