



Australian Multicultural Action Network Inc

ABN: 40 172 914 431

Assn No: A06217

Mr Ravi Krishnamurthy JP

PRESIDENT

Submission to the Economics References Committee on the Implementation of the Annual Not-for-Profit Self-Review Return Requirement

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Introduction

The Australian Multicultural Action Network Inc. (AMAN) is a non-charitable not-for-profit organization dedicated to advocating for and supporting multicultural communities, with a particular focus on disability and health-related issues. As the President of AMAN, I am deeply involved in ensuring that our organization allocates its limited resources effectively to address the pressing needs of the communities we serve. This submission is in response to the terms of reference issued by the Economics References Committee concerning the Australian Taxation Office's (ATO) new requirement for certain non-charitable not-for-profit entities to lodge an annual not-for-profit self-review return to confirm their eligibility for income tax exemption.

Overview of Concerns

The introduction of the requirement for non-charitable not-for-profit organizations to lodge an annual self-review return has added an additional administrative burden to organizations such as AMAN. While we acknowledge the importance of regulatory compliance, we believe that this new process does not add any significant value to our operations. Instead, it diverts valuable time and resources away from our core mission, which is to advocate for and provide essential services to vulnerable communities, particularly in the areas of disability and health.

Key Issues:

1. Time-Consuming Nature of the Process

The new self-review return process is time-consuming and complex for smaller not-for-profit organizations like AMAN. Our staff and volunteers are already stretched thin, working diligently to advocate for marginalized communities. The additional administrative work required to complete and submit these annual returns takes away time that could otherwise be spent on direct community engagement, program delivery, and advocacy efforts. The need to gather, compile, and review the required information each year imposes a strain on our limited resources.

2. Limited Value Added

While we understand the need for accountability, the new process does not seem to offer any tangible benefits to our organization or the communities we serve. AMAN has a longstanding commitment to financial transparency and compliance, and we



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believe that existing processes already ensure that we meet the necessary standards. The annual self-review return appears redundant, as it requires us to confirm information, we have already provided through other reporting mechanisms, such as financial audits and our submissions to the Australian Charities and Not-for-profits Commission (ACNC).

3. Impact on Not-for-Profit Organizations and the ACNC

For small and medium-sized not-for-profit organizations, the requirement to submit an annual self-review return adds another layer of bureaucracy. This could discourage organizations from continuing their important work, particularly those with limited administrative capacity. Furthermore, the additional burden on the ACNC to oversee this process may result in inefficiencies that detract from its primary function - supporting the not-for-profit sector.

Recommendation for Exemption

AMAN has already complied with the self-review return requirement for the 2023-2024 financial year, despite the challenges it posed. However, we strongly urge the committee to recommend that organizations like ours be granted an exemption from this requirement in future years. Not-for-profit organizations that have consistently demonstrated compliance with financial regulations, and whose primary focus is on delivering essential services to marginalized communities, should not be required to allocate additional time and resources to redundant processes.

Suggested Solutions

To alleviate the burden on not-for-profit organizations and to enhance the efficiency of the regulatory process, we propose the following solutions:

1. Exemption for Low-Risk Organizations

Organizations that have a strong track record of compliance with ACNC and ATO requirements should be considered for an exemption from the annual self-review return. This would reduce unnecessary administrative work for both the organizations and the ACNC.

2. Streamlining the Reporting Process

If exemptions are not feasible, we recommend that the reporting process be streamlined. For example, information already submitted to the ACNC should automatically be integrated into the self-review return, minimizing duplication of effort.

3. Focus on Risk-Based Compliance

Rather than applying the self-review return requirement across the board, we suggest implementing a risk-based approach. Organizations that pose a higher risk of non-compliance could be subject to the requirement, while low-risk organizations, such as those with transparent financial records and consistent compliance, could be exempt.

Conclusion

In conclusion, while we appreciate the ATO's efforts to ensure compliance within the not-for-profit sector, the current self-review return requirement imposes an unnecessary burden on organizations like AMAN. This additional administrative task detracts from our ability to



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focus on our core mission of advocating for disability and health-related matters. We respectfully request that the committee consider our recommendation for an exemption from this process for future years and explore ways to streamline compliance requirements for low-risk organizations.

We appreciate the opportunity to provide input on this important issue and welcome any further discussion on how we can work together to support the not-for-profit sector in Australia.

Sincerely,

Ravi Krishnamurthy
President, Australian Multicultural Action Network Inc.