



Tax Deductible Gift Recipient Reform Opportunities

Deductible Gift Recipient (DRG) tax arrangements are important to not-for-profit disability service providers. The tax-deductibility of gifts and contributions encourages philanthropy, which helps provide services and assistance to people with disability, among other groups.

NDS has been a long-time supporter of the Australian Charities and Not-for-profits Commission (ACNC). The Commission's commitment to working with and supporting the charities is evidenced by the substantial trust that has been built between the ACNC and the charitable sector over the past few years. Compliance with the ACNC's governance standards and the ACNC Act assists charities to retain the public's trust and confidence - and give assurance that donated funds are used to further a charity's objects.

Strengthening the alignment between the ACNC and DGR arrangements makes sense.

Reform proposals

- **Transparency in DGR dealings and governance standards**

At present, there are 47 general categories and four different registers under which organisations could be eligible for DGR status. In addition, organisations can apply for DGR status under exceptional circumstances (which may or may not be time-limited). The four DGR registers have separate reporting arrangements, requiring some organisations to report to both a register and the ACNC.

It is estimated that about 8 per cent of the current 28,000 organisations with DGR status are not registered charities or government entities, which limits transparency and accountability about their activities.

NDS supports the proposal that DGRs (other than government entities) should be required to become charities registered and regulated by the ACNC. The requirement that they meet ACNC governance standards and submit an Annual Information Statement would help improve the transparency of those organisations that are not currently regulated by the ACNC.

- **Ensuring that DGRs understand their obligations, for example in respect of advocacy**

The ACNC publishes advice for registered charities on advocacy activities, which is clear and useful. In addition, as evident at the last Federal election campaign, the ACNC does investigate charities if it believes they are not meeting their obligations in respect to advocacy.

NDS does not believe there is a case for requiring the ACNC to obtain additional information from all registered charities about their advocacy activities. This would simply impose an additional administrative burden on charitable entities and the ACNC with no benefit.

It would be reasonable for the ACNC to monitor this issue over time and put forward a case for requiring additional information on advocacy activities if evidence for doing so emerges.

- **Complexity for approvals under the four DGR registers**

Currently, there are four separate DGR registers administered by four different departments with applications requiring the approval of a Minister.

NDS supports the proposal that the Australian Taxation Office (ATO) should administer the DGR registers. It is logical that new applicants be required to register with the ACNC and nominate to be considered for endorsement under one of the DGR categories. The ACNC would pass the information to the ATO which would determine DGR status based on the requirements of tax law.

This would be more streamlined than the current approach and would remove the need for DGR applications to be approved by a Minister.

- **Complexity and red tape created by public fund requirements**

NDS supports removing the public fund requirements for charities and allowing organisations to be endorsed in multiple DGR categories. Public fund requirements add to the administrative burden and are unnecessary given today's sophisticated accounting systems. Requiring DGRs to be registered with the ACNC will help ensure good governance and transparency.

- **DGRs endorsed in perpetuity, without regular and systemic review**

NDS thinks it is reasonable to require a charity, as part of completing its Annual Information Statement, to certify that it meets the DGR eligibility requirements. DGR status is a benefit conferred on only some organisations; an annual statement confirming that DGR eligibility requirements continue to be met would not be burdensome.

Organisations change focus over time. For this reason, it is hard to argue against the introduction of a formal rolling review. NDS suggests that such reviews should not be more frequent than 5-yearly and should be structured such that they do not require organisations to expend significant resources in preparing for them.

- **Specific listing of DGRs by Government**

For reasons similar to the above, specifically-listed DGRs should have a sunset rule of no more than five years before they are reviewed to ensure they continue to meet the 'exceptional circumstances' policy for listing.

July 2017

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National Disability Services is the peak industry body for non-government disability services. It represents service providers across Australia in their work to deliver high-quality supports and life opportunities for people with disability. Its Australia-wide membership includes over 1100 non-government organisations which support people with all forms of disability. Its members collectively provide the full range of disability services—from accommodation support, respite and therapy to community access and employment. NDS provides information and networking opportunities to its members and policy advice to State, Territory and Federal governments.