



11 October 2024

Senate Standing Committees on Economics
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**Re: Landcare Victoria Inc. submission to the Not-for-profit Entities – Tax Assessment
inquiry to the Senate Economics References Committee**

Dear Sir/Madam

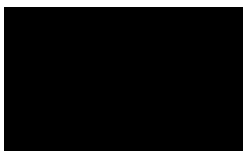
Please find attached the submission of Landcare Victoria Inc. in regard to the Not-for-profit Entities – Tax Assessment inquiry to the Senate Economics References Committee.

Landcare Victoria Inc. is the peak body for Victorian Landcare. Representing over 600 member groups, Landcare Victoria positions itself as a key stakeholder and advocate for landcare initiatives, underpinned by the strategic framework outlined in the *Landcare Plan for Victoria for 2023-2033*.

In preparing this submission, we have drawn on the input of our members through various engagement mechanisms, including via our regional community landcare representatives on the Board and Member Council.

Should you wish to discuss this submission, please contact Landcare Victoria on [REDACTED] or [REDACTED].

Sincerely



Claire Hetzel
CEO

Submission to the ‘Not-for-profit Entities – Tax Assessment’ inquiry

Context

The landcare movement in Victoria is made up of community-led environmental volunteer groups and networks that provide leadership for on-ground action, solving local issues relating to landscapes and communities. It includes landcare groups and networks, ‘Friends of’ groups and other similar environmental collectives. The vision of landcare in Victoria is "Local people working together for resilient, biodiverse and productive Victorian landscapes", as defined in the *Landcare Plan for Victoria 2023-2033*.

Landcare Victoria Incorporated (Landcare Victoria) is the peak body of the landcare movement in Victoria. It supports around 600 groups of varying size, complexity and geographic location, constituting 17,000 individual members and an estimated 60,000 volunteers.

For further information visit: <https://www.landcarevictoria.org.au/>

A preliminary assessment from Landcare Victoria is that recent changes to Not-for-profit Entities – Tax Assessment processes affects a significant number of organisations that have active ABNs but are not registered with the Australian Charities & Not-for-profits Commission (ACNC). Data collected in June 2024 indicated that at least 80% of Landcare Victoria’s 624 member groups have an ABN and will potentially be impacted by the reform process. Only 13% of groups reported being an ACNC-registered charity (which indicates they were already endorsed as income tax-exempt).

In order to register as a charity, organisations must have accurate ABN registration details and compliant rules – for incorporated associations this may involve making updates to an existing governing document, and most unincorporated groups will need to adopt a governing document for the first time. This means many need to hold special general meetings and engage with the Australian Business Register (ABR) and Consumer Affairs Victoria (CAV) prior to beginning the ACNC registration process, increasing the time needed to respond.

Potential key risks to landcare and environmental volunteering organisations have been identified, including:

- A significant productivity burden on the landcare system due to the additional reporting and paperwork requirements imposed, resulting in lower outputs and fewer positive outcomes for the environment.
- A significant number of landcare groups ‘wind up’ or decide to cease operations due to the additional reporting and administrative requirements of registering with the ACNC or reporting annually to the either the ACNC or Australian Tax Office (ATO).
- In the case of unincorporated groups, the organisation isn’t a legal entity, so individual persons in the group (such as the office bearers) may end up with liability for any tax debts incurred.
- Loss of income to tax if organisations opt to pay tax. In our 2023 Census, Landcare Victoria member groups reported \$35,695,500 of combined annual income, a large portion of which could be subject to tax.

Like many not-for-profit (NFP) peak bodies, Landcare Victoria’s organisational capacity has been insufficient to deal with the level of support required by our members to understand and

then navigate this process. Emergency funding from the State Government has enabled some additional capacity to provide support for environmental volunteering collectives through December 2025.

Our experience engaging with Victorian environmental organisations on this issue to date indicates a high level of confusion and frustration across the sector. Most organisations we have spoken to have had no contact with the ATO since applying for their ABN, no reason to think their not-for-profit might be subject to income tax obligations, and no idea their small group of environmental volunteers would be defined as a charity.

Committee members who have tried to respond to the changes report hours wasted on hold with the ATO and then being given conflicting advice by ATO representatives. Uncertainty about the correct action to take has been exacerbated by a letter from the ATO instructing environmental groups to complete the self-review return – advice relevant to ‘non-charitable’ NFPs only. Volunteers have agonised over trying to set up a MyGovID and access Online Service to complete the return, only to discover their organisation is considered ‘charitable’ and must instead register with the ACNC to be endorsed as income tax exempt.

Applying for charity status has proven to be significant hurdle in itself. Correcting ABN registration details – particularly where the ‘entity type’ was inaccurate (requiring a new ABN) and/or where authorised contacts were unknown/deceased - has proven to be difficult and time-consuming for group contacts to rectify. Amending or writing and adopting a suitable governing document has resulted in months of work for some organisations before they could even begin their ACNC application. Those who have successfully registered as charities remain unsure whether the ATO has endorsed their tax concessions weeks after ACNC approval.

