

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

TREASURY

Australian Taxation Office

(Budget Estimates 02 June 2005)

Outcome 2

Topic: Investigations over last 10 years involving political activities of charities

Hansard Page: E 58

Senator Mason asked:

How many times have you investigated over the last 10 years an entity on the grounds that some of its activities are political? How often have you done that?

Mr Konza—I would have to take that on notice, obviously

Senator Mason: That would be good. Has any entity lost their charitable status on that ground?

Mr Konza—Over a ten year period?

Senator Mason: Yes

Mr Konza—I would have to take that on notice.

Answer:

Prior to 1 July 2000 organisations were entitled to self assess their charitable status. This meant that charitable organisations, or organisations that might have regarded themselves as charitable, had limited exposure to the Tax Office.

Organisations were, however, still able to come to the Tax Office for rulings or advice about charitable status. If an organisation was established for political purposes then, in the same way as the law currently applies, it was not accepted as charitable.

Since 1 July 2000 organisations seeking income tax exemption as a charity are required to apply to the Commissioner to be endorsed.

Detailed records on this issue prior to the 2000 year are limited. Available records do not indicate any specific audit project designed to determine whether organisations that considered themselves to be charitable were undertaking political activities. However, the issue was dealt with as individual cases arose.

Since the commencement of the endorsement regime on 1 July 2000, the Tax Office has relied primarily on testing the entitlement of organisations 'up front', and followed through to test ongoing entitlement in response to specific intelligence. The Tax Office has initiated 43 investigations designed specifically to test ongoing entitlement by identifying whether endorsed charities have a political purpose. A number of these investigations are still in progress. At this stage no organisation has yet lost its endorsement as a charity due to political activities.

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In the experience of the Tax Office most organisations, when confronted with a review and the prospect of losing their charitable status, will seek to change their activities and objects with a view to complying with the law.