

**Submission to Treasury in response to DGR
discussion paper**



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To Whom It May Concern:

**RE: Kids Under Cover responds to the Tax-Deductible Gift Recipient Reform Opportunities
Discussion Paper**

From the outset, the paper notes *the DGR tax arrangements are intended to encourage philanthropy and provide support for the not-for-profit (NFP) sector ... (encouraging) the delivery of goods and services that are of public benefit.*

We encourage any review and assessment of existing arrangements and we support the stated intent of the paper being to strengthen the Deductible Gift Recipient (DGR) governance arrangements and reduce administration complexity.

Kids Under Cover is committed to transparency and working within a strong governance framework. As a concept, we welcome removal of unnecessary duplication, inconsistencies in how charities are managed, a reduction in reporting burdens, increased visibility, and rigor in the reporting process.

It is important to note that the paper cannot be read in isolation of the definition of charity, as defined in the *Charities Act 2013*. What is not clear from the discussion paper is the treatment of those organisations that fall within the DGR category that are non-government and not charities.

If they were to become a classification of deemed charity, our concern would be that the complexity is then put forward to the public creating confusion and potentially a loss of trust and confidence.

Potentially most damaging is that these organisations may no longer be considered within the DGR regime which would ultimately preclude and hamper organisations of significant value to the public. The government would have to attempt to fill the gap left by these organisations at a cost to taxpayers offsetting any revenue gains from a reduction in tax breaks being offered under the existing regime.

The other foreseeable option here would be a review of the definition of *charity* which may have far reaching and unintended consequences. We would caution against this.

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The paper raises the question of whether a charity should be required to report on advocacy activities. In the first instance, we would seek clarification on what is considered an advocacy activity. Charities are compelled to go forth into the public and challenge consensus views and find a way to move people from a feeling of indifference to one of willingness to contribute. Many charities also include making representations to government for funding as a form of advocacy.

The paper indicates some advocacy activities *may be out of step with the expectations of the broader community* although it does not provide any insight into the basis of the statement. We are not clear how the reporting on advocacy activities would alleviate this concern, should the statement be well founded. The burden of having to find a way to report on all such activities is well beyond a reasonable level when charities are already subject to substantial annual reporting requirements.

We question the effectiveness of additional reporting on advocacy activities when the ACNC has already developed guidance on advocacy, and there is a complaints process whereby if a member of the public believes that a charity is engaging in appropriate activity, they can make a complaint to the ACNC.

Lastly, we note we are not in support of a sunset rule of five years for charities.

The administrative burden of having to apply every five years is excessive when the focus on resources needs to remain with the fulfilment of the mission and charitable purpose. The implications to the revenue streams of charities would be significant in the sunset year should the process be held up within the system and could result in crippling a charity.

We cannot imagine a reasonable review process that could be timely enough to avoid the destruction of a charity should an appeal need to be made on a decision. Even if financially this could be maintained for a period, employees would feel the impact of uncertainty and benefactors of the charity would undoubtedly be impacted.

From the public's perspective, the time and effort to process the paperwork by government would be extensive and a direct cost to taxpayers for little to no benefit. We are against the imposition of a sunset rule and question the need when the DGR regime itself is part of a self-assessment regime of taxation, so should enable an existing DGR to assess whether the activities they are performing on an annual basis as still consistent with their DGR eligibility.

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We agree on the importance of a strong and active Board that is focused on good governance, and with such an appointment comes the responsibility to ultimately sign off on all compliance obligations having been met. The ACNC believes that it has the appropriate enforcement powers to regulate charities and we endorse this.

In conclusion, we support a review of the framework and an increased role of the ACNC within the DGR regime. While we acknowledge the absolute importance of good governance and administration required to illustrate such, we also balance this outlay of resources against what could have been put towards our mission.

When operating with a clear mission/purpose, reporting transparently to the ACNC and public, we question whether the public would rather the resources be focused on the delivery of the charitable purpose, or on the administration required to prove they are doing so. Finally, we suggest the focus of any discussions should remain on charitable purpose, as opposed to activities, and note that the organisation and the Board are best placed to determine the activities to achieve these outcomes.

Yours sincerely

A handwritten signature in black ink, appearing to be "Heather Fisher", written over a white background.

Heather Fisher

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