

Responses to Consultation Questions – Tax Concessions for the Not-for-profit Sector

Question No.	Question and Answer
<i>Income tax exemption and refundable franking credits</i>	
6	<p>Should the ability of tax exempt charities and DGRs to receive refunds for franking credits be limited?</p> <p>To enable treatment of dividends in the hands of tax exempt charities & DGRs to continue to be the same as that for individuals, it is recommended that the ability of tax exempt charities and DGRs to receive refunds for franking credits should not be limited.</p>
<i>Deductible gift recipients</i>	
11	<p>Should all charities be DGRs? Should some entities that are charities (for example, those for the advancement of religion, charitable child care services, and primary and secondary education) be excluded?</p> <p>Yes.</p>
12	<p>Based on your response to Q11, should charities endorsed as DGRs be allowed to use DGRs funds to provide religious services, charitable child care services, and primary and secondary education?</p> <p>This addresses the issue of charitable status.</p>
14	<p>If DGR status is extended to all endorsed charities, should this reform be implemented in stages (for example, over a period of years) in line with the PC's recommendations, or should it be implemented in some other way?</p> <p>No</p>
15	<p>Would a fixed tax offset deliver fairer outcomes? Would a fixed tax offset be more complex than the current system? Would a fixed tax offset be as effective as the current system in terms of recognising giving?</p> <p>Not sufficient anecdotal evidence to comment.</p>
16	<p>Would having a two tiered tax offset encourage giving by higher income earners?</p> <p>No. It is anticipated that a having a two tiered tax offset would not encourage giving by higher income earners, particularly when they can offset a deductible donation at the highest marginal rate under the current system.</p>
17	<p>What other strategies would encourage giving to DGRs, especially by high income earners?</p> <p>Increase tax rebate to amount for all tax payers equivalent to the highest marginal rate of tax may encourage giving to DGRs.</p>

18	<p>Should testamentary giving be encouraged through tax concessions and what mechanisms could be considered to address simplicity, integrity and effectiveness issues?</p> <p>Difficult area to comment – CGT and estate issues vary from state to state.</p>
19	<p>Would a clearing house linked to the ACN Register be beneficial for the sector and public?</p> <p>No. A clearing house linked to the ACN register is not anticipated to realise benefits for the sector and public unless the receipting process remains with the charity. The current process provides opportunity for the charity to build relationships with its donors.</p>
21	<p>Do valuation requirements and costs restrict the donation of property? What could be done to improve the requirements?</p> <p>Yes. Could cause dysfunction between the NFP capacity and capital as a gift of property may have unintended consequences.</p>
23	<p>Are there additional barriers relevant to increasing charitable giving by corporations and corporate foundations? Is there anything the Working Group could recommend to help increase charitable giving by corporations and corporate foundations?</p> <p>Perhaps it's about creating incentives rather than addressing barriers . For examples corporations that operate a workplace giving program may be able to receive a rebate at the highest individual marginal rate of tax rather than a deduction at the company rate of tax for matched work place gifts.</p>
26	<p>Should the threshold for deductible gifts be increased from \$2 to \$25 (or to some other amount)?</p> <p>We believe there is no good reason to amend the level of deductibility at this stage. We do, however, believe there is solid argument for government support to be increased for the sector which is valuable to the Australian community, both socially and economically.</p>
<i>Fringe benefits tax concessions</i>	
31	<p>Should salary sacrificed meal entertainment and entertainment facility leasing benefits be brought within the existing caps on FBT concessions?</p> <p>Only if they become reportable benefits</p>
32	<p>Should the caps for FBT concessions be increased if meal entertainment and entertainment facility leasing benefits are brought within the caps? Should there be a separate cap for meal entertainment and entertainment facility leasing benefits? If so, what would be an appropriate amount for such a cap?</p> <p>The caps for FBT concessions should be increased if meal entertainment and entertainment facility leasing benefits are brought within the cap. However a separate, but additional, cap for meal entertainment and entertainment facility leasing benefits could be a more practical alternative.</p>

33	<p>Are there any types of meal entertainment or entertainment facility leasing benefits that should remain exempt/rebateable if these items are otherwise subject to the relevant caps?</p>
	<p>Prefer meal entertainment and entertainment facility leasing benefits remain exempt or alternatively a separate cap for meal entertainment and entertainment facility leasing benefits be the alternative proposed. If changes are made to current NFP salary sacrifice arrangements, it would have a direct cost increase impact to charities. For example NFP's could be put in a position of having to increase salaries to offer commercial equivalent salary packages to retain/attract staff. This in turn would impact on the cost of service delivery.</p>
35	<p>Should the rate for FBT rebates be re-aligned with the FBT tax rate? Is there any reason for not aligning the rates?</p>
	<p>FBT rebates should be aligned to the FBT tax rate as was the intent.</p>
36	<p>Should the limitation on tax exempt bodies in the minor benefits exemption be removed? Is there any reason why the limitation should not be removed?</p>
	<p>No, otherwise competitive neutrality compromised unless minor benefits exemption removed for all employers.</p>
38	<p>Should FBT concessions (that is, the exemption and rebate) be phased out?</p>
	<p>No. If changes are made to current NFP FBT concessions, it could have a direct cost increase impact to charities. For example a not for profit could be put in a position of having to increase salaries to offer commercial equivalent salary packages to retain/attract staff. This in turn would impact on the cost of service delivery.</p>
39	<p>Should FBT concessions be replaced with direct support for entities that benefit from the application of these concessions?</p>
	<p>No. However, if Q38 proceeds then Q37 allows employee flexibility in applying current concessions to their own particular circumstances. Q39 required direct funding for increase in salary costs – does not address the perception that NFP staff have “lost” benefits.</p>
40	<p>Should FBT concessions be replaced with tax based support for entities that are eligible for example, by refundable tax offsets to employers, a direct tax offset to the employees or a tax free allowance for employees?</p>
	<p>No – FBT concessions attract staff to NFPs and allow NFPs to offer commercial equivalent salaries at lower cost to the entity – which is reflected in the cost of service delivery.</p>
41	<p>Should FBT concessions be limited to non-remuneration benefits?</p>
	<p>No – refer answer Q40</p>
42	<p>If FBT concessions are to be phased out or if concessions were to be limited to non-remuneration benefits, which entity types should be eligible to receive support to replace these concessions?</p>
	<p>The current FBT concessions should remain.</p>

<i>Goods and services tax concessions</i>	
43	Does the existing fundraising concession create uncertainty, or additional compliance burdens, for NFP entities that wish to engage in fundraising activities that fall outside of the scope of the concession?
	No
44	Would a principles-based definition of the types of fundraising activities that are input taxed reduce the compliance burden for entities that engage in fundraising?
	No
45	Should current GST concessions continue to apply for eligible NFP entities?
	Yes
46	Are there any other issues or concerns with the operation of the GST concessions in their current form?
	No
47	Would an opt-in arrangement result in a reduced compliance burden for charities that would otherwise need to apply apportionment rules to supplies made for nominal consideration?
	No.
48	If an opt in arrangement is favoured, would the preference be to treat the supplies as taxable or input taxed? Why?
	If an opt in arrangement is favoured, suggest treat supplies as taxable. This should simplify the preparation of the BAS and GST paid on supplies can be offset against input tax credits obtaining the same net result.
<i>Next steps</i>	
56	Are there any areas in which greater streamlining of concessions could be achieved?
	We believe there ought to be emphasis placed upon compliance rather than enforcement.