



4 August 2017

Senior Adviser
Individual and Indirect Tax Division
The Treasury
Langton Crescent
Parkes ACT 2600

Sent via email: DGR@Treasury.gov.au

Dear Sir/Madam,

Solar Citizens' submission in relation to the Australian Treasury's Tax Deductible Gift Recipient Reform Opportunities Discussion Paper of 15 June 2017

Solar Citizens is an independent community organisation that aims to protect and grow solar in Australia. We work with thousands of volunteers and supporters to stand up for the rights of 1.6 million solar households, tackle the challenge of climate change and protect the environment by supporting policies that will accelerate transition to clean and renewable energy sources.

We support this work by:

- offering information and education to the public about the effects of climate change on the natural environment;
- promoting ecologically sustainable development principles in government and business climate change policies;
- stimulating and encouraging public interest in protecting the natural environment from climate change through adopting ecologically sustainable development principles.

Issue 1 – Focus on Activities Rather than Purpose

Solar Citizens' does not support the premise outlined in the Australian Treasury's Discussion Paper, *Tax Deductible Gift Recipient Reform Opportunities* (the Discussion Paper) that the "activities" of charities, rather than their "purpose" be a focus for Deductible Gift Recipient (DGR) compliance.

Charity law focuses on purposes and not activities. The DGR framework generally focuses on purpose rather than activity, and thus the current legal regime is robust in outlining the purposes for which charities can legitimately be established. The current approach has regulated the sector effectively with no evidence to the contrary. Conversely, a shift to an activity-level focus would create unnecessary doubt and uncertainty over which activities a DGR entity can lawfully undertake.

Issue 2 – Charities & Advocacy

Australian charities may undertake advocacy to further their charitable purposes, for example through supporting or opposing relevant government [and/or opposition] policies and decisions. The *Charities Act 2013* allows for this and also prescribes the limits to charitable purpose; for example, charities cannot have a purpose of endorsing or supporting parties or candidates for political office or promoting unlawful activity.

The Discussion Paper seeks to treat advocacy as different to other activities undertaken by charities by flagging a proposal for new reporting obligations for advocacy activities (consultation questions 4-6).

The Discussion Paper also flags a proposal to limit the level of advocacy undertaken by environmental organisations by requiring that 25% - 50% of their donation revenue be allocated on environmental remediation (consultation question 12).

Solar Citizens opposes any proposal to constrain the advocacy work an environmental organisation may choose to undertake. We also oppose any proposal to prescribe which lawful activities, (and in what proportion) a charity can undertake in pursuit of its purpose. Charities and their supporters are in the appropriate position to determine what approaches are relevant to achieve their charitable purpose.

Advocacy is a legitimate and essential tool in a robust, functional democracy. It is used by Solar Citizens, when appropriate, to secure policies that stimulate the accelerated uptake of solar across Australia, thus fulfilling the organisation's charitable purpose. Most recently our advocacy has helped to ensure that solar owners in Victoria receive a legislated minimum feed-in tariff (FiT) from their energy retailer for solar they export to the electricity distribution network, a FiT that recognises in part the environmental benefits that distributed rooftop generation delivers to the broader community in the state. Another example of our advocacy work includes advocating against changes proposed in 2016 and 2017 to the Clean Energy Finance Corporation (CEFC), which if successful, would have led to the CEFC having a reduced focus on renewable energy.

Furthermore, increasing the reporting obligations for advocacy activities would see resources diverted away from the primary charitable purpose of their work to focus instead on unjustified red tape and unnecessary bureaucracy.

Solar Citizens supports well-targeted, sensible and proportionate approaches to maintain transparency and accountability by charities. This can be achieved by ensuring all organisations with DGR status are registered as charities and regulated by the Australian Charities and Not-for-profits Commission (ACNC), a concept outlined in the Discussion Paper.

Issue 3 – Introduction of Reviews and Audits to investigate continual compliance with

DGR requirements over time

Solar Citizens welcomes and accepts that the transparency and accountability of DGR organisations is important. We also believe that the ACNC and the Australian Taxation Office (ATO) already have powers to undertake reviews and audits where they believe they are warranted. It is not apparent that introducing new and costly formal review processes is necessary. The expertise of the ACNC and ATO should be supported, and these institutions should be allowed to independently determine what types of reviews and audits are necessary, and in what circumstances. The government should refrain from intervening in the independence or existing expertise these bodies possess.

Solar Citizens thanks you for the opportunity to make a submission in relation to the Discussion Paper. Should you require more information please feel free to contact Solar Citizens at info@solarcitizens.org.au or telephone our Deputy National Director Maria Cirillo on 02 8188 2871.

Best Regards,



Lindsay Soutar
Convenor
Solar Citizens
Steering Committee