



17<sup>th</sup> December 2012

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

### **Submission – Fairer, Simpler and More Effective Tax Concessions for the NFP Sector**

The Illawarra Forum is the peak body working for community services and organisations in the Illawarra and the Shoalhaven. We support community organisations, promote expertise and innovation in community development, foster industry development and advocate for social justice.

For more than twenty years, the Illawarra Forum has taken a leadership role in the local community services sector, which is a major employment sector in the region, and currently consists of more than 300 organisations in the Illawarra and Shoalhaven areas of New South Wales.

The Illawarra Forum is supportive of a fair taxation system which includes appropriate NFP sector tax concessions which enable the sector to continue its vital work of supporting people at vulnerable times and reducing social disadvantage.

The Illawarra Forum believes that tax concessions to the NFP sector should be viewed as a value proposition, since the sector delivers significant benefits to the community, and by its very nature, operates 'for purpose' rather than for profit.

We view with concern item 4 in the Working Group's Terms of Reference which states that "The Working Group will identify offsetting budget savings from within the NFP sector for any proposals that have a budget cost". We believe it is a poor proposition to impose such restrictions on a sector which applies its income to improve the lives of individuals and communities in need. This statement of the scope of the working group, if followed through, has the potential to negatively impact on the social benefit delivered by the NFP sector.

The Illawarra Forum is also concerned about the statement that "tax concessions for one group within the community inevitably puts a greater tax burden on others". Australia already has a relatively low rate of taxation, so overall tax reductions should not be an aim in themselves. It is also well established that the sector operates on very limited budgets, so if tax concessions to the sector are reduced, it

makes sense that direct funding must be increased to enable continued service delivery. It seems inevitable in that case that increased taxes must be levied to budget for ensuing funding escalations.

We further question the concept that for-profit businesses are disadvantaged when competing for staff because “tax concessions may affect competitive neutrality”. It has been well documented throughout the Equal Pay case that staff in the NFP sector are paid significantly less than their peers in the public sector or for-profit sector. Tax concessions such as fringe benefit tax (FBT) exemptions which enable salary sacrificing are a small step towards addressing this disparity in salaries. We support a fairer FBT concession system which is available to all workers in the sector and is indexed to ensure its continued value.

The Illawarra Forum is also strongly in favour of a simpler and more equitable process for gaining Deductible Gift Recipient (DGR) status. DGR status is important for organisations which seek funding from individuals and philanthropic agencies.

Thank you for the opportunity to comment on the Fairer, Simpler and More Effective Tax Concessions For the NFP Sector Discussion Paper. We would be happy to discuss our comments or recommendations more fully.

We agree to our submission being made publicly available.



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