

16 December 2012

NFP Sector Tax Concession Working Group Secretariat
The Treasury
Langton Crescent
Parkes ACT 2600

By email: NFPReform@treasury.gov.au

Dear Sir/Madam,

**Submission to Discussion Paper
Not-for-profit Sector Tax Concession Working Group**

The purpose of this letter is to respond to the discussion paper released by the working group in early November 2012.

I enclose the submission from Australian Baptist Ministries and associated entities and look forward to participating in this discussion as it continues.

Both myself and the National Ministries Director of Australian Baptist Ministries are available to meet with the Working Group to discuss these matters further if it was felt this would be helpful.

If I can be of any further assistance or any clarification is required please do not hesitate to contact me.

Yours faithfully

Australian Baptist Ministries



Trevor Spicer
National Treasurer



**Fairer, simpler and more effective tax concessions for the
not-for-profit sector**

Submission responding to Discussion Paper - November 2012

Submitted on behalf of:

Australian Baptist Ministries

Global Interaction

Baptist World Aid Australia

Queensland Baptists

The Baptist Union of Victoria

Baptist Churches of Tasmania

Baptist Churches of South Australia

Baptist Churches of Western Australia

The Baptist Union of the Northern Territory

The Baptist Union of New South Wales and Australian Capital Territory

1,000 Local Baptist churches throughout Australia

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Not-for-profit sector Tax Concession Working Group – Discussion Paper

This submission is in response to the Discussion Paper titled “Fairer, simpler and more effective tax concessions for the not-for-profit sector” released by the Not-for-profit sector Tax Concession Working Group in November 2012.

Australian Baptist Ministries, State Baptist Unions their associated agencies and organisations together with local Baptist churches welcome the opportunity to contribute to the discussion on this important issue by way of this submission. If requested or required we are happy to discuss any part of this submission or matters relating to the discussion paper with the committee at any time.

We look forward to the opportunity of continuing to interact with the Government as it further develops policies on these matters.

Australian Baptist Ministries, together with many other faith-based organisations remains concerned at the fragmented approach of the reform of the charitable and not-for-profit sector.

Many of the issues addressed in this discussion paper are inter-connected with other issues still under consideration by other reviews, proposed legislative changes and issues that have been out for discussion but on which the government has been silent for some time.

We are also concerned that for the second year running significant discussion papers or legislation has been or probably will be released just prior, or soon after Christmas; a time of year when many charities are seeking to assist the needy in our community.

In our view most of the proposed suite of reforms within the not-for-profit sector are well intentioned, some are welcome however nearly all seem to have been rushed or ill-considered.

One wonders what further consultation with the sector will be possible regarding the issues raised in this discussion paper when the Working Group is required to produce a final report by March 2013.

Who we are

Australian Baptist Ministries is the trading name of The Baptist Union of Australia. The Baptist Union of Australia is a voluntary association of State Baptist Unions and is incorporated under the Australian Capital Territory Associations Incorporation Act 1991.

Australian Baptists are a multi-cultural and multi-generational movement of people serving communities in metropolitan, regional, coastal, rural and remote Australia through a network of approximately 1,000 churches with a regular combined regular attendance of around 150,000 people. At the 2006 census over 315,000 people listed their religious affiliation as Baptist.

Australian Baptist Ministries is a federated organisation, partnering with local churches through State Baptist Union entities.

While some local Baptist Churches are incorporated entities most operate as separate unincorporated entities. Many of our State Baptist Unions are incorporated by acts of state parliaments.

In many ways Australian Baptist Ministries would be seen by the community in general as the peak body of the Baptist movement in Australia.

While the Baptist ethos values the autonomy of the local congregation, there are many times, places and occasions where a national voice or opinion is sought from Christian denominations and other times and occasions where, in our view, a national statement on behalf of the Baptist movement in Australia can contribute significantly to the national debate or thinking.

What we do

Together with the State Baptist Unions, Australian Baptist Ministries is committed to:

- supporting and equipping local churches,
- training and equipping individuals for professional and lay ministry,
- supporting overseas missions,
- assisting the disadvantaged within our own communities and overseas.

