



17 December 2012

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

Email: NFPReform@treasury.gov.au

Dear Sir / Madam

Re: **SUBMISSION TO WORKING GROUP**

The Sovereign Hill Museums Association is pleased to have this opportunity to present a submission on the discussion document.

a) Working Group Representation

There are no small charity organisations represented on the Working Group and this is a shortcoming in getting the voice of a huge number of charities into this consultation phase. While the Working Group does contain very eminent and experienced people from the NFP sector, there is a danger that the legal, academic and large charity viewpoints will prevail and the impact on very under resourced and smaller organisations will be overlooked when any subsequent amendments are put in place by the government, through the ATO and Treasury processes.

b) High Court Ruling FCTV Word Investments Limited

This ruling clearly and definitively stated that charities have the right to organise their activities (commercial included) to generate revenue that would allow them to discharge their charitable purposes. This should have been one of the guiding principles for the review, even given that the government is seeking to minimise the financial impact of this judgement on future NFP activities.

Equally, the discussion paper is being considered without the government yet having defined what constitutes a "charity" and what clearly constitutes unrelated business income. One of the guiding principles should be that a charitable organisation, applying all its revenues to its charitable purpose, should not be considered to be operating under an unrelated business income regime.

c) Franking Credits on Investments

Removal of any entitlement to claim franking credits on investments would be extremely detrimental to non-for-profit and charitable organisations in making responsible investments in the share market to help fund their charitable activities. Donors want and expect charities to be professional in their fund management activities. Deriving franking credits is a most significant income stream for the sector and removing access to it would remove a very large percentage of annual income which is in turn allocated to delivering charitable purposes.

d) Tax Deductible Donations - \$2 Limit

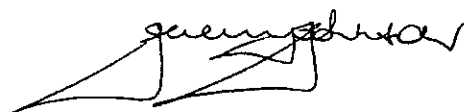
The increase in tax deductible donations for the general public from \$2 to say \$25 would mitigate against smaller charities. It is not a huge administrative task to issue receipts for \$2 donations as whatever minimum threshold figure that was chosen for this purpose would still necessitate issuing of a tax deductible receipt. Small charities do rely on a large number of the \$2 and \$5 tax deductible donations which they receive annually in their appeals.

e) Position Paper or Recommendations

The Working Group paper is not a position paper with recommendations, but it will inevitably become the key reference point that underpins government decision making about this area. Its discussion findings will become de-facto recommendations. Therefore, wherever possible, its findings should be presented as a series of options rather than a definitive single recommendation.

Sovereign Hill has operated very successfully since its incorporation in 1967 as an independent, not-for-profit company limited by guarantee. It has not sought to be a government funded agency as our peer museum organisations are. They are funded from the public purse and for many years held unfair sales tax advantages over Sovereign Hill as a regional museum. This was corrected with the introduction of GST but was a long standing disadvantage that we endured. Should Sovereign Hill lose its income tax exempt status, its Donor Gift Recipient Status, its Fringe Benefit Concessions and GST Exemption, this could lead to its operations being handed back to the Government or its potential closure. Operating margins are too fine to carry any imposed income tax requirements or removal of concessions and also the flow on impact of removal of entitlement to any local government municipal rates and State Government Business Tax concessions.

Yours sincerely



Jeremy Johnson
CHIEF EXECUTIVE OFFICER