

Q. Could Treasury please confirm if there are any provisions under current tax law to treat any income received by organisations who enjoy a tax exempt status as taxable where an equivalent amount has been donated by that tax exempt organisation to a political party?

- There are no special provisions in the tax law where the income of a tax exempt entity is taxed because that entity donates to a political party.

Q. Can the Treasury confirm that the current bill provides no provision to shield any loss of revenue caused by persons or companies seeking to gain the benefit of tax deduction by providing such a donation to a tax exempt body, who in turn makes a donation to a political Party?

- The Government's election commitment was to remove tax deductibility for political donations, and the legislation has been drafted to implement this policy. As such, Schedule 1 to the Bill does not prevent not-for-profit organisations from donating to political parties.
 - This includes not-for-profit organisations that receive funds that were deductible to the giver by way of either the general deduction provision, or because the organisation is a deductible gift recipient (DGR).
- However, there are mechanisms that limit the collection of deductible funds for the purpose of funding political parties. An expense must have been incurred in gaining or producing assessable income for it to be deductible for an individual by way of the general deduction provision. Also, gifts to DGRs are generally not deductible where they are made on the condition that they will be transferred to a second entity.

Senator Ronaldson has sought clarification as to whether levies are deductible for trade union members when the levy is given to a particular political party as “the only means of changing the legal framework to secure better employment conditions” and the party “has promised to change them in the immediate future” (EM 18).

- The same general deduction principle that applies to membership fees is applied to levies to determine whether they are deductible. In doing so, it is essential to consider the purpose for which the payment is made, and whether the requirements of section 8-1 of the tax act are satisfied – that is, it must generally have been incurred in producing assessable income.
- *Taxation Ruling TR 2000/7* sets out the Commissioner's interpretation of the law in regards to subscriptions, joining fees, levies and contributions paid to associations by individuals.
 - There are circumstances in which a levy paid by a union member to a trade union would not be an allowable deduction. Paragraph 12 of the Ruling states that payments to, or to assist, a political party are not allowable deductions under section 8-1 of the Act.

Treasury Responses to Remaining Questions on Notice from the Joint Standing Committee on Electoral Matters – Reference Schedule 1 of TLAB1 2008

Ronaldson QON

- Could the Treasury please advise the number and median value of deductions claimed by individual and business taxpayers for political gifts and contributions in the three most recent financial years for which data is available?
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Response:

The Australian Taxation Office (ATO) does not have data on the median deduction claimed for gifts and contributions or the number of taxpayers claiming such a deduction.

For the purpose of answering this Question on Notice, Treasury has derived estimates using public Australian Electoral Commission (AEC) data (Table 1). Table 1 does not include imputations for donations below the disclosure threshold.

The deduction estimates in Table 1 also do not include the amount claimed as a deduction for membership subscriptions (as they are not reported to the AEC). In preparing the 2007 Treasury election costing, it was estimated that an average of \$62 was claimed in annual membership subscriptions as a deduction for around 218,800 individuals. The estimated number of individuals was based on an analysis of the ANU research by Dean Jaensch and the estimated average membership subscription was based on an analysis of membership subscription fees as shown on political party websites.

Table 1 — Estimates of average and median deductions for certain gifts and contributions from Australian Electoral Commission data

	Maximum deduction (\$)	AEC disclosure threshold (\$)	Average deduction (\$)	Median deduction (\$)	No. of disclosed donations
2004-05¹					
Individual	100	1,500	100	100	387
Corporation	n/a	n/a	n/a	n/a	n/a
All			100	100	387
2005-06²					
Individual	100 &/or 1500	1,500 &/or 10,000	303	100	62
Corporation	100 &/or 1500	1,500 &/or 10,000	1,500	1,500	22
All			617	100	84
2006-07²					
Individual	1,500	10,000	1,479	1,498	244
Corporation	1,500	10,000	1,490	1,499	640
All			1,487	1,499	884

Source: Treasury analysis of public AEC data for 2004-05, 2005-06 and 2006-07 based on an entity's aggregate political party donations and the date of donation. The actual number of taxpayers and the amount claimed as a deduction is not available from ATO data and the number of disclosed donations and donation amounts derived from AEC data are estimates only (and exclude amounts claimed as a deduction for membership subscriptions). Due to the AEC disclosure thresholds this analysis will understate actual amounts donated. Records with donation amounts above, below or at a relevant AEC disclosure threshold were not adjusted to reflect under sampling or take-up of the policy in election and non-election years.

1. For an individual taxpayer the total deductions allowable to the taxpayer were subject to a maximum level of \$100 in this income year. There was no deduction for corporate taxpayers in this year.

2. For an individual taxpayer the total deductions allowable to the taxpayer were subject to a maximum level of \$100 in this income year (for contributions before 22 June 2006). Contributions or gifts made by a taxpayer (whether an individual or corporation) on or after 22 June 2006 can claim total deductions subject to a maximum level of \$1,500 in this income year. The AEC disclosure threshold increased from \$1,500 to greater than \$10,000 from 8 December 2005.

n/a = not applicable.

Request for copy of ANU study (P. 3)

Mr Gallagher—Yes. It is the official request, so it is published. Speaking about the membership costing, we got the level of fees by looking at what parties were saying were membership fees. We took the membership of parties by doing an update, attempting to think about the development of a membership study done by the ANU and published by Dean Jaensch. Obviously, we were not privy to that study by Dean Jaensch and Peter Brent entitled *Australian political parties in the spotlight*. We used that in trying to get approximate membership numbers.

CHAIR—If you have a spare copy of that, we might have it.

Response:

A copy of the ANU research by Dean Jaensch has been provided to the Committee on 29 April 2008 by Mr Gallagher.

Date of costing release (P. 9)

Mr Gallagher—There is a costing in the Labor Party costing request document. That costing is essentially doing the move to \$1,500 for the relevant years, which was shown as costs of \$5.4 million and \$5.7 million. The Labor Party costing said that they believed that \$3 million should be added to that cost to allow for the contributions under the \$1,500 threshold. So that gave the Labor Party a costing of \$8.4 million in 2009-10 and \$8.7 million in 2010-11.

Senator BIRMINGHAM—On the timing of the release of the policy and the costings, when was the Treasury analysis of the costings publicly released?

Mr Gallagher—I am not sure I have an exact date. It is going to be about five working days or so after the date of the request, 5 November.

CHAIR—Perhaps you can come back to the committee on that.

Mr Gallagher—I can come back to the committee. It is just not apparent from the document itself.

Response:

The public release of the Treasury costing was 9 November 2007.

Individual/organisation costing split (p. 12)

Senator CAROL BROWN—Are you able to separately identify who is using this measure—individuals versus organisations and corporations?

Mr Gallagher—We do have a split between individual refunds and company tax for the contributions part of the costing.

Senator CAROL BROWN—Did you say you have that information?

Mr Gallagher—Yes, I do have a split.

Senator CAROL BROWN—Are you able to give me that information now or provide it to the committee?

Mr Gallagher—I will take the question on notice.

Response:

In the table below we have provided a split of the revenue impact between individuals and companies for the measure which removes the tax deductibility of contributions and gifts made by individuals and businesses to political parties, members and candidates, with effect from 1 July 2008.

Table 2 — Revenue impact split between individuals and corporations

	2008-09	2009-10	2010-11	2011-12
	\$m	\$m	\$m	\$m
Individuals (a)	-	6.5	6.6	7.2
Corporation	-	3.6	3.7	3.8
Revenue Impact(b)	-	10.1	10.3	11.0

(a) Includes all of the revenue impact for member subscriptions.

(b) 2008-09 Budget Paper No. 2, page 15.