

SUBMISSION TO THE NOT-FOR-PROFIT SECTOR TAX CONCESSION WORKING GROUP

Spinal Injuries Association Inc. welcomes this opportunity to respond and has chosen to address selected consultation questions, that is, those questions which have relevance to our Association. Spinal Injuries Association Inc. exists to enhance the lives of people with a spinal cord injury; from a taxation perspective Spinal Injuries Association Inc. is a PBI and a DGR.

Q 6. Should the ability of tax exempt charities and DGRs to receive refunds for franking credits be limited?

Response:

No, exempt charities and DGRs often have large portfolios because the shares have been gifted (often a bequest) to the organisation and any dividends received become part of the fundraising effort. If the organisation qualifies to fundraise without a tax penalty, then similarly franking credits should remain tax free too.

Q 15. Would a fixed tax offset deliver fairer outcomes? Would a fixed tax offset be more complex than the current system? Would a fixed tax offset be as effective as the current system in terms of recognising giving?

Response:

No, we do not consider that moving to a fixed tax offset would be either fairer or more effective than the current system. A gift to a DGR should be treated in exactly the same manner as any other tax deduction. In most cases individuals give to organisations because they have some sort of connection with the organisation. For example when someone makes a gift to our Association, they may have a family member with a spinal cord injury or they may know of someone with a spinal cord injury or they may have attended a SEAT (Spinal Education Awareness Team) presentation.

Q 16. Would having a two-tiered tax offset encourage giving by higher income earners?

Response:

No, we support the current arrangements around deductible gifts. Many DGRs have experienced a decline in donations in recent years. There seems to be so many good causes these days all seeking community support and just not enough money to go around. As identified by the Treasury in the discussion paper (paragraph 91), an additional decline in overall giving will further inhibit the sector's ability to deliver services.

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

Response:

No, it would be inefficient to take \$25 million away from the sector to set up a clearing house when there are already organisations performing similar services. This would be a pointless duplication of services. The optimal solution would be for the ACN register to contain the DGRs website address and supporters could make the gift directly to the organisation without government intervention. Issuing receipts and communicating with donors is all part of building ongoing relationships with supporters.

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

Response:

No, as we already know (paragraph 122), many people never claim their smaller gifts as tax deductions so the savings to government revenue would most likely be minimal. For us, it's about engagement and connecting with our members and supporters through establishing a relationship which leads to regular giving, volunteering or testamentary giving. For people on low incomes, the tax deductibility status of their donations has a real impact on their decision and ability to give. Donating gives people the opportunity to feel more connected with the organisation and the cause. As a nation we should be encouraging everyone, including children who are after all the philanthropists of the future, to contribute whatever they feel they can afford and experience the satisfying feeling which results from becoming involved with a good cause. Spinal Injuries Association Inc. supports retaining the deductibility of gifts at \$2.

Q 32. Should the caps for FBT concessions be increased if meal entertainment and entertainment facility leasing benefits are brought within the caps? Should there be a separate cap for meal entertainment and entertainment facility leasing benefits? If so, what would be an appropriate amount for such a cap?

Response:

If the meal entertainment and entertainment facility leasing benefits are either brought within the caps or become subject to a separate cap, then we would support a cap of \$10,400. The FBT caps for concessions have remained unchanged since introduction in 2001 despite calls from the sector to increase the cap to keep pace with CPI. This is an opportunity to heed these calls while restoring both fairness and efficiency through tightening up the loopholes which have led to some individuals exploiting the meal entertainment and entertainment facility leasing benefits.

Q 36. Should the limitation on tax exempt bodies in the minor benefits exemption be removed? Is there any reason why the limitation should not be removed?

Response:

Yes, the limitations on the minor benefits exemption should be removed. A minor benefit is a minor benefit and for the sake of simplicity, efficiency and fairness should be treated as such regardless of who the employer is. The reasons for the minor benefits exemption are equally valid for not-for-profits and for-profits alike.

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

Response:

No, as we know, FBT concessions exist primarily to enable eligible organisation to compete for high quality employees on a very uneven playing field. These concessions enable eligible organisations to provide a comparable salary package when compared to a for-profit organisation. Alternatively, the concessions can mean an employee is paid the equivalent salary, but the actual cost to the organisation is less thus savings can be redirected to fund programs. Either way, the sector relies heavily on these concessions to "maximise the social good" and it would be detrimental if they were phased out without appropriate alternate

support from government. Attracting and retaining high quality employees would become even more challenging for the sector, which already confronts this issue every day. No employer can legally cut rates of pay and that is in fact what removing these concessions would do; the employees' take home pay would be significantly reduced. NFPs would not be able to hold onto experienced skilled staff. This would result in a sector wide crisis which would ultimately put the responsibility for services back onto government.

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

Response:

If FBT concessions were phased out, to maintain fairness they would need to be replaced with direct support to all impacted organisations. So whether the concessions are retained and eligible organisations continue to bear the associated administrative costs or whether these concessions are replaced by increased funding and the government bears the associated administrative costs the sector has come to rely on these concessions to attract and retain high quality employees. Spinal Injuries Association Inc. support retaining FBT concessions.

Q 42. If FBT concessions are to be phased out or if concessions were to be limited to non-remuneration benefits, which entity types should be eligible to receive support to replace these concessions?

Response:

If the FBT concessions were to be withdrawn, every NFP which is currently eligible for concessions would need to be supported to replace these concessions as NFPs continue to be unable to compete with for-profit organisations when it comes to salaries.

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

Response:

Yes, the reasons for granting these concessions to the sector when GST was introduced have not changed. The sector is able to use these concessions to maximise the fundraising dollar and therefore the current GST concessions should be retained. There would be a substantial negative impact on NFP operating activities if these concessions were withdrawn.

Contact: Jo McLaren
General Manager Finance & Quality
Phone 07 3391 2044
jmclaren@spinal.com.au