

17 December 2012

Manager  
Charities Unit  
Indirect, Philanthropy and Resource Tax Division  
The Treasury  
Langton Crescent  
**PARKES ACT 2600**

To whom it may concern,

**RE: Response to 'Fairer, Simpler and More Effective Tax Concessions for the Not-For-Profit Sector'**

The Queensland Council of Social Service (QCOSS) works towards a fair, inclusive and sustainable Queensland and a key part of achieving this is by leading on issues of significance to the Queensland not-for-profit social, health and community industry.

Please find attached our response to the Not-for-profit Sector Tax Concession Working Group's discussion paper '*Fairer, Simpler and More Effective Tax Concessions for the Not-For-Profit Sector*'.

This paper details a number of issues and solutions for creating appropriate not-for-profit tax concessions.

We would be happy to provide further information if required. Please feel free to contact Fiona Malcolm, our Senior Manager for Sector Development on 3004 6900 should require any further information.

Yours sincerely



Mark Henley  
Chief Executive Officer

Encl. Paper – QCOSS Response to Discussion paper '*Fairer, Simpler and More Effective Tax Concessions for the Not-For-Profit Sector*'

# Fairer, Simpler and More Effective Tax Concessions for the Not-For-Profit Sector

## QCOSS Response to Discussion paper

### Context of this Discussion Paper

The Queensland Council of Social Service Inc (QCOSS) welcomes the establishment of the Not-for-profit Sector Tax Concession Working Group as an important step in addressing the transparency and equitability of tax arrangements in our sector; and we welcome this Discussion Paper as another step in progressing work towards appropriate not-for-profit sector tax concessions.

QCOSS endorses the submission provided by the Australian Council of Social Service (ACOSS), which focuses on the most significant tax arrangements for charities engaged in social service. Through our submission, QCOSS seeks to provide additional comments on some of the recommendations made by ACOSS.

### Chapter 2: Deductible gift recipients

QCOSS endorses the recommendations and feedback provided by ACOSS in relation to Deductible Gift Recipients:

*Recommendation: Extend DGR status to those charities whose dominant purpose is altruistic and for the public benefit.*

ACOSS supports streamlining and simplifying the process for obtaining DGR status with a focus on expanding the equitability and consistency of how the concession is applied. The current complexity and inconsistency surrounding NFP tax concessions limits many deserving charities from benefitting from the most significant tax concessions. Reform needs to set clearer boundaries for improved tax concessions, so that those who deserve the benefits of tax concessions can benefit from them consistently and equitably.

The 2001 Charities Definition Inquiry recommended distinguishing altruistic entities from other not-for-profit entities; and that 'to be regarded as charitable, an entity must have a dominant purpose which is altruistic and for the public benefit'.<sup>1</sup> (See Appendix 1 for further detail.) This recommendation was narrow enough to constrain excessive distribution of tax concessions, while avoiding the current blurring of tax concessions that occurs through the exercise of Public Benevolent Institution (PBI) status. The CDI report had strong and broad support and adopting its principles and recommendations would resolve much of the complexity and confusion within the existing tax arrangements for NFPs.

The inability to access DGR status is an issue that has been consistently raised with QCOSS by its members. For example, neighbourhood and community centres have identified that investment by local businesses in their organisations has been restricted due to their inability to access DGR status.

This barrier has resulted in neighbourhood and community centres having a greater reliance on government funding and being less able to deliver prevention and early intervention services. Prevention and early intervention services reduce the demand for expensive government-funded crisis responses such as hospitalisation and interventions in mental illness, domestic violence and homelessness.

The existing limited definition of a charity has prevented many not-for-profit organisations from accessing Public Benevolent Institution (PBI) status and thus Deductible Gift Recipient (DGR) status.

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<sup>1</sup> CDI (2001) 'Chapter 13: Altruistic and for the Public Benefit', *Report of the Inquiry into the Definition of Charities and Related Organisations (Charities Definition Inquiry)*, June, <http://www.cdi.gov.au/html/report.htm>.

QCOSS believes that the eligibility criteria for PBI status should be broadened to include the many not-for-profit organisations who work to prevent poverty, sickness, destitution, suffering, helplessness or misfortune, not only those who provide direct relief. This would include neighbourhood and community centres. Whilst facing limited government funding, the broadening of DGR status would enable organisations to access increased investment from the private sector.

QCOSS, together with ACOSS and the COSS network, supports the development of a statutory definition of a charity. We endorse the adoption of the 2001 Charities Definition Inquiry recommendations as part of this process.

The most important recommendation from the 2001 inquiry was the proposed reform of Public Benevolent Institution (PBI) status as that subset of charities whose main purpose was to assist the most disadvantaged in the community, regardless of whether this was via direct service provision.<sup>i</sup>

Widening the scope of DGR eligibility is also set out as a recommendation in the 2010 Productivity Commission Research Report 'Contribution of the Not-For-Profit Sector'.<sup>ii</sup>

### **Chapter 3: Fringe Benefits Tax Concessions**

QCOSS endorses the following recommendations provided by ACOSS in their submission:

Recommendation 1: Any reform to the FBT concession should be assessed to ensure that it does not leave clients or employees of social services or the organisations themselves worse off.

Recommendation 2: Salary sacrificed meal entertainment and entertainment facility leasing benefits should be brought within the existing caps on FBT concessions.

The Discussion Paper rightly points out that salary packaging options available under the FBT concession are used by employers to attract workers to a sector that struggles to offer wages competitive with other sectors.

Whilst Fair Work Australia's recent Equal Remuneration order will progressively address the pay inequity faced by the sector over the coming years, the ability of the sector to access Fringe Benefit concessions remains an important mechanism to attract and retain workers in the sector.

### **Chapter 6: Next Steps**

Together with ACOSS, QCOSS supports developing a system of tax concessions based on the concept of 'charity' so long as this policy is developed in line with a broadened definition of charity. Many of the most fraught issues canvassed in the Discussion Paper would diminish significantly if charities were able to access tax concessions on a more equitable and transparent basis.

The most important area of tax concessions in this respect is access to Deductible Gift Recipient status. While this is often discussed in the context of individual giving, it is at least as important for the capacity of charities to seek not-government forms of funding such as through philanthropy. For instance, the perception that a charity should have DGR status to benefit from philanthropy prevents many charities with altruistic purposes from accessing these important sources of funding. QCOSS reiterates our strong support for the immediate extension of DGR to charities with altruistic purposes.

<sup>i</sup> Australian Council of Social Service, 2011, *Treasury Consultation Paper 'A Definition of Charity'* Joint COSS submission, [http://acoss.org.au/images/uploads/COSS\\_Network\\_charity\\_def\\_submn\\_FINAL.pdf](http://acoss.org.au/images/uploads/COSS_Network_charity_def_submn_FINAL.pdf).

<sup>ii</sup> Productivity Commission, 2010, *Research Report: Contribution of the Not-for-profit Sector*, <http://www.pc.gov.au/projects/study/not-for-profit/report>.