

21 July 2017

Senior Adviser
Individuals and Indirect Tax Division
The Treasury
Langton Crescent
PARKES ACT 2600
Via Email: DGR@treasury.gov.au

Comments on the Federal Government Review of the Deductible Gifts Register

This submission is a personal submission as a member of the public, however I do declare that I am a members of the Tasmanian Division of the Liberal Party of Australia.

Relevant objectives of this organisation is to have an Australian nation in which social provision is made for the aged, the invalid, the widowed, the sick, the unemployed and children; in which adequate medical services are within the reach of all; in which a comprehensive system of child and adult education is designed to develop the spirit of true citizenship, and in which no consideration of wealth or privilege shall be a determining factor. A country in which the youth of the Nation is given every encouragement to develop its talent to the full, recognising that from its ranks will come the leaders of tomorrow; and in which family life is seen as fundamental to the well-being of society and in which every family is enabled to live in, and preferably to own, a comfortable home at reasonable cost, and with adequate community amenities.

In relation to Tasmania a key objective is to the development of Tasmania's resources balanced with due care for the environment.

Whilst we seek these objectives through good Government the objectives also meet the definition of charitable purpose as defined by the Commonwealth Charities Act.

Government programs now address the health, education and the relief of poverty needs of society and are supplemented by the work of Charities. However there are now around 54,800 charities registered. Each charity may be entitled to a subsidy from the Government in the form of taxation relief, either exempt from income tax or fringe benefit tax or receiving Deductible Gift Registration (DGR) status. There are around 23,000 charities endorsed as

DGRs. A further 5,000 DGRs are not registered charities such as private ancillary funds and government entities.

After viewing the discussion paper, we encourage the Federal Government to implement the proposed changes to the Deductible Gift Register.

Our branch believes that the whole charity and tax deductible gift registers should be simplified, reducing the number of registers to one and putting a single government entity in charge. An entity that has clear rules and the ability to enforce penalties for breaching those rules. This entity must have the ability to investigate and deregister charities.

Importantly the Government policy must ensure that real charities providing a public benefit such as a Neighbourhood centre or Men's shed receive the taxation subsidy and those that are purely advocates for a political philosophy be ruled ineligible for any taxation relief.

Our thoughts on the paper and its recommendations to the Consultation process are:

Questions:

1. What are stakeholders' views on a requirement for a DGR (other than government entity DGR) to be a registered charity in order for it to be eligible for DGR status. What issues could arise?

The Branch believes that only registered charities should be eligible for DGR status and that the definition of charitable purpose be better defined to enable that registration to be granted or denied. For example activist groups like the Bob Brown Foundation who actively lobby against the government and its policies have been registered by the ACNC yet undertake no on-ground activity in enhancing the environment.

For many ENGO's (Environmental Non-Government Organisation) the charitable purpose is secondary to its main activities of protest, advocacy and the production of propaganda.

In contrast a Neighbourhood Centre providing real public benefit is not registered even though it advances social and public welfare by undertaking a number of activities.

The commission or a suitable Government entity should ensure charities provide appropriate governance at an appropriate standard and comply with its charitable purpose.

2. Are there likely to be DGRs (other than government entity DGRs) that could not meet this requirement and, if so, why?

Yes I believe there would be if the ACNC standards are upgraded to exclude lobby groups. Groups such as the Wilderness Society, Environment Tasmania, Markets for Change and the Bob Brown Foundation actively lobby against the government and its policies.

4. Should the ACNC require additional information from all registered charities about their advocacy activities?

The ACNC should have the right to ask for information regarding any advocacy activities; if these organisations have the privilege to claim gift and donations as a tax deduction then we believe they have the right to ask for what they use these gift and donations for.

5. Is the Annual Information Statement the appropriate vehicle for collecting this information?

The AIS should not replace a more detailed annual report. As a summary statement it only provides a brief over view of activities. As an example the eco-charity Markets for Changes annual report discloses that public appearances and networking is a major activity, an activity not mentioned in its 2016 AIS. This is hardly an activity to advance its charitable purpose. All major charities and ENGOs should be required to submit a detailed annual report.

6. What is the best way to collect the information without imposing significant additional reporting burden?

For small grass roots entities, an annual information statement the branch believes would be appropriate, maybe a more detailed reporting process could be required for charities who received donations exceeding an agreed limit set by the ATO or ACNC.

11. What are stakeholders' views on the idea of having a general sunset rule of no more than five years for specifically listed DGRs? What about existing listings, should they be reviewed at least once every, say, five years to ensure they continue to meet the 'exceptional circumstances' policy requirement for listing?

Implementation of a review process is an essential change moving forward.. Currently there is no sun-set clause on those who are DGR endorsed. The Branch believes it would be best practice to have reviews, 5 years would be a very appropriate time frame, and enforcing penalties and accountability to those who show irregularities. There needs to be plenty of warning if someone is going to lose their DGR status. Particularly given that they are so hard to

get. Any reporting to those who are DGR endorsed would need to give people adequate information and time to fix problems. Losing your DGR would feel catastrophic to a charity.

Other comments:

- *Streamlining applications would be an advantage to genuine community groups. Groups have found this it's super expensive and is common to engage lawyers to do this for them.*
- *The application process needs to be faster and smoother, with less negative consequences if you get rejected i.e. there should be the ability to rectify what you did wrong on first application. A good example of this is the West Moonah Community Action Group Inc (West Moonah Community and Neighbourhood House) The ACNC has the Community House registered as advancing social or public welfare. This community groups provide support to a lower socio-economic area. They applied and were advised that they need to separate the Preschool into its own entity; they went to the great trouble of complying with the recommendations only to find that when they reapplied and were refused again, this is incredibly disappointing.*
- *We would encourage activist groups are removed from the register and that charities providing services to the community are provided this status. DGR status is given to activist groups like the Bob Brown Foundation raising funds to campaign against Government.*

I would like to acknowledge the contributions to the submission by Jonathon Ryall.

Yours sincerely

Kristy Johnson

