

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE

Treasury

Australian Taxation Office

Budget Estimates 2004-05, (3 June)

Outcome 2, Output 2.2.1

Topic: Abuse of charitable status

Hansard Page: E54-E55

Senator Mason asked:

Commissioner, my questions relate to the concern that some charities may be abusing their charitable status by engaging in political and lobbying activities that go beyond their original charitable purpose. I should just say I received a letter from Mr Mark Konza on—

.....I want to ask you a couple of questions about the letter in a bit more detail.....I think you say down the bottom of question 1 there are some 40,000 to 50,000 entities. Has anyone ever said they do not qualify?

- (1) **Senator MASON**—Out of the 40,000 to 50,000, are you aware of any that have said they no longer fall within the endorsement?
Senator MASON—just the self-assessment regulatory aspect of this.
Senator MASON—Can you take that on notice and find out?
- (2) **Senator MASON**—You mention in question 2 that the Taxation Office has conducted audits....How many entities have lost their endorsement as a result of Australian Taxation Office audits?
- (3) **Senator MASON**—Thank you. Thirdly,have any entities lost their status as a charity because they are engaging in political purposes deemed to be their dominant purpose?

Answer:

- (1) Tax Office records indicate that from 1 July 2000 to 8 June 2004, 1,769 Income Tax Exempt Charities (ITEC) and 799 Deductible Gift Recipients (DGR) had their status revoked.

Of the 1,769 ITECs, 1,607 were revoked on advice from either the charity or another government agency. Of the 799 DGRs, 693 were revoked on advice from the DGR or another government department.

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- (2) Between 1 July 2000 and 8 June 2004, there were 162 Tax Office initiated revocations of ITEC endorsement and 106 revocations of DGR endorsement. 35-40 of these entities lost their endorsement as a direct result of a full audit by the Tax Office.

It is also important to note that since 1 July 2000 to 21 June 2004, 5,816 applications for DGR endorsement have been refused, whilst during that same period, 3,207 applications for ITEC endorsement were refused.

- (3) The Tax Office is not aware of any ITECs that have had their endorsement revoked because their main purpose is a purely political purpose.

The Tax Office is aware of a small number of entities whose applications for endorsement were rejected because activity described as "political/lobbying" was more than ancillary or incidental to the entities' main charitable purpose. However, it is impossible to provide the exact number without doing a review each case.

Some confusion can arise because the phrase "political or lobbying activity" is often used to describe activities which are in reality charitable in nature – for example, representing the disabled in court or defending those unable to defend themselves in their dealings with government agencies or the legal system.