

Upper Maribyrnong Catchment Group

Submission to Inquiry into Not-for-profit Entities – Tax Assessments Senate Standing Committee on Economics

11 October 2024

Note this submission can be published on the internet.

The Upper Maribyrnong Catchment (Landcare) Group (UMCG) welcomes the opportunity to provide a submission into Senate Standing Committee on Economics' Inquiry into Not-for-profit Entities – Tax Assessments.

1. Background

The Upper Maribyrnong Catchment (Landcare) Group (UMCG) was established in 1988. The Landcare group's area covers more than 20,000 hectares. Its eastern boundary is Old Sydney Road, Wallan, and its western boundary is in Springfield Road, east of Romsey, and it includes the township of Darraweit Guim, which is about 60 kilometres north of Melbourne. The Landcare group currently has around 75 landholder members.

The UMCG has an active Australian Business Number (ABN) - 28 335 828 456 <https://abr.business.gov.au/ABN/View?abn=28335828456> and its 'Entity type' under the Australian Business Register is an 'Other Unincorporated Entity'. The UMCG is a member group of Landcare Victoria Incorporated (LVI), the peak body for Landcare in Victoria. Note there are more than 500 Landcare and environmental volunteer groups in Victoria who are member groups of LVI.

Victoria has around 1,330 environmental volunteer groups and networks that are caring for landscapes with their members and volunteers doing physical work on the ground, on both private land and public land, including on parks, reserves, and coasts. The 1,330 environmental volunteer groups and networks in Victoria includes Landcare and Coastcare groups and networks, and other environmental volunteer groups such as Friends of groups. See [Volunteering Naturally 2023 Report](#).

Nationally there are around 6,000 Landcare groups, which have 140,000 volunteers. See [Landcare Australia](#).

2. Context

The *Income Tax Assessment Act 1997* defines the types of not-for-profits (NFPs) organisations that are eligible to self-assess as 'income tax-exempt', meaning they can work out for themselves whether or not they are taxable. Until recently, self-assessments undertaken by NFPs to determine their income tax status did not have to be submitted to the Australian Tax Office (ATO). However, in 2021 the Commonwealth Government announced reforms to the administration of NFPs that self-assess as income tax-exempt, requiring NFPs organisations with an active Australian business number (ABN) to lodge an annual self-review return to access an exemption from the 2023-24 financial year onwards.

A NFP Landcare or environmental volunteer group who wants to prepare a NPF self-review return for the ATO finds there is no option to select as an 'income tax-exempt' category as an 'environmental volunteer organisation', instead just the following eight categories:

- Community service organisations
- Cultural organisations
- Educational organisations
- Health organisations
- Employment organisations
- Resource development organisations
- Scientific organisations
- Sporting organisations

3. Impact on Landcare and environmental volunteer groups and networks

As there is no 'income tax-exempt' category of 'environmental volunteer organisation', many have concluded that the ATO regards Landcare and environmental volunteer groups as being subject to paying tax on their income. As a result peak bodies such as LVI are pushing its member Landcare and environmental volunteer

groups to instead register as a Charity with the ACNC, which makes them exempt from the ATO's annual NPF self-review return requirement. However, registering as a Charity with the ACNC is a complicated process that places additional administration burden on volunteer groups' committees, and includes making sure that the NFP's rules are appropriate, and can potentially in a cost for legal expertise to ensure an organisation's adopted rules are fit for purpose. It has also raised the issue of whether a NFP is incorporated or unincorporated and if changes are necessary.

The impact of these changes by the Commonwealth Government may have initially been driven by bureaucratic objectives. However, they fail to appreciate the impact the changes are having on community-based groups/networks and their volunteer committees.

Many NFPs are finding it difficult to get members, and even more so members who are willing to take on the increasingly onerous responsibilities of being on groups' committees, including roles such as Treasurer. As a result of these changes and the increasing administrative burden, some Landcare and environmental volunteer groups/networks are looking at winding up and will cease to exist. Landcare and environmental volunteer organisations only exist due to the voluntary time and involvement of their treasurers and committees. The services that Landcare and environmental volunteer organisations provide across Australia would cost many 100s of millions of dollars to provide if done commercially or through governments.

Recommendation 1: The list of organisation types who can prepare an annual NPF self-review return for the ATO as an 'income tax-exempt', be expanded to include an additional category of 'environmental volunteer organisation'.

If the above recommendation was adopted with 'environmental volunteer organisation' as a new category, then there would be no confusion that Landcare and environmental volunteer groups/networks have to pay tax on their income, and it would also remove the impetus and push for Landcare and environmental volunteer groups/networks to register with the ACNC. It would thereby remove additional administrative burden for the committees of Landcare and environmental volunteer groups/networks.

Thank you for considering this submission.