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## **Tax Deductible Gift Recipient Reform Opportunities Discussion Paper**

Be The Change Australia wishes to acknowledge the opportunity to make a submission to DGR Reform Discussion Paper.

The reforms set out in the discussion paper seem to mostly appeal to improved governance for the environmental non-profit sector. However, there are several concerns regarding the effectiveness of the reforms and their intended outcomes upon our organisations ability to operate effectively.

Be The Change Australia is a small education non-profit with an annual financial income below \$20 000. We are mostly a volunteer organisation with two part time contractors who are paid to manage our administration and financial compliance. Not unlike other small non-profits, our board roles include not only leadership duties but also managerial.

We are very proud of our charitable organisations achievements considering our size and believe our environmental education programs are contributing to the protection of the environment and making a difference in the lives of many Australians.

However, this discussion paper raises five significant concerns that could threaten our viability going forward.

1. *[13.] The majority of DGRs are endorsed without a sun-setting date, and they are not subject to regular review of their eligibility status. With the growing stock of DGR organisations, the system would benefit from regular reviews to ensure an organisation's DGR status is up to date.*

Issue 13 seems like it will increase our administrative duties unfavourably. Considering that our DGR status is dependent on annual membership and subject to an Annual Information Statement submitted to the ACNC and an Annual Report to the register of Environmental Organisations, we believe that our DGR eligibility status is sufficiently regulated.

There are already considerable reporting requirements that we need to administer and so we would like to see an improvement in streamlining reporting not an adding to the requirements.

Further, we believe that DGR listed organisations should be managed by a single body and not by a multitude of government departments. Our preference is to see the ACNC manage listed organisations and not the Australian Tax Office (ATO) a government minister or any further government departments.

2. [15.] *There are also concerns that some charities and DGRs undertake advocacy activity that may be out of step with the expectations of the broader community, particularly by environmental DGRs which must have a principal purpose of protecting the environment.*<sup>1</sup>

Issue 15 leaves our organisation with significant confusion with regards to our capacity to advocate for preserving the natural environment. We believe our efforts to improve sustainability outcomes for our society are being limited by this proposal. While our main purpose is environmental education, we should be entitled to advocate to our community a position that reduces harm to our environment as per our constitution clause 2(a) which states... *The company is established for the public charitable purpose of educating and informing people about the protection and sustainable use of the natural environment and encouraging people to live in an environmentally sustainable way.*

We expect with this proposal we would have to provide thorough details to prove advocacy activities of our members and volunteers. This would place enormous stress upon our resources attempting to collect relevant data.

This is a seemingly ridiculous proposal that would inflict a potentially debilitating amount of work upon us in order to comply. This proposal would also impact upon the Australian tax payer who generously donates with the expectation that most of the funds will go to as much on the ground activity as possible.

This proposal would simply suck up both our time and valuable financial funds that need to be prioritised for important educational goals.

3. [29.] *There are concerns that charities and DGRs are unsure of the extent of advocacy they can undertake without risking their DGR status. This is a particular concern for environmental DGRs, which must have a principal purpose of protecting the environment.*<sup>2</sup>

Issue 29 highlights the ambiguity and complexity that providing advocacy evidence would mean to our organisation.

Be The Change Australia advocates for educating and informing people about the protection and sustainable use of the natural environment and encouraging people to live in an environmentally sustainable way - without directly challenging government policy or practices. However, as an environmental organisation, we advocate for change in our community that may take a position different to the government of the day.

Naturally, this needs to be seen as part of our healthy democratic system and as long as we abide by the law each non-profit should be allowed to critically advocate without threat or punishment with regards to their DGR status.

It seems strange that the purpose of the DGR status, which is to support non-government organisations and tax payers to act meaningfully in their community, increases red tape and stifles only environmental organisations.

This seems highly politicised with the intention to undermine environmental organisations, which is very disappointing from a charity perspective.

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<sup>1</sup> Subsection 30-265(1) of the *Income Tax Assessment Act 1997* - Its principal purpose must be: (a) the protection and enhancement of the natural environment or of a significant aspect of the natural environment; or (b) the provision of information or education, or the carrying on of research, about the natural environment or a significant aspect of the natural environment.

<sup>2</sup> Subsection 30-265(1) of the *Income Tax Assessment Act 1997* - Its principal purpose must be: (a) the protection and enhancement of the natural environment or of a significant aspect of the natural environment; or (b) the provision of information or education, or the carrying on of research, about the natural environment or a significant aspect of the natural environment.

4. *[73.] The Committee recommended that legislative and administrative changes be pursued by the ATO to require that the value of each environmental DGR's annual expenditure on environmental remediation work be no less than 25 per cent of the organisation's annual expenditure from its public fund.*

We are unclear if this clause is relevant to us as our prime constitutional objective is educating and informing people about protection and sustainable use of the natural environment. If it is proposed to cover our category of organisation, then this is not something we are set up to manage.

This recommendation by the House of Representatives Standing Committee on the Environment is something we are afraid would severely limit our capacity as an educational organisation. We believe this recommendation adds further red tape and diminishes our organisations capacity to offer quality educational services.

The public funds we raise are a very important resource for our on-going administration and program development. To siphon off funds for remediation work unfairly targets environmental organisations not already associated with remediation.

We therefore have no direct involvement with environmental remediation, however, our educational programs could lead to on-ground environmental outcomes. But how do we prove this?

This proposal would unduly constrain our activity and again leads us to question the political motivations for this direction in governing environmental non-profits.

5. *[75.] The Committee recommended that administrative sanctions be introduced for environmental DGRs that encourage, support, promote, or endorse illegal or unlawful activity undertaken by employees, members, or volunteers of the organisation or by others without formal connections to the organisation.*

We do not support sanctioning of environmental organisations on the grounds of political ideology.

Active citizens who are involved with our organisation and are engaged in peaceful protests do not imply that our organisation is involved in illegal activity. Governments who are motivated to sanction organisations on the basis of their democratic rights are surely motivated by political ends.

The House of Representatives Standing Committee on the Environment's inquiry on the Register of Environmental Organisations (REO inquiry) found there are no significant problems with the current system of management. According to the ACNC, it already has appropriate powers to regulate charities.

So we question the motivations of Treasury to want to sanction environmental non-profits who may engage or endorse activities such as peaceful protests?

## **Conclusion**

In conclusion, Be The Change Australia supports many of the measures to simplify and streamline the DGR tax arrangement. The discussion paper highlights several important areas of reform that are broadly related and non-politicised.

However, we are concerned that as a small organisation we will be unfairly over burdened in administrative and financial red tape because of a political witch hunt that seeks to control the activities of some environmental organisations who may protest and advocate for different outcomes to current government ideology.