



TAX FORUM

4-5 October 2011

STATEMENT OF REFORM PRIORITIES

PARTICIPANT NAME AND POSITION

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ORGANISATION

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STATEMENT OF PRIORITIES

Around two or three pages, please. Please address both of these issues:

1. What are your priority reform directions for the tax and transfer system?

It is an unprecedented time of reform in the Australian not-for-profit sector. The signing of the first National Compact between government and the Australian not-for-profit sector just over 12 months ago heralded a new approach by government to both acknowledge and support the role of not-for-profit organisations in Australia. The establishment of an Office for the Not-for-profit Sector within the Department of Prime Minister and Cabinet, the establishment of the Not-for-profit Reform Council and the establishment of the Task Force supporting the new Australian Charities and Not-for-profit Commission all represent significant positive changes in the relationship between government and the not-for-profit sector, and a commitment to necessary and overdue regulatory reform.

Recent reviews including the Productivity Commission Report into the Contribution of the Not-For-Profit Sector in 2010, Senate Inquiry into Disclosure Regimes for Charities and not-for-profit organisations 2008, and the review of Australia's Future Tax System 2010, all made recommendations about the need for reform within the NFP sector and within government, most of which have been supported by governments, the not-for-profit sector and key stakeholders.

All these reports have acknowledged how difficult it is to navigate the range of tax concessional arrangements that apply to not-for-profit organisations and those who choose to both support and work within not-for-profit organisations. The different provisions that apply under the definitions of Direct Gift Recipient status, Public Benevolent Institution, charity, income tax exempt, Fringe Benefit Tax exempt and not-for-profit are difficult to understand or justify.

While the not-for-profit sector has been growing at over 5% per annum for the best part of a decade, the future of the not-for-profit sector remains largely unplanned and reactive.

The taxation and transfer systems are critical in creating the appropriate environment in which not-for-profits can become more effective, however, it is unclear what the future financing of the not-for-profit sector looks like and what role the taxation and transfer systems should and could play. While the Senate Economics Committee is currently reviewing the financing of the not-for-profit



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sector, tax reform for the sector has not been seriously canvassed or considered.

It is critical that in considering all not-for-profit taxation and taxation concessions, the potential to enhance the invaluable work of not-for-profit organisations remains a key priority, while at the same time reducing compliance and restrictions that impede both investment in the not-for-profit sector and innovation in creating new income and investment options.

Proposed changes in relation to Fringe Benefits Tax, the better targeting of tax concessions to not-for-profit organisations, the role of unrelated commercial activities, the potential for concessional investment schemes are all part of the not-for-profit reform process. There is also increasing discussions about the way the current taxation arrangements impact on philanthropy and the need to review possible concessional arrangements relating to loans to charitable organisations and social enterprise start-ups.

While codifying the definition of charity is important, particularly in relation to the emerging trends of earlier intervention to prevent rather than treat problems in marginalised communities, there is also a need to review current provisions in relation to the range of organisations entitled to various taxation concessions. The focus of any such review needs to be on strengthening the role of not-for-profit organisations.

The role and function of the Australian Charities and Not-for-profit Commission will be critical in applying the new definition of charity and determining eligibility for key tax concessions through its role in assessing the status of not-for-profit organisations. The ACNC also has a key role in streamlining the application and approval processes, as well as providing additional a central point for information about not-for-profits. The capacity of the ACNC to take on these challenging roles will depend in part on the degree to which the government resources and promotes the work of the ACNC. It will also depend on the degree to which the ACNC can operate independently within a framework that is about strengthening the role and effectiveness of not-for-profits.

Promoting and supporting the not-for-profit sector is critical to building a more resilient and productive Australia. The not-for-profit sector contributes \$43 billion to the economy, employs nearly 900,000 Australians and involves over 4 million volunteers. The Assistant Treasurer Bill Shorten described the sector as 'punching well below its weight' when comparing the sector's national policy role to its contribution to the economy, employment, community life and the realisation of community values in Australia.

The current Federal Government has committed to promoting social enterprise, reducing compliance costs for not-for-profit organisations, encouraging a diversification of financing options to build a more sustainable funding base, streamlining and refining the regulation of not-for-profits and charities, developing a clearer definition of charities, establishing less bureaucratic reporting requirements while building community transparency, and working to improve relationships between government and the not-for-profit sector.

These broader government policy goals are yet to be translated into the way not-for-profits are taxed or the way the transfer system is applied.



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I should also note that as a Board Director of the Alcohol Education and Rehabilitation Foundation and a long standing policy contributor in the alcohol taxation area, I strongly believe a priority should be given to addressing the anomalies in the current alcohol taxation system, especially the WET.

I have also spent most of my working life advocating for the marginalised in our community and believe there are a number of important issues in relation to the way our current taxation and transfer systems operate for those most likely to need support. These have been well canvassed by other participants from community services and related areas.

2. How are your proposals financed over the short and longer term?

Encouraging investment and innovation in the not-for-profit sector not only benefits the communities in which not-for-profits work to make a difference, it is also good for the economy.

Recent statistics indicate that even during the last five years in the United States, the not-for-profit sector remains largely recession proof having expanded in size and level of services as well as providing increased employment.

The reduction in the need to use the transfer system to achieve government and community priorities more than offsets the foregone revenue in the provision of taxation concessions and exemptions.

LIST OF ATTACHMENTS

Feel free to attach supporting papers if you wish. Please list them here.