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The Treasury
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6 July 2017

Dear Sir/Madam

RE: Submission in relation to Tax Deductible Gift Recipient Reform Opportunities Discussion Paper – 15 June 2017

Thank you for the opportunity to provide a submission in relation to the Discussion Paper “Tax Deductible Gift Recipient Reform Opportunities Discussion Paper 15 June 2017” (Discussion Paper).

PART A – INTRODUCTION

The National Parks Association of NSW (NPA) was formed in 1957 to promote the concept of a network of national parks in NSW under specialist national parks and wildlife legislation managed by a professional agency. This goal was achieved with the passing of the National Parks and Wildlife Act 1974 and the establishment of the National Parks and Wildlife Service (NPWS). Today, in our 60th year, NPA continues to build on this work through a network of 16 branches and over 20,000 members and supporters.

NPA promotes nature conservation and sound natural resource management. We have a particular interest in the protection of the State’s biodiversity and it’s supporting ecological processes, both within and outside of the formal conservation reserve system. We promote connectivity conservation, for example, through our involvement in the Great Eastern Ranges Initiative.

As an organisation we are responsible for the largest bushwalking programme in the State, as well as conducting several citizen science and community engagement projects: Bush Mates, Who’s Living on my Land, Dragons of Sydney and Bringing the Buzz Back to the Cumberland Plain Woodland.

As a charity with strong community support we have long played a critical role in our society. NPA has provided much-needed campaigns and programs, serving all Australians by pressing for positive social policy and environmental change. As a charity we bring commitment and expertise to the formulation of public policy, develop innovative solutions to issues and engage a diverse group of stakeholders, many directly affected by the matters under discussion. This is particularly valuable in an era of complex social and environmental challenges and constrained government budgets, where all informed perspectives and ideas are vital.

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Why advocacy is important to The National Parks Association of NSW?

The need to form NPA was largely driven by the lack of a systematic approach to the formation of national parks and deficiencies in the management of existing parks by local Trusts. At the time twelve national parks had been established in NSW since the creation of the Royal National Park in 1879.

Those motivated to form the NPA were seeking a professionally run government body to oversee the creation and management of a national parks service, through specific enabling legislation. Hence the catalyst for the formation of the NPA arose during the early stages in the campaign to create a NSW National Parks Act an advocacy that took years to accomplish.

Examples of NPA's advocacy

The National Parks Association played a leading role in the establishment of the *National Parks and Wildlife Act, 1967*. After this milestone NPA refocused its efforts on expanding the reserve system and ensuring good park management. NPA has had a hand in the establishment of most national parks, nature reserves and other protected areas in NSW over the past 60 years.

60 years after our formation NPA can proudly boast that NSW has 877 protected areas covering 7 million hectares on land (9% of NSW) and 66,000 ha in marine waters (6.5%).

NPA initiated a campaign to protect the Red Gum Forests of the NSW Riverina in 1972. In 2010 Laws creating a new national park to protect 114,000 hectares of globally significant forest ecosystems passed through both houses of the NSW Parliament on May 20 2010. 38 years had passed since we started the campaign. Environmental advocacy is important but sometimes it can take decades to achieve.

Our Naturally Accessible campaign is a project to help people with mobility restrictions find suitable bushwalking tracks. Currently funded by Family and Community Services (FACS), the initial phase of this project is to interview a range of people with mobility restrictions to find out what information is key to choosing a bushwalk (e.g. track width, slope, number of steps). Our advocacy and leadership on this issue seeks to influence land managers so that with the provision of accurate information it will lead to an improvement in access by visitors with mobility restrictions.

PART B - CONSULTATION QUESTIONS

- 1. What are stakeholders' views on a requirement for a DGR (other than government entity DGR) to be a registered charity in order for it to be eligible for DGR status. What issues could arise?**

NPA has no objection to the proposal that an organisation must be a registered charity to be eligible for DGR status. It may be that some organisations are DGRs that do not for some reason

qualify to be charities. An audit should be done of which organisations are in this situation before any recommendations are made in this regard.