Alarming, a significant number of landcare, ‘friends’ and other not-for-profit groups that have spent years or decades protecting and restoring Victoria’s natural environment are now facing winding up - the administrative burden has simply become too heavy to bear. One network in the North Central region made up of 20 independent groups has reported four which are considering closing, and a Corangamite network of 12 groups will likely lose three of those as a result of these reporting changes. It is likely many of the 60+ environmental networks operating in Victoria are experiencing similar rates of closure amongst their 600+ member organisations.

Identified risks around potential tax liabilities and loss of income for taxable not-for-profit organisations are yet to be fully understood, in part due to unclear guidance from the ATO regarding assessable income and deductions relevant to environmental volunteering organisations.

Case studies from community landcare

(a) Feedback from a Landcare professional staff person

Insufficient and conflicting information from the ATO means that there has been a lack of engagement in this process from volunteer community groups. A Landcare Facilitator from the Wimmera region in the west of the state explained that only a few groups that they support have the capacity and initiative to go through this process on their own – and that many of the smaller ones are just not equipped.

“Without myself and the other facilitators urging them to take action, there would be very few groups that would engage with the process at all.”

The facilitator said that anger and frustration at the administrative impost is also quite palpable in their network. They explained it has been difficult to explain the process and what is involved, particularly if groups don't have a good understanding or haven't been well engaged with the ATO to date – it has been hard to justify that this is necessary.

“A lot of the people involved in my groups are full-time farmers – they are already working more than the traditional 38-hour week – and therefore they have very little time to put towards this.”

“Mental health is not the best amongst farmers, and this has caused more mental burden on these volunteers. They have got involved in landcare because they care for the environment, but volunteers are very thin on the ground. We have a small number of dedicated people who feel that their limited time is being taken up with admin and it's a killer for groups.”

“I think that the steady increase in admin required for all kinds of things when it comes to being involved in a community groups (such as) insurance, rigor in applying for grants, reporting, makes it a difficult to ask a volunteer to do that kind of work instead of on ground and making a difference.”

(b) Feedback from a Landcare volunteer

John is a volunteer leader involved with four community groups, including a local Landcare Group, a Landcare Network and an Agricultural group – all of which have been affected by the recent income tax reporting changes. John said at a time when there is lots to be done with a small number of volunteers, it has been a challenge to fit the process in.

“There is a lot happening at this time of the year. To fit this in with everything else we need to do, like running events, engaging members or delivering on-ground projects – this burden complicates that. It's not a simple issue – you can't just do it quickly.”

John is the Chair of his Landcare Network and said that of the 13 groups that the network supports, only one really has the issue in hand. On the other committees John is involved in, he holds the role of Secretary on one and is Secretary/Treasurer on the other. He explained that he is confident with these sorts of requirements and processes, but he admits this issue has been “tricky” to navigate.

He said the first step of finding the authorised person to deal with at the Tax Office took several hours, and then had the task of completing the appropriate paperwork. They are now waiting to hear from the ATO on the status of that paperwork.

“We have tried to contact the ATO to follow up, but I can't actually find out who I need to speak to about that.”

John said that the increasing administrative burden on community groups is “just another nail in the coffin” for volunteer committees. He said the effort of navigating this issue has been quite onerous.

“It might be harder to find someone else to take on the task of the Secretary/Treasurer moving forward.”

Recommendations

It is clear that engagement with small NFPs by the ATO and ACNC has not met the need of landcare volunteers and professionals to-date. Landcare Victoria's recommendations for the inquiries consideration include:

- ATO communications need to clearly highlight the charity pathway and clarify how environmental organisations are classified by the relevant legislation – the focus on non-charitable organisations and the self-review return causes unnecessary confusion for other types of NFPs
- ATO to provide clear information about assessable income and deductions relevant to environmental volunteering collectives – examples provided do not include typical landcare income sources and expenditure, making it impossible for taxable NFPs to determine their potential tax liability without seeking advice from an NFP tax accountant
- Raise the not-for-profit tax-free threshold above \$1,000 to remove the need for the smallest NFPs to report
- Resource the volunteer sector to transition with funding for surge capacity
- Extend timelines for NFPs to be endorsed as exempt or report without penalty
- Consider implementing a micro-charity pathway, offering simpler registration and reporting with ACNC for very small organisations
- Ensure that retrospective tax debts cannot get applied to volunteer-run NFPs, noting the difficulty for such organisations to backdate charity registration and tax concessions due to inability to produce evidence of eligibility in the form of past governing documents and financial statements

Conclusion

This change to tax reporting requirements for NFPs has had a significant impact on landcare and environmental volunteering organisations. The increase in administration has placed undue burden on the landcare system, which could impact on the ability for volunteers to commit to on-ground works and in turn, reduce positive outcomes for the environment. This additional pressure on volunteer-run committees is also likely to cause a significant number of smaller groups to cease operations entirely – some of which have spent decades caring for their communities and local environment.

Unclear guidance from the ATO has caused confusion and frustration, impacting on the level of engagement with this process. A lack of understanding and engagement with the people impacted by these changes has resulted in an administrative process that has taken away from volunteer-led groups' ability to deliver the significant public good outcomes we so desperately need to be encouraging. Better engagement with representative bodies needs to be resourced and prioritised.

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