There are a number of ministries that operate under the auspices of Australian Baptist Ministries to provide these many and varied opportunities to serve the public amongst the many communities in which our congregations and agencies operate.

These ministries include:

- Approximately 1,000 local Baptist congregations of varying sizes,
- State Baptist Unions in all states and territories of Australia,
- Baptist Care Australia and State Baptist Care organisations in each state,
- Global Interaction,
- Baptist World Aid Australia,
- Crossover Australia,
- Remote Churches Ministry,
- Baptist Financial Services,
- Australian Baptist Insurance Services.

Local Baptist Churches and many of the above organisations commenced and continue to exist through the generosity and foresight of Australian Baptists. In many cases they have been contributing through the generosity of members to the social fabric of Australian communities and in an International setting for well over 100 years.

While some of the above organisations operate solely within the Baptist community of churches, many of them have a far-reaching impact on Australian communities and each of them contributes to the public benefit of Australians and Australia. For example Baptist Care Australia encompasses 2,700 packaged community aged care places , over 4,400 residential aged care places, family services, refugee services, employment services, youth services, low cost housing, chaplaincy, counselling, disability and mental health services and other diverse programs to meet community need.

The international ministries listed above (Global Interaction and Baptist World Aid Australia) provide humanitarian, development, medical and educational support services and capacity building amongst some of the world's most disadvantaged people.

General Comments on the Discussion paper

Australian Baptist Ministries believe that the longstanding history of income tax exemptions provided to organisations whose purpose is the advancement of religion should not be altered. This exemption is based on the public benefit presumption for charities whose purpose is the relief of poverty, the advancement of education and the advancement of religion.

It is the view of Australian Baptist Ministries that the ability for some charities to claim franking credits on dividends paid by Australian Companies should also remain unchanged. In part this is because those entities currently able to claim franking credits are generally those that rely on the provision of donations and gifts from the Australian public.

We also believe that the options regarding DGR status should all remain active including the extension of deductibility to all charities. We recognise that there would be an increase in the cost of providing this to government however we believe that to remove the possibility simply because of financial issues indicates that the government is being disingenuous in its comments about the important role the NFP sector plays within Australian society.

We also believe strongly that the current FBT concessions should remain in place. There is certainly some room for adjustment which may take into account the unlimited exemption granted to religious practitioners but should also take into account all other employees of religious organisations who, unlike other charitable organisations, are not able to make use of any FBT concessions. This has a considerable impact on the ability of religious organisations to attract or retain high calibre staff in areas such as marketing, information technology, human resources and finance because of significant budgetary limitations and an inability to meet the salary rates paid in the private or public sector.

We would not support the replacement of FBT concessions with direct grants, particularly in terms of entities whose purpose is the advancement of religion such as churches, bible colleges and religious mission organisations.

Responses to Consultation questions

We have provided answers only to selected questions. Some others are not totally relevant to our situations.

Question 1.

In our view all organisations eligible to register as a charity , provided they are a not-for-profit organisation should be eligible to an income tax exemption.

Question 2.

We believe that the current categories of income tax exempt entities are appropriate.

Question 4.

In our view the increasing complexity and regulation of taxes and other issues related to the charitable and not-for-profit sector do create some impediments for larger not-for-profit organisations. This can lead to unnecessarily complex organisational structures and increased administrative and regulatory burdens.

We would also note that the ever increasing regulatory and administrative burden currently being foisted on the whole sector, including smaller charities and not-for-profit organisations will undoubtedly make it more difficult for charities to secure willing volunteers, particularly in the finance, administrative or governance areas.

Questions 5 & 6.

We believe that the reason that the change to allow charities to claim franking credits in the first place should be kept in mind. We are unclear as to what issues have changed for charities that would warrant this concession being removed. Without this ability there is little encouragement for charities to do anything other than invest in term deposits which generally ensures that charities face a loss of real investment value over time.

In our view Franking Credits should remain for all ITEC and ITDGR.

Question 7.

