

**ABN: 25 085 714 094**

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**Preamble**

NFPs in Australia contribute significantly to the social and economic capital of the nation. Removal or restriction of NFP tax concessions could make it difficult, or even impossible, for many NFPs to continue operating and making their valuable contribution to communities around our country.

Willow Creek Australia broadly affirm the review of the taxation system.  It’s overdue and shows initiative on the part of the government.

I wish to express my concerns regarding the possible impact of reforms on the NFP sector, covered in Questions 47-50 of the *RE:think* paper.

Like hundreds of NFPs around the country, we are a micro-enterprise - our annual turnover is less than $1million.  We run on the smell of an oily rag.  Small or large, NFPs face a bleak future if suggested changes to some benefits are enacted.

**Fringe Benefits Tax**

If the value-add that provided by Fringe Benefits Tax is repealed, our organisation would no longer exist and our staff would be unemployed.  This is not a melodramatic statement. Rather, it’s the simple reality of our situation. This would apply to many NFPs around the country.

Most NFPs don’t have capacity to pay staff at market rates. FB provisions make it possible to employ skilled, motivated staff to execute the mission of NFPs and innovate to ensure NFPs remain relevant and sustainable in challenging and unstable economic conditions.

**GST**

Our organisation is entitled to claim back GST paid.  If this provision was removed, our organisation would struggle to remain viable. We may be able to break even, but there would be no budget for innovation and development. This would make it difficult to attract skilled, motivated staff, which would in turn impact on the sustainability of the organisation.

**DGR**

We do not have DGR status, but many charities which are DGR-approved would cease to exist if the restrictions are too tight.

There are many NFPs in the same situation that I’ve outlined above.  The benefit that these charities provide to the community and our society is inestimable.  Much of it cannot be measured in purely economic terms; it is difficult to apply metrics to many of the intangible benefits provided to our country.

However, if this data was analysed, I’m confident that it would represent thousands of staff and volunteers and millions / billions of dollars and in terms of: counselling, support, welfare, family reconciliation, accommodation, rehabilitation, inclusion, education, training, health promotion (including mental health), health care, specialist work (indigenous, disabled, children, migrants, refugees), property maintenance, rebuilding, social capital - to name just a few areas of contribution; there are many more!

Willow Creek Australia provides training and resources for leadership development to leaders in the Christian, NFP, community and business sectors. Thousands (literally) of leaders have benefited from input from Willow Creek Australia over the last two decades. My own leadership capacity and skills have been developed through my engagement with these resources. This valuable contribution towards developing the leadership of our organisations would at best be diminished - at worst lost - if tax reform is too harsh.

Any potential revenue gain for the government would be more than countered by the loss of revenue and increase in costs resulting from these organisations closing their doors!  I think it’s unlikely / impossible that the government would be prepared and able to fund the resources currently provided to communities by the NFP sector.

Most staff employed by NFPs work for paltry salaries that are well below market rates. The reason they do this is their belief in the vision/mission of the organisation and its leaders, along with the contribution the organisation makes to society.  They work for intangible rewards rather than monetary rewards.

I would be surprised if the government has the capacity or inclination to take on these additional responsibilities, particularly in our current era of budget cuts and corresponding staff restructures. If the government did happen to assimilate these responsibilities, salary packages would need to be paid at commercial or public sector rates. This would represent an exponential increase in costs. In this respect, it could be argued that the NFP sector effectively subsidises the government for this invaluable community work.

In addition, I doubt people would have the same buy-in to the government’s vision/mission, particularly if this is rooted in economic rationalism, as is currently the case. Apart from any other factors, partisanship would preclude a large sector of the population.

This is without considering the monumental contribution of volunteers to these organisations. Volunteer contributions represent the equivalent of millions (billions?) of dollars’ worth of time and expertise. Many volunteers are highly qualified and experienced, and choose to contribute their expertise pro bono. However, even unskilled and semi-skilled volunteer roles represent millions of dollars’ worth of labour.

The tax provisions currently afforded to the NFP sector have been greatly appreciated over the years. They have helped to make many NFPs viable and have helped to NFPs to provide stable employment in economically challenging times.

I urge you to view NFPs through a lens other than pure economic rationalism and retain the current provisions for FBT, GST and DGR in the reformed taxation system.

I’ll wait with keen anticipation for the green paper.

Sincerely,

**Brad Suosaari**

**Director of Operations**

**Willow Creek Australia**