2. **Are there likely to be DGRs (other than government entity DGRs) that could not meet this requirement and, if so, why?**

See response to question 1.

3. **Are there particular privacy concerns associated with this proposal for private ancillary funds and DGRs more broadly?**

NPA is not a private ancillary fund and has no privacy concerns regarding the requirements of the ACNC to publish information of its public register.

4. **Should the ACNC require additional information from all charities about their advocacy activities?**

In the Discussion Paper both charitable purpose and charitable activities are raised. Charity law focuses on purposes and not activities, and the DGR framework generally has a focus on purpose rather than activity. As such, and in the absence of strong and compelling reasons to the contrary, the focus of DGR reform should likewise focus on purposes. Such strong and compelling reasons do not exist and therefore no shift in focus towards activities such as advocacy is warranted.

The current legal regime is robust in outlining the purposes for which charities can legitimately be established as well as in ensuring charities must demonstrate that they do not have a 'disqualifying purpose.'

We therefore strongly oppose the activity-level focus in the review (as suggested in questions 4-6; 12-13 of the discussion paper) as such an approach:

- a) Casts doubt and uncertainty over what activities a DGR entity can lawfully undertake resulting in a chilling effect; and
- b) Insufficiently establishes that the current regime of 'charitable purpose' is not robust for regulating the sector.

The Discussion Paper states that "there are concerns that charities are unsure of the extent of advocacy they can undertake without risking their DGR status. This is a particular concern for environmental DGRs, which must have a principal purpose of protecting the environment." The implication is that advocacy is not an appropriate activity for a charity to undertake for the purpose of protecting the environment. The Discussion Paper appears to be pursuing a line of argument that is not only misguided (as shown by the many examples presented in Part A of

this submission), but is fundamentally incorrect at law. We therefore feel it necessary to restate the current legal position in some detail. .

Put simply, advocacy is a legitimate activity for charitable organisations in furtherance of their charitable objects, and as a charitable purpose in its own right if it furthers another charitable purpose. This was accepted in *Aid/Watch Incorporated v Commission of Taxation* [2010] HCA 42, 47–49.

Aid/Watch was an organisation formed to research, monitor and campaign about foreign aid. Specifically, Aid/Watch would hold various public debates and release reports critiquing the effectiveness of foreign aid. The Commissioner of Taxation removed Aid/Watch’s concessional tax endorsement and its charitable institution status. The Commissioner was of the view that Aid/Watch itself did not distribute aid and the organisation’s purpose was political and, therefore, not charitable. The High Court held that generating public debate is a charitable purpose as it contributes to the public’s welfare. In making its decision, the High Court rejected following *McGovern v Attorney-General* [1982] CH 321 on the basis that Australia has no general doctrine that excludes political objects from charitable purposes.

These principles were subsequently incorporated into the definition of “charitable purpose” set out in the *Charities Act 2013* [Cth]. Notably, paragraph (l) of the definition includes:

- (l) the purpose of promoting or opposing a change to any matter established by law, policy or practice in the Commonwealth, a State, a Territory or another country, if:
 - (i) in the case of promoting a change—the change is in furtherance or in aid of one or more of the purposes mentioned in paragraphs (a) to (k); or
 - (ii) in the case of opposing a change—the change is in opposition to, or in hindrance of, one or more of the purposes mentioned in those paragraphs.

Whilst a charitable purpose cannot include “the purpose of promoting or opposing a political party or a candidate for political office” (one of two types of ‘disqualifying purpose’), there is no general exclusion at law *per se* on advocating for changes to law or policy, or of criticising the policies or decisions of government. This is made very plain, not only in guidance material published by the Australian Charities and Not-for-profits Commission in 2016 (*Charities, elections and advocacy: Political campaigning and advocacy by registered charities – what you need to know*), but by no less than an explanatory note to section 11 of the *Charities Act 2013* itself. Thus, distributing information, or advancing debate, about the policies of political parties or candidates for political office (such as by assessing, critiquing, comparing or ranking those policies) is not a disqualifying purpose, and one that a charity (including a charity holding DGR status) may pursue without any fear of transgressing the law.

