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3 August 2017

Dear Sir/Madam,

Tax Deductible Gift Recipient Reform Opportunities Discussion Paper

Please find attached Preston Reservoir Adult Community Education's submission in response to the Australian Government's Tax Deductible Gift Recipient Reform Opportunities Discussion Paper.

Preston Reservoir Adult Community Education (PRACE) appreciates the opportunity to contribute to this discussion. We would be pleased to discuss any of the matters raised in our submission. Please do not hesitate to contact me.

Yours Sincerely,

A handwritten signature in black ink that reads "Paddy McVeigh".

Paddy McVeigh
Executive Officer

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Preston Reservoir Adult Community Education's Submission - Tax Deductible Gift Recipient Reform Opportunities Discussion Paper

Background- About PRACE

PRACE (Preston Reservoir Adult Community Education) is a not-for-profit community education provider and registered charity. Incorporated in 1993, PRACE has been educating in the Darebin area for over 24 years. PRACE works with some of the most disadvantaged members of our community: newly arrived migrants, asylum seekers, disadvantaged young people, adults with intellectual disability, long-term unemployed and those facing barriers to education and employment. PRACE is committed to meeting the language, literacy and numeracy, vocational training and further education needs of the local community.

PRACE is governed by a voluntary board of management, employs approximately 40 staff and is supported by over 20 volunteers. PRACE provides services to more than 700 students annually as well as over 800 community members, the majority senior citizens, who engage in social and educational activities at our centre.

PRACE is regarded as a key adult education provider of English as an Additional Language, and Literacy and Numeracy programs in the Northern Metropolitan Region of Melbourne. PRACE facilitates the Adult Migrant English Program (AMEP) for newly arrived migrants, supports refugees and asylum seekers through the organisation's charitable efforts, and pathways students to employment through the Skills for Education and Employment (SEE) program.

PRACE also offers a range of VET (Vocational Education and Training) courses both accredited (eg. Cert III in Education Support, hospitality short courses) and pre-accredited (eg. computer courses, bookkeeping, retail).

In addition, PRACE runs a youth VCAL (Victorian Certificate of Applied Learning) program and is registered as an independent school PRACE College offering secondary school levels 11 and 12 in a community setting.

Key Points of Concern

We would like to acknowledge the Government's commitment to addressing inequities and anomalies within the current DGR framework through the Tax-Deductible Gift Recipient Reform Opportunities Discussion Paper. We welcome the opportunity to contribute to this consultation process and address a number of key points for concern.

Distinction between 'Charitable Purpose' and 'Activities of Charities'

These terms are not clearly differentiated in the discussion paper. Charitable purposes are clearly defined in the Charities Act 2013 (Cth) (section 12(1)) and are not interchangeable with a charity's activities. As charity law focuses on purposes and not activities, and the DGR framework generally has a focus on purpose rather than activity, we believe that DGR reform should focus on purposes. An activity-level focus would create a level of uncertainty about what activities a DGR organisation is allowed to undertake legally.

Advocacy

Charities may legitimately undertake advocacy to address issues related to their charitable purpose. In the discussion paper advocacy is treated differently to other charitable activities; a proposal for new reporting obligations for advocacy activities was put forth. In addition, environmental organisations were singled out with restrictions limiting the amount of donation revenue they could allocate to such activities. We believe that there is no need for new reporting obligations for advocacy activities. Charities undertaking and engaging in advocacy already do so within a prescribed legal framework and they can gain access to guidance from the ACNC to ensure this is done appropriately. Also we support the autonomy of charities to determine what approaches are the most appropriate to achieve their charitable purposes. In our view the requirement that all DGRs become registered charities under the purview of the ACNC is sufficient.

Reviews and Audits - DGR Compliance

The discussion paper proposes periodic reviews of DGRs over five year timelines. While we fully acknowledge the importance of transparency and accountability for DGRs and support further integration of the ACNC into the regulatory framework for DGR, we do not believe that a case for rolling reviews and audits is justified. The ACNC and ATO have within their jurisdiction the authority to undertake reviews and audits where they believe this is warranted. It is not apparent that the introduction of a new formal review process would be of proven benefit.

Also PRACE maintains that any reform of the DGR framework include reform to section 50-50 of the Income Tax Assessment Act 1997. This section places compliance risk on charities through governing rules and sole purpose conditions. Reform should address these two points with consideration given to the fact that some charities also run not-for-profit businesses to generate income for their charitable purpose and may be at risk of being non-compliant through the requirement that revenue and assets are expended *solely* on the purpose for which the charity was established.

We thank you again for inviting contributions to the *Tax Deductible Gift Recipient Reform Opportunities Discussion Paper* and appreciate your consideration of the concerns presented in our submission.