

Submissions in response to the discussion paper on the Not for Profit Sector tax concessions working group

War Widows' Guild of Australia NSW Limited ABN: 24 083 075 914

Following our review of the discussion paper the War Widows' Guild of Australia NSW Ltd (the Guild) has the following specific comments and concerns on a number of the consultation questions:

Income Tax Exemption and Refundable Franking Credits

Question 5 Should other types of NFPs also be able to claim a refund of franking credits?

Response Yes

Question Should the ability of tax exempt charities and DGRs to receive franking credits be limited?

Response No - the income from franking credits is needed by organisations such as ours.

Deductible Gift Recipients

Question 19 Would a clearing house linked to the ACN Register be beneficial for the sector and public?

Response

We believe that a clearing house for gifts to DGR entities which is linked to the ACN register could promote and encourage charitable giving. As a small organisation we have no online fundraising facilities and the register would provide a national profile for our organisation that it does not currently enjoy. If a receipt was issued by the clearing house, this would reduce paperwork and processing for the Guild.

However we have the following concerns

1. As we do not receive any significant government funding, it is important that we do not lose the capacity to receive bequests and donations directly. We are concerned that the online clearing house **should not be the only means by which donations can be made**. A large proportion of our 8,000 members make a small donation annually in conjunction with their membership renewal. The average age of our membership is 85 years old and they are generally not computer literate. This means that our own members are not likely to make donations to an online clearing house. This would apply to other potential donors who may not use on line facilities.

2. We would not like to lose part of the donations by the deduction of a fee for undertaking the processing.

Question 26 Should the threshold for deductible gifts be increased from \$2 to \$25 (or to some other amount)?

Response

It would seem reasonable to increase the threshold for deductibility as the amount has not been changes for years. While a large number of our members make donations that are less than \$25 we do not believe that increasing the threshold to \$25 would make any difference to the donations that these members make. It would also have the advantage of not having to issue a receipt for these small amounts.

Fringe Benefits tax concessions

Question 31 Should salary sacrificed meal entertainment and entertainment facility leasing benefits be brought within the existing caps on FBT concessions?

Response

We agree that it would not be unreasonable to cap salary sacrificed meal entertainment and entertainment facility leasing benefits either as a separate cap or by bringing them within the existing caps on FBT concessions.

Question 32 Should the caps for FBT concessions be increased if meal entertainment and entertainment facility leasing benefits are brought within the caps?

Response Yes, the cap should be increased in this circumstance.

Question34. Should there be a requirement on eligible employers to deny FBT concessions to employees that have claimed a concession from another employer? Would this impose an unacceptable compliance burden on those employers? Are there other ways of restricting access to multiple caps?

Response

We believe that employees should be required to sign a declaration that they have not claimed a concession from any other employer. This declaration could be included on the current taxation TFN and tax free threshold declaration.

Otherwise, it would be an unacceptable compliance burden if the employer was required to ensure that employees have not claimed a concession from another employer.

Question35 Should the rate for FBT rebates be re-aligned with the FBT tax rate?

Response Yes

Question 36 Should the limitations on tax exempt bodies in the minor benefits exemption be removed?

Response Yes

Question 38 Should FBT concessions (that is, the exemption and rebate) be phased out?

Response No

Question 39 Should FBT concessions be replaced with direct support for entities that benefit from the application of these concessions?

Response

There is a considerable administrative burden attached to offering Fringe Benefits to staff in smaller organisations such as the War Widows Guild. However offering Fringe Benefit concessions to potential staff is one method that small charities with limited finances can compete for qualified staff, especially higher level staff.

If the support was given directly to the entities there would be a strong temptation for the entities to utilise the funding for other activities bearing in mind the scarce resources for multiple projects. This could affect the quality of staff available to charities.

We strongly disagree with the prospect of having to apply for grants. Our experience is that application for direct grants involves a significant amount of work that is not always warranted because the government department responsible for allocating the grants does not necessarily have an understanding of the requirements and the activities of the organisation applying for the grants. There is a tendency for large organisations to receive large grants and for smaller organisations that cater for a specific group to be overlooked. We believe that this would impose a greater ongoing compliance burden. It may also mean that the organisation does not receive any grants. The time frame also is long and burdensome.

We also agree that this approach may expose the sector to the risk of sudden reductions in funding as a result of budget decisions. This means that the ongoing activities of the charity could be at risk.

Question 40 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?

Response

We believe that if the FBT concessions are to be replaced they should be replaced by direct compensation to employees. The direct tax offset to the employees administered through the PAYG withholding system would provide assistance throughout the year. We agree that the compliance burden associated with such a declaration would be minimal, as the identity of a person's employer is disclosed to the ATO on their payment summary. However any changes need to recognise the higher levels of tax paid by senior staff, so a tax free allowance would be preferable. There should not be a standard rebate across the board.

Question 41 Should FBT concessions be limited to non-remuneration benefits?

Response

FBT concessions should not be limited to non-remuneration benefits. As indicated previously the provision of Fringe Benefit concessions is one method that small charities with limited finances can use to compete for qualified staff, particularly those on higher salary levels.

Question 45 Should current GST concessions continue to apply for eligible NFP entities?

Response

Yes. The GST concessions are very important to our operations as a tax exempt entity.

Question 46 Other issues or concerns with GST concessions?

Response – It can be onerous from a compliance point of view for small organisations to assess whether particular activities are GST exempt..

Other comments

We consider that the caps for concessions and rates eg for deductible gifts should be indexed as they lose their value when they are fixed.

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