It is suggested that the Australian Treasury needs to better acquaint itself with current law on this subject. This should be reflected in any published response to the Discussion Paper

The Discussion Paper states “Scrutiny of an organisation’s continued eligibility is appropriate as the scope of activities undertaken by an organisation can change over time, potentially making them ineligible for DGR status.” The issue for retention of charity status is not whether the scope of activities undertaken by an organisation can change over time, but whether the organisation’s purposes have changed to be outside the charitable purposes set out in the legislation.

The Discussion Paper seeks to treat advocacy as different to other activities undertaken by charities by seeking views regarding a proposal for new reporting obligations for advocacy activities. In regard to this position, we comment as follows:

- a) Charities undertaking advocacy has been recognised as both a legitimate activity and one essential to our system of parliamentary democracy.
- b) Advocacy is an important approach which charities can use to address the causes of environmental and social problems, rather than just the symptoms – this often requires policy change. For example, if a coal mine is polluting a river because of poor regulation, environmental remediation work to treat affected wildlife downstream will have little impact if the mine can keep polluting the river – this will require advocacy to ensure the mine complies with regulations or adequate regulations are introduced.
- c) No evidence has been put forward for the need for new reporting obligations for advocacy activities – they are strongly opposed on the basis that they would impose new and unjustified red tape on charities.
- d) The Discussion Paper asserts that “some charities and DGRs undertake advocacy activity that may be out of step with the expectations of the broader community”. This assertion is made without any supporting evidence. Unsubstantiated and speculative statements about the expectations of the broader community should not serve as a basis for making public policy.
- e) Requiring that a certain proportion of an environmental organisation’s activities be directed towards environmental remediation represents an intrusion on the autonomy of environmental organisations and amounts to government trying to ‘pick winners’ in terms of what approaches charities should use to achieve their charitable purpose. Charities and their supporters are in the best position to determine what approaches are most appropriate to achieve their charitable purpose – therefore any new restrictions and limitations are strongly opposed on the basis that they would impose new and unjustified red tape on

environmental charities which will make it harder for them to achieve their charitable purpose.

- f) Well targeted and proportional approaches to maintain transparency and accountability for charities are supported and this can be achieved by ensuring all DGRs are registered as charities under the purview of the ACNC, as the Discussion Paper proposes.
- g) Existing charity law sets appropriate boundaries for what advocacy activities by charities are acceptable, and the ACNC guidance for charities is helpful and reflective of the law. Accordingly, no further changes are justified or necessary.

5. **Is the Annual Information Statement the appropriate vehicle for collecting this information?**

See response to question 4. There is no justification for this information to be collected and it should not be.

6. **What is the best way to collect the information without imposing significant additional reporting burden?**

See response to questions 4 and 5.

7. **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?**

NPA supports the transfer of the administration of the four DGR Registers but we do not believe that the ATO is the appropriate body to undertake this task. The ACNC was purpose built for regulating charities and to be a 'one stop shop' for the sector. It is an independent entity that can play the role of administering the DGR Registers without the conflicting objectives that the Tax Office has (being a revenue raising entity) and operates at arms-length from political decision making. If the administration of the four DGR registers are to be transferred then the most appropriate entity to receive them is the ACNC.

8. **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?**

The operation of a public fund can create an additional reporting, accounting and governance burden on some DGRs. However, the impacts of removing the public fund requirement needs further investigation before a recommendation is made so that potential complexities of doing so can be fully understood.

9. **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?**

NPA welcomes and accepts that the transparency and accountability of DGRs is important. However, we believe reviews and audits should be conducted only at the point where systemic issues have been identified. Giving a regulator powers beyond this opens up a situation similar to what arose in Canada in 2014 under former Prime Minister Stephen Harper who launched politically motivated special tax audits on environmental groups to silence critique of his government. The Harper government made a special allocation to the Canadian Revenue Agency — during otherwise deep budget cuts — of \$13.4 million to fund tax audits of “political activities” by non-profit groups that provide tax receipts for donations. The effect was at worst, a ‘chilling’ effect to frighten organisations from speaking out. At best, it tied up the resources of organisations in responding to audits and left them in limbo rather than pursuing their important work to protect nature and achieving environmental outcomes.

