

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

31 May – 2 June 2011

Question No: BET 243

Topic: Australian Charities

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Senator Siewert asked:

**Senator SIEWERT:** I asked some questions in PM&C and a lot of them got deferred here, so I will pick up where I left off there with the questions. First, I understand that \$53.6 million over four years is the amount of money that has been allocated to the process. Is that in total or is that the money that is also targeted at the process for re-registering charities? There is \$2.9 million allocated for that. I had it in front of me two seconds ago. I want to clarify, first, whether the money that is allocated—the \$53.6 million—is all up? Is the \$2.9 million included in that, or is that separate?

**Mr Willcock:** The \$2.9 million is separate, Senator. So the \$53.6 million is a measure that is described on page 322 of Budget Paper No. 2. That involves the provision of \$53.6 million. It is all for the purposes of the budget at this stage. It is allocated to the ATO. Of course, the new regulator, the new statutory agency, the Australian charities or not-for-profits commission, does not exist at the moment.

**Senator SIEWERT:** Yes. I understand that.

**Mr Willcock:** So that will not be taking place until parliament passes the relevant legislation. The government hopes that that will allow the commencement of the new body from 1 July 2012. So in the interim, the funding falls to the ATO. Some of the funding is available to assist the ATO to do some work that it will need to do preparatory to the setting up of this new commission, including some structural separation of staff in the ATO, some of whom post 1 July 2012 will migrate to the new authority.

**Senator SIEWERT:** Thank you. I also presume that funding will be available for the implementation taskforce, which I understand is to be set up from 1 July 2011. As I understand it, it is set up for 2011-12. That will put in place the mechanisms for the commission to be established in 2012?

**Mr Willcock:** That is right.

**Senator SIEWERT:** So that implementation taskforce will have access to some of that money to do the new work?

**Mr Willcock:** To some of that money, that is right. I think it is fair to say that other agencies will be effectively contributing some funding, or at least some resources in the form of people, to that implementation taskforce. Amongst those other agencies will be Treasury itself. Those agency costs are not reflected in that amount.

**Senator SIEWERT:** Thank you. In terms of the amount that will then go to the ATO to do its work, how much will that take?

**Mr Willcock:** Look, I am sorry, Senator, I cannot off the top of my head disaggregate the money that appears there on the table on page 322. I would need to take that on notice.

Answer:

The expense measure *'Not-for-profit sector reforms — Australian Charities and Not-for-profits Commission — establishment'* provides \$53.6 million over four years for the establishment of the Australian Charities and Not-for-profits Commission (ACNC) by 1 July 2012, and related structural changes required to the Australian Taxation Office (ATO).

Funding has been allocated for new functions and for the structural separation of existing functions that the ACNC and the ATO will undertake as part of the Government's efforts to reform and strengthen the NFP sector. New functions include an expansion of registration processes for charities to apply to all Commonwealth level agencies; providing the sector with additional educative and support material such as how-to guides and brochures on the sector's regulatory framework; designing and implementing a 'report-once, use-often' general reporting framework for registered charities; and designing and maintaining a NFP public information portal.

From 1 July 2011 the ATO will structurally separate its dual roles of administering Australia's tax law (including administering the provision of concessional tax treatment to NFP entities) and determining charitable, public benevolent institution, and other NFP status. This role of determining charitable and NFP status will be passed on to the ACNC from 1 July 2012. The ATO will also provide corporate service support to the ACNC in the form of information technology services, human services, financial services and other related functions.

The allocation of new funding initially to the ATO, and then between the ATO and the ACNC will be determined as the new functions are adopted, roles and accountabilities distributed and associated resource requirements identified. Roles and accountabilities will be distributed to maximise cost-effectiveness which will ultimately have implications for the distribution of funding between the ATO and the ACNC. Further, as the ATO transfers existing functions to the ACNC, existing ATO funding allocated to that function will also be transferred to the ACNC.