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The Treasury
Langton Crescent
PARKES ACT 2600

Via email: DGR@treasury.gov.au

7 July 2017

Dear Sir or Madam

Submission in response to the Tax Deductible Gift Recipient Reform Opportunities Discussion Paper

I am pleased to make this brief submission on behalf of the Business Council of Co-operatives and Mutuals (BCCM) in response to the Tax Deductible Gift Recipient Reform Opportunities Discussion Paper.

1. About co-operatives and mutuals

By way of background, The BCCM is the peak body for Australian co-operatives, mutuals and member-owned enterprises (herein, CMEs). CMEs are a significant contributor to Australian economic and social life:

- There are approximately 2000 CMEs in Australia;
- 8 in 10 Australians are a member of at least one CME; and
- Annual turnover of the top 100 CMEs (excluding member-owned superannuation funds) reached \$30.5 billion in FY2014/2015.¹

The distinguishing feature of all CMEs, regardless of what legal form they use, is that they are owned by their members and operate for member benefit. Member benefit can mean a wider range of social or non-financial benefits compared with the financial returns enjoyed by a shareholder.

2. Response to the Discussion Paper

One of the purposes of the BCCM is to increase understanding and recognition of all forms of member-owned and controlled enterprise, including co-operatives. Co-operatives (in the eyes of law being a specific type of state/territory registered corporation) and companies limited by guarantee are two of the common legal forms of CMEs that are registered as charities and/or have DGR status. In this submission, the BCCM focuses on co-operatives because in our experience co-operatives are often overlooked when policy changes are developed.

¹ Business Council of Co-operatives and Mutuals, National Mutual Economy Report 2016, 17.
<http://bccm.coop/wp/wp-content/uploads/2016/11/BCCM-NME-Report-2016.pdf>

There are currently more than 700 co-operatives that are registered charities, and approximately 150 co-operatives with DGR status. These co-operatives operate in a range of sectors including community radio, aboriginal services, education, health, care services and employment services.

Co-operatives operate under a robust governance framework that is design to protect purpose and therefore the need for further regulation of co-operatives, as charities *and/or* DGR status holders, should be carefully evaluated. Under co-operatives legislation², directors have duties imported from the federal Corporations Act. However, the carrying out of these duties is informed by the co-operative principles³ such that the purpose for which the members join together in the co-operative is protected. In addition, all co-operatives must have “active membership” provisions, which encourage all members to exercise their rights as members including their right to vote on a one-member one-vote basis at a general meeting of the co-operative (in contrast to, for example, the typical level of participation of “mum-and-dad” shareholders in a publicly listed company).

The BCCM recommends that any policy changes in relation to DGR should leave co-operatives on an equal footing with other organisations and take into account the existing governance and regulatory frameworks co-operatives operate under.

The BCCM is happy to provide further information about CMEs.

Yours faithfully



Melina Morrison
CEO
Business Council of Co-operatives and Mutuals

² Namely the Co-operatives National Law in all jurisdictions except Western Australia (which has adopted consistent legislation) and Queensland (which has yet to adopt the Co-operatives National Law or consistent legislation).

³ s10 of the Co-operatives National Law. See also <http://ica.coop/en/whats-co-op/co-operative-identity-values-principles>