<https://www.theglobeandmail.com/news/politics/study-cites-chill-from-tax-agency-audits-of-charities-political-activities/article19551584/>]

The ACNC and the ATO already have the power to undertake reviews and audits where they believe they are warranted - new and costly formal review processes are necessary. We therefore strongly recommend a proportionate and risk-based response to this issue. Such a response would include requiring DGRs to be registered with the ACNC (as the Discussion Paper proposes), with the ACNC and the ATO using their existing compliance approach to ensure compliance with the law. This can involve undertaking reviews and audits using their existing powers where systemic issues have been identified.

The activities of charities are by their nature in the public domain and the public are vigilant in scrutinising these activities and raising concerns with the regulator. The ACNC is also vigilant and has appropriate powers to investigate a charity and taken appropriate action. This is evidenced by the ACNC Charity Compliance Report 2015 – 2016 which states:

“Over the last two years, we received 1,872 concerns about charities. This was a significant increase over the previous two years when we received 1,307 concerns. The additional concerns resulted in the ACNC opening 149% more investigations, and resulted in 28 compliance revocations.”

10. **What are stakeholders' views on who should be reviewed in the first instance? What should be considered when determining this?**

See response to question 9.

11. **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?**

This requirement is not necessary if these organisations are charities registered with and reporting to the ACNC. If the 5 year reapplication was dealt with by politicians it may result in significant disruption. The process is often a political one and the consequence is that with the turn of the political cycle specified DGRs may be revoked.

12. **Stakeholders' views are sought on requiring environmental organisations to commit no less than 25 per cent of their annual expenditure from their public fund to environmental remediation, and whether a higher limit, such as 50 per cent, should be considered? In particular, what are the potential benefits and the potential regulatory burden? How could the proposal be implemented to minimise the regulatory burden?**

Any move to implement such a requirement would be a direct attack on the legitimate and lawful advocacy activities of environmental organisations and fly in the face of the High Court's decision in Aid/Watch discussed above. Charities must be permitted to pursue their charitable purpose in the most effective and efficient way possible (while remaining lawful). How they achieve these purposes must not be dictated or limited by the government.

Environmental organisations already have to meet the test in the Charities Act to become endorsed as a charity and then comply with the conditions of that endorsement. Additional conditions should not be added to this. This is a clear politicisation of an administrative task and would impose conditions on environmental charities that are not put upon any other charities.

As emphasised in our response to Consultation Question 4, advocacy is a legitimate charitable purpose that is permitted by both common law and statute. Any proposed changes having the effect of curtailing the lawful activities of environmental groups would represent a significant shift from the law as it is currently understood. We are completely opposed to any such change. In our view, DGR status should be available to registered charities, including those whose subtype is "advancing the environment", and that no additional limitations should be attached that would limit advocacy in any way apart from those already set out in the Charities Act.

Creating discrepancies between the rules for being listed as a DGR for different charities is unfair and endorses (or 'cherry picks') some charitable purposes as more important than others. It is important to raise here that conducting advocacy activities is common place across

the whole of the charitable sector to achieve a variety of charitable outcomes, not just environmental.

If changes were made so that conditions were imposed on environmental organisations to limit advocacy or otherwise dictate their activities, this would be an inconsistent and politically-motivated singling out of environment groups at a time where charities have called for consistent, independent regulation through the ACNC. Further, it creates significant compliance issues for existing environmental organisations as well as contributing to the inefficient allocation of government resources.

