

18 May 2011

Dear Committee

Our principal concern for finance for the not for profit sector is the uncertainty around the meaning of the recent federal budget announcement about the intention to tax retained unrelated business income. We have written about this in our Legal Resource Centre on our [www.corneyandlind.com.au](http://www.corneyandlind.com.au) web site. See: Federal Government to move to *shut the "Word Investments" gate* and tax charities on unrelated business income

In our view such a tax will have limited (or negative) net revenue impact on consolidated revenue and will also:

1. Have lenders take an even more restrictive approach to lending into the sector;
2. Reduce incentive for development of new and building of existing social business models;
3. Act as a disincentive rather than an incentive for investment in the sector (as the announced intention is to tax re-investment or retained earnings in the sector); and
4. Reduce the ability for the sector to leverage off (borrow against) its own equity.

The very possibility of the introduction of such a tax and the uncertainty in the meantime about what may be in the detail of such a tax will, in our view, only result in the exponential negative impacts that we have described above following the introduction of such a tax.

Yours faithfully

**Andrew Lind**