

By Email: DGR@treasury.gov.au

To

Senior Adviser

Individuals and Indirect Tax Division

The Treasury

Langton Crescent

Parkes ACT 2600

Subject: Discussion Paper – DGR reform opportunities

We are providing the following on behalf of many charities for whom we provide our services in advising, accounting and auditing functions. For many charities, the DGR status is one of the main channels to obtain donations to specific charity programs.

In the current economic environment, many charities are finding it very difficult to fund many of its programs. There are only limited government grants or other forms of public funding for many charitable activities. For many charities, public funding is almost non-existent. This is true in the case of Christian religious charities. Hence, DGR is in way assists may charities to seek funds from the public for specific projects.

Therefore, any changes to the current DGR regime should be considered in that context. It is our view that limited changes should be only introduced to the current DGR regime. The changes should only assist them in providing a charitable service to the community and should not be a barrier to the charities in providing the much needed services. The charities should not be further burdened with more compliance obligations.

Given below are our responses to the questions raised in your Discussion Paper. We hope you will take into account our comments prior to making the final decision.

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KOMATTU MATHEWS ACCOUNTING AND AUDITING SERVICES



consultation 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?

We agree the proposal that all DGR's need to be registered as a charity with the ACNC in order to be eligible for DGR status.

However, please note that in many cases, a charity will be operating in many areas such as promoting religion, education and looking after the needy with one ABN and one charity registration. The DGR is usually only used for one of the areas such as promoting education or looking after the needy. In those cases, a separate registration as a charity for DGR should not be required where the parent entity is a registered charity with the ACNC.

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

(refer the answer to the question 1).

3. Are there particular privacy concerns associated with this proposal for private ancillary funds and DGRs more broadly?

We have no privacy concerns with this proposal.

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

It is suggested that with the Annual Information Statement, one or two questions can be included about the charity advocacy activities.

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

We consider that it is the appropriate vehicle.

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

Annual Information Statement is the best way to collect the information.

7. What are stakeholders' views on the proposal to transfer the administration of the four DGR Registers to the ATO? Are there any specific issues that need consideration?

No comments are provided on this question.

8. What are stakeholders' views on the proposal to remove the public fund requirements for charities and allow organisations to be endorsed in multiple

DGR categories? Are regulatory compliance savings likely to arise for charities who are also DGRs?

We agree that the proposal to endorse charities in multiple DGR categories is a good initiative. We suggest that this initiative can be implemented without a lot of paper work. Those endorsed DGR's should be able to nominate other areas of their charitable operations where the funds can be used without going through another DGR endorsement process. For example, a charity with a current DGR endorsement for education should be allowed to collect funds for other charitable activities conducted by the charity such as looking after needy families etc.. This can be done with minimum paper work. The charities can keep proper records of funds collected and spent for each areas separately.

9. What are stakeholders' views on the introduction of a formal rolling review program and the proposals to require DGRs to make annual certifications? Are there other approaches that could be considered?

Currently, many of the charities accounts are audited by a qualified auditor. In those cases, a formal review program will only add further costs to the charities. Many charities also undertake a self assessment of their DGR as required by the ATO. Where there is an audit or self assessment done by the charity, another review should not be imposed unless there are special circumstances.

It is suggested that as part of the Annual Information Statement, the charities should be reporting about the DGR and whether an audit was conducted on the accounts of the charit. If so, a question can be included whether the accounts were qualified or not. This will be a better procedure with minimal cost to the charity than the ATO reviewing the accounts periodically and DGR's spending its resources for another review.

10. What are stakeholders' views on who should be reviewed in the first instance? What should be considered when determining this?

The accounts of charities which are not lodging Annual Information Statement should be reviewed. DGR's with annual income over \$1 million can also be included.

11. What are stakeholders' views on the idea of having a general sunset rule of five years for specifically listed DGRs? What about existing listings, should they be reviewed at least once every five years to ensure they continue to meet the 'exceptional circumstances' policy requirement for listing?

It is very bad proposal for having a general sunset clause of 5 years for listed DGRs. In the current economic environment, it is very difficult to receive funds from the public for any project within 5 years. For example, for a building project, normally it takes 5 to 15 years to find a suitable place and get the necessary

approvals. Furthermore, it is difficult to get sufficient funds within 5 years from the public. Therefore, it is very difficult to complete any projects within 5 years. We do not agree to have a sunset clause to any DGR's unless it is specifically formed for a specific purpose.

If there is going to be a sunset clause, at least 50 years is considered to be a reasonable time frame with an option to extend.

12. Stakeholders' views are sought on requiring environmental organisations to commit no less than 25 per cent of their annual expenditure from their public fund to environmental remediation, and whether a higher limit, such as 50 per cent, should be considered? In particular, what are the potential benefits and the potential regulatory burden? How could the proposal be implemented to minimise the regulatory burden?

No comments on this.

13. Stakeholders' views are sought on the need for sanctions. Would the proposal to require DGRs to be ACNC registered charities and therefore subject to ACNC's governance standards and supervision ensure that environmental DGRs are operating lawfully?

We agree that all DGR charities should be under the supervision of ACNC. We also encourage that DGR charities should have the Charity Passport tick, the sign that they are complying with the rules.