

Our Ref: NEH:ah

20 June 2017

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The Treasury  
Langton Crescent  
PARKES ACT 2600

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Dear Sir/Madam

**Re: Tax Deductible Gift Recipients Reform Opportunities**

I am a specialist advisor to charities and regularly provide advice to Deductible Gift Recipients (DGR) entities and assist in the establishment of DGR Funds. I write in response to the Discussion Paper of 15 June 2017 and respond in relation to the consultation questions.

1. I am strongly of the view that all DGR entities (other than Government entities) should be registered charities with ACNC.
2. With Australian Disaster Relief Funds and Developed Country Relief Funds there needs to be a "short cut" process for obtaining DGR endorsement. Such funds should require becoming ACNC-registered but not have this as an initial obligation to expedite the approval process. Otherwise, it is my view that all DGRs other than Government entities should be registered with ACNC.
3. In my view there are sufficient provisions for privacy concerns to be addressed under the ACNC Act.
4. I do not support the suggestion that all registered charities should be asked to respond regarding their advocacy activities. By far the majority of charities are in the small (below \$250,000 revenue) category. A very high proportion of these small charities have revenue below \$100,000. It is highly unlikely that these very small charities would ever be involved with advocacy activities and the majority of other charities, small, medium or large, do not normally participate in advocacy as an activity. To require them to respond to specific additional information requirements seems to be singularly inappropriate.

5. I agree that the ACNC Annual Information Statement (AIS) is the appropriate vehicle for collecting information – should it be sought.
6. It appears that only specialist organisations such as environmental organisations would be the main parties participating in advocacy activities – except in instances where it is an occasional and very insignificant part of their activities. To impose a collection obligation on other charities seems to be singularly inappropriate.
7. I strongly support the proposal to transfer the administration of the four DGR registers to the ATO. This would impose upon them an obligation to report to ACNC and an obligation to comply with reduced reporting obligations. The proposal is warmly welcomed both as to reporting and approval procedure.
8. To remove the public fund requirements for charities would simplify operating obligations. This should include the requirement to operate a separate bank account but ensure that a separate ledger account is maintained. However there will be instances with small charities where the maintenance of a separate bank account would be the most appropriate method for reliable reporting. It is a question of removing the obligation for a separate bank account but ensuring that charities have a reliable ledger recording to segregate the gift from areas of income.
9. A formal rolling review programme would strengthen the reliability of the whole DGR programme and encourage confidence of the public in the whole process. However I comment that ATO have in the past identified they will be conducting such reviews on a five-yearly programme, but I have seen absolutely no evidence that this has ever been implemented. It obviously will become a funding issue for ATO.

The proposal to require DGRs to make an annual certification is supported.

10. I suggest that the review activities should be applied in the first instance to Public Benevolent Institutions. I recognise this is the largest category but it is also the area where circumstances are more likely to change over time and there will be, I suggest, instance where a charity may cease to be eligible for DGR concession.
11. I do not support the proposal for having a general sunset rule whether for five years or any other period. The proposal referred to above of having a formal rolling review programme and annual certifications should be sufficient. To require all DGRs that are specifically listed charities to, in addition, be subject to a further review is inconsistent with the overall aim of this Discussion Paper of reducing regulatory burden for both the DGR and the Government.
12. The proposal to require environmental organisations to commit to a minimum percentage of annual expenditure to environmental remediation would be difficult to monitor. This is irrespective of what the percentage of expenditure may be. I have limited experience with environmental organisations but suggest that financial reporting on such a matter would be subject to the same deficiencies as financial reporting by classification in any other area. Small category charities are often served by volunteers without any accounting skill which would significantly limit the benefit of any proposal.

13. With regard to this question it would be wishful thinking to suggest that simply by becoming a registered charity an environmental DGR would operate lawfully.

Yours faithfully

A handwritten signature in black ink, appearing to read "N E Harding". The signature is written in a cursive style with a large initial "N" and a distinct "E".

**N E HARDING**