Regardless of whether the endorsement of the NFP sector is to remain within the ATO; in our view it should be moved to the ACNC so that the ACNC truly becomes the 1 stop-shop, rather than a 2 or 3 stop-shop, then we believe endorsement should apply to all not-for-profit organisations required to register with the ACNC.

Question 8.

In light of the Federal Government's mantra of less regulation and red tape we believe that without question all that can be done in terms of simplifying and consolidating income tax exemptions for state, territory and local government bodies should be done.

Question 11.

We concur with the view of the Productivity Commission who recommends extending DGR status to all tax endorsed entities in the interest of fairness and simplicity. While we recognise that there will be some who oppose this extension particularly to entities whose purpose is the advancement of religion we believe that it would be the fairest option. We do recognise though, that the extension of DGR status to all tax endorsed entities would add increased cost to the Federal budget and also support the Productivity Commission's proposal that this extension be rolled out progressively by the different heads of charity.

In our view the extension of DGR status to all tax endorsed charities would encourage greater giving to the charitable sector.

Question 13.

In our view should DGR status be extended through other tax endorsed charities the exclusion of entities whose purposes are the advancement of education, the advancement of religion and charitable child care providers could be seen by those in that part of the sector as a discriminatory move against them. Australian Baptist Ministries, while welcoming many of the reforms within the sector is aware that some of the reforms could be seen by religious organisations as manoeuvring it away from the rest of the sector, thus making it easier in the future to strip away concessions from religious organisations.

Question 14.

We believe that, were DGR status to be extended, there is merit, particularly in the current economic climate, of implementing this in stages as per the Productivity Commission's recommendation.

We do note however, that there is a danger, in progressing in this manner, of implementing the extension to through some heads of charity but not completing the implementation for whatever reason.

Question 15.

In our view the option of a fixed tax offset would likely result in reduced giving by higher income earners. It is unclear from the material provided whether this would necessarily be substituted by enough of an increase in giving among lower income earners.

It is worth noting also that our experience is that often charities attract giving from a particular demographic, not necessarily an even demographic split. The potential decrease of giving by high income earners as a result of a fixed tax offset would not necessarily see an increase in giving by lower income earners to the same charity if at all.

Question 19.

In our view the concept of a clearing house for donations to DGRs would not be a good idea. Firstly it places non DGR entities at a distinct disadvantage in that DGRs are seen to be doubly approved; once as a DGR and then on the DGR Clearing House website. Also our view is that this concept would clearly be advantageous to organisations with high name recognition which is usually larger charities.

Also we believe that such a concept would increase administrative and regulatory charges from the government in order to pay for the service. There is no guarantee that it would be done more efficiently nor that it would produce overall savings to the sector than having each charity process their own donations.

Question 26.

Australian Baptist Ministries would support an increase in the threshold for deductible gifts to something in the order of \$25. Given that the \$2 threshold in effect dates to the 1927 threshold of 1 pound then we believe it would be an appropriate increase.

Question 35.

We believe that there is no good reason not to re-align the FBT rebate with the FBT tax rate. It would add at least some uniformity and simplicity to a complex tax.

Question 36.

In our view there is no reason that the limitation on tax exempt bodies in respect of the minor benefits exemption should not be removed.

Question 37.

In our view the provision of FBT concessions to current eligible entities is appropriate. We believe that the concessions should be extended within religious organisations beyond religious practitioners. In our view the current situation is discriminatory in that exemptions within PBIs and some other charities are extended to all employees which in the religious sub-sector concessions are only available for religious practitioners.

Questions 38 & 39.

In our view FBT exemptions should not be phased out and should not be replaced with direct support for entities. We concur with the comment in the Discussion paper at paragraph 161:

This option may also raise concerns for some in the NFP sector about its effect on their autonomy and independence from government.

We also share the fear expressed in the second part of the paragraph:

It may also expose the sector to the risk of sudden reductions in funding as a result of budget decisions.

Question 41 & 42.

We do not believe that FBT concessions should be limited to non-remuneration benefits nor do we believe that FBT concessions should be phased out.

Given the enormous potential for change that recommendations from this working group may have, we believe it is essential that significant further consultation across a wide cross-section of the sector takes place before the finalisation of the Working Group's report to Government.