

14 December, 2012.

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



Dear Sir/Madam,

The Ian Potter Foundation is making this submission in respect to the Not for Profit Sector Tax Concession Working Group Discussion Paper and focuses on the consideration of the refund of franking credits to charitable organisations.

Franking credits were introduced in Australia as part of our tax system twenty five years ago in 1987 and since then have been an integral part of the Australian tax system, investment policies and share price levels. Franking credits have increased the income of the Not for Profit Sector and the distributions that this sector makes to the community. It was an integral part of the background thinking that led to the Government deciding on the level of a required 5% annual distribution by Private Ancillary Funds and 4% annual minimum distribution by Public Ancillary Funds.

Franking credits are part of our tax system based on the principle of avoiding double taxation of income. A company earns income and it is taxed, the distribution it makes by way of dividends is not creating further economic activity and it is taxed less a refund for the company tax already paid. Taxpayers below the tax threshold and paying nil tax receive a full rebate on the franking credits of dividend income. Superannuation Funds in pension mode also receive a full franking rebate. Charities being tax free receive a full franking rebate.

The franking policy in our country affects all income earners, all superannuation funds and all charities and it is woven into the assessment of taxation for all members of the community and to their investment policies.

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JANET L HIRST

In our opinion any change would:

- (a) reduce income available for distribution by charities which would be to the detriment of the disadvantaged and needy in our community;
- (b) increase the burden of unmet community needs on Government so that there would be no net gain of revenue to the Government and if the private charitable sector is more efficient with its large voluntary support then there would be a net loss of revenue to the Government on the assumption that community welfare levels are to be maintained;
- (c) have implications for other sectors of the community including retirees and superannuation funds;
- (d) cause a significant change in investment policies, a reduction in share prices and lower confidence and general spending in the community.

Yours faithfully,



Charles Goode  
Chairman