



# **Inquiry into Taxation Laws Amendment Bill 2004**

## **Submission to the Senate Economics Legislation Committee**

Anglicare Australia  
14 Acland St  
St.Kilda 3182 Vic  
Contact: Tracey Matthews  
Ph: (03) 9534 8250  
Fax: (03) 9534 8278  
Mobile 0412 314 131  
Email: [tmatthews@anglicare.asn.au](mailto:tmatthews@anglicare.asn.au)

## **1. About Anglicare Australia**

Anglicare Australia is the national network of over 60 care and social justice agencies of the Anglican Church. Anglicare Australia is an officially recognised network of the Standing Committee of the General Synod of the Anglican Church of Australia. In this submission, the term Anglicare is used to refer to the network of organisations and Anglicare Australia is used to refer to the national association, incorporated in Victoria, and based in Melbourne. Anglicare Australia is currently endorsed as an income tax exemption charity.

Anglicare agencies are either legally part of a Diocese of the Anglican Church of Australia or are separately incorporated with constitutionally defined links to an Anglican Diocese or the General Synod of the Anglican Church. Anglicare agencies work both as diocesan or state wide community services agencies and local community based caring networks. There is close integration between the central professional agency and the local volunteer based community/parish caring outreach.

## **2. Taxation Laws Amendment Bill 2004**

Tax Laws Amendment (2004 Measures No.1) Bill 2004 contains two sections that directly impact upon charitable organisations. The draft legislation was tabled in parliament on 19 February 2004 and will take effect on 1 July 2004.

## **3. Deductions for contributions relating to fundraising events**

Schedule 7 of the bill amends the ITAA 1997 to allow individuals to receive a taxable deduction for contributions relating to fund-raising events where an associated minor benefit is received. The amendment applies to contributions made on or after 1 July 2004. The amendments respond to concerns raised through the Prime Minister's Community Business Partnership. Currently a tax deduction is denied where a donor receives a benefit in connection with the gift. The amendment is designed to reduce barriers to giving and encourage philanthropy associated with fundraising by Deductible Gift Recipients.

## **4. Application of Schedule 7**

Anglicare Australia is pleased that the government has recognised the need to encourage philanthropy through the fundraising activities of charities.

Unfortunately the parameters set in the draft legislation are overly restrictive and most charities will be unable to utilise the proposed changes to the law. The amendments allow an individual to receive a tax deduction where a contribution is more than \$250 and the minor benefit received is no greater than \$100 or 10% of the value of the contribution, whichever is the less.

This effectively means a contribution must be greater than \$250 and the minor benefit received must not exceed \$100 or 10% of the contribution. This narrow range will not assist most charities in their fundraising efforts and appears to cater for big ticket events only. Most Anglicare fundraising events would attract contributions of between \$50 and \$250 and therefore the amendments would provide little benefit. Companies cannot access the proposed deductions and there is only a small class of individuals willing to pay more than \$250 to attend charity events.

The amendments will do little to encourage philanthropy on a broad scale and will only benefit charities with wealthy individual donors. This contribution range must be amended to reflect the fundraising activities and donor base of most charities in the community.

Anglicare Australia recommends that further consultation with charities must occur and the eligible contribution range must be amended to reflect the policy intent of the bill.

## **5. Endorsement of charities**

In its response to the Charities definition Inquiry; the Government decided that from 1 July 2004, charities, public benevolent institutions and health promotion charities will need to be endorsed by the ATO in order to access all relevant tax concessions. The tax status of an organisation will be attached to its ABN and this will be publicly accessible through the Australian Business Register. This is designed to allow greater scrutiny and transparency in the use of taxation concessions by charities.

The amendments extend the current endorsement process for charities and remove the right for charities to self assess their eligibility for certain taxation concessions. The process for endorsement of each taxation concession will now be contained in the TAA 1953.

## **6. Application of Schedule 10**

Anglicare Australia welcomes increased transparency and accountability in the use of taxation concessions by charities. This could well be achieved through the establishment of an independent charities body as recommended in the report to the Charities Inquiry. In the absence of an impartial body it is unlikely that these objectives will be achieved.

It is difficult to understand why the proposed endorsement legislation was not open to public consultation or included with the release of the Charities Bill 2003. The Government is yet to release the Board of Taxation's report into the Charities Bill 2003 and there is doubt about the future of the Bill. Anglicare Australia believes that Schedule 10 of the bill should be deferred until the outcomes of the Charities Bill are confirmed by the Treasurer. This would ensure that any future endorsement legislation is workable and compatible with the policy intent of the Charities Bill 2003.

## **5. Conclusion**

Anglicare Australia welcomes the Government's commitment to increase transparency and accountability in the charitable sector. The Australian public donates millions of dollars each year to charitable organisations and the public interest must be protected.

This highlights the need to establish an independent body to monitor and help strengthen the charitable sector. The committee to the Inquiry into Charities recommended in its report that the Commonwealth seek the agreement of the States and Territories be sought to establish an independent administrative body to oversee charities and related entities.

In the absence of a legislative definition of charity and an independent body to interpret the law it would be premature to introduce new endorsement legislation.

Anglicare Australia recommends the following;

1. Schedule 7 of the bill should be reviewed and subject to further consultation with representatives from the charitable sector. This will ensure that the amendments are workable and beneficial to charities of all sizes.
2. Schedule 10 of the bill should be deferred until the Government provides clarification on the final outcomes of the Charities Bill 2003.