As discussed above environmental remediation is one way in which an environmental organisation may achieve its purposes, however, it is not the only way. Requiring that a certain proportion of an environmental organisation's activities be directed towards environmental remediation represents an intrusion on the autonomy of environmental organisations and amounts to government trying to 'pick winners' in terms of what approaches charities should use to achieve their charitable purpose. By way of illustration, a requirement that cultural organisations spend 50% of their annual expenditure on restoring works of art, audio recordings or museum collections would be plainly ludicrous. Charities and their supporters are in the best position to determine what approaches are most appropriate to achieve their charitable purpose – therefore any new restrictions and limitations are strongly opposed on the basis that they would impose new and unjustified red tape on environmental charities which will make it harder for them to achieve their charitable purpose.

This imposition of such an arbitrary requirement would unnecessarily increase red tape on all environmental organisations and effectively remove vital tax concessions from groups legitimately focused solely on advocacy, education, research or legal cases.

To impose a limit on one category of DGR would appear to be singling out environmental organisations as particularly troublesome to government. The requirements would call for a tracing of money, property or benefits either received or given by a DGR to the ultimate activity on which those things are applied. Practically, this is a very difficult if not impossible exercise requiring substantial resources going well beyond what is reasonable, or necessary, to ensure DGRs are accountable to the public and government.

The Aid/Watch case which went all the way to the High Court and was the result of the mobilisation of the charitable sector to ensure that the High Court provided clarity on the issue of advocacy and to ensure that the small incorporated association of Aid/Watch was not silenced. If the government were to make any move to reform laws to restrict advocacy as proposed, the government should expect the courts to be called upon again to scrutinise any such restriction.

13. **Stakeholders' views are sought on the need for sanctions. Would the proposal to require DGRs to be ACNC registered charities and therefore subject to ACNC's governance standards and supervision ensure that environmental DGRs are operating lawfully?**

NPA condemns any illegal behaviour but stresses that laws already exist to deal with these matters. The recommendations proposed would create unnecessary red tape, overlap existing laws and provide implementation difficulties.

It is already the case that a registered charity with the ACNC has to meet the test in the Charities Act to become endorsed as a charity and then comply with the conditions of that endorsement.

The Charities Act provides that the following purposes would disqualify an organisation from charitable purpose:

- (a) the purpose of engaging in, or promoting, activities that are unlawful or contrary to public policy; or
- (b) the purpose of promoting or opposing a political party or a candidate for political office.

This is a requirement taken incredibly seriously by NPA. If environmental DGRs are required to register and be regulated by the ACNC (a recommendation that NPA supports), then nothing further is needed by way of regulation in this space.

As discussed above, the HoR DGR Inquiry uncovered no evidence of unlawful conduct by environment groups. Evidence did stress that peaceful assembly or protest has long been an important part of Australian democracy and it remains so today. Peaceful protests are a symptom of a healthy democracy. International law binds Australia to respect, protect and facilitate Australians' rights to assemble peacefully and associate freely. This entails a positive obligation on the government to facilitate peaceful assembly and a presumption in favour of unrestricted and unregulated peaceful protests.

Further, a recommendation like this would be unhelpful when dealing with concerns about illegal behaviour by individuals within organisations or within the environment movement more widely. If criminal laws are broken by individuals in the course of these activities then those individuals are subject to those laws. We note the words of Mr Jason Wood MP (dissenting government member of the HoR DGR Inquiry Committee):

"I do have concerns about this recommendation. Firstly, drafting laws or regulations would be very complex and could only practically work if a DGR at the board or committee level made a decision to use violence or damage to property. In this case I would support sanctions against the DGR, however I also believe this scenario would be very unlikely and serious offences would more likely be made by individuals on a random basis. Also, for offences which are not sanctioned at the board or committee level, or do not involve violence or damage to property, current state laws would suffice."

Current charity law and criminal laws cover the field with regard to unlawful activities. Any move to impose additional regulation or sanctions for charities will be viewed as a step to discourage peaceful assembly and restrict peaceful protests in Australia.

We thank you for the opportunity to provide a submission in relation to the Discussion Paper.

Yours sincerely

A handwritten signature in black ink that reads "Kevin Francis". The signature is written in a cursive style with a period at the end.

Chief Executive Officer