



17 December 2012

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

Thank you for the opportunity to provide a submission to the Not-for-profit (NFP) Tax Concession Working Group Discussion Paper.

CCI is the leading business association in Western Australia and the second largest organisation of its kind in Australia. CCI has a membership of just under 8,000 organisations in all sectors of the economy. About 80 per cent of members are small businesses, and members are located in all geographical regions of WA. CCI is best known as the peak representative body for private business in Western Australia; however five per cent of members are classified as NFP entities.

The NFP sector is an important part of the national economy and the broader community. As Australia's population ages and demand for community services increases, the sector's contribution to the economy will only become more pivotal.

It is therefore disappointing that the consultation phase, for what are potentially sweeping changes to the taxation arrangements for the sector, is so short.

The report of the Working Group was released on 2 November 2012, and full, considered responses are required by 17 December. This condensed time frame has meant that CCI's ability to consult with its membership on the specific proposals outlined in the Discussion Paper has been limited.

The tax concessions granted to the sector play a central role in the sector's ability to function effectively and sustainably. CCI's consultation with members in advance of the Federal Tax Forum identified Fringe Benefits Tax (FBT) concessions as a critical benefit to the sector, and a vital way that these entities can attract and retain staff, acknowledging that they have a lower capacity to pay than other private entities.

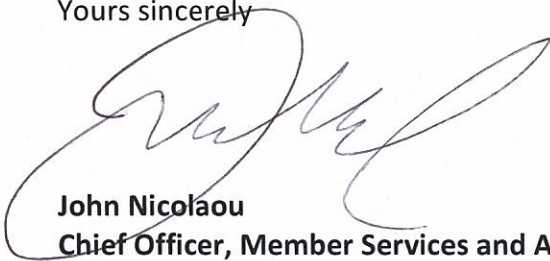
CCI is pleased that the group has advised against the Henry Tax Review's recommendation to replace FBT concessions with direct government funding. This would subject the sector to significant funding uncertainty. Replacing tax concessions with government grants puts funding to the sector at the whim of political decisions, which could have significant negative impacts on the sustainability of the sector. It is therefore vital that concessions through the tax system are maintained.

However, CCI members have expressed a desire to simplify the current system of FBT concessions, which in their view are complex and result in a large administrative burden. This complexity centres on the interpretation and implementation of the legislation, with members expressing concern that implementing FBT concessions requires significant accounting expertise which is often not available within NFP entities – resulting in the need to engage an external provider. On this basis, CCI encourages the working group to consider changes that seek to reduce complexity and administration costs; such as a move to direct, per employee tax rebates as discussed in the Discussion Paper.

It is also important that reforms are made so that an appropriate form of indexation is applied, to ensure the benefits of tax concessions are maintained over time. FBT concession thresholds should be adjusted at the end of each financial year in line with the economy-wide Wage Price Index, to ensure the concession granted to NFP employees is retained on a level consistent with growth in purchasing power by employees both inside and outside of the sector.

Should you have any questions or concerns, please contact Ryan Buckland on (08) 9365 7693 or ryan.buckland@cciwa.com.

Yours sincerely



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