



For immediate release

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“Do no harm” to charity sector means Government must pursue reforms

The not-for-profit (NFP) sector welcomes the decision of the Rudd Government to rule out cutting tax concessions for charities as recommended by the *Review of Australia’s Future Tax System* (Henry Review).

The suggested moves had the potential to strip charities and others in the not-for-profit sector of their ability to secure employees, and would have cost the sector millions of dollars in labour costs and the loss of many workers.

While the Government’s response provides assurance that it will not implement any “changes to the tax system that harm the not-for-profit sector”, it does not provide any detail on the much needed reforms required to simplify and enhance the system as it applies to NFPs – which a range of Government inquiries in recent years have uniformly called for. This “first wave” of the Government’s response to the 1000+ page Henry Review surfs on the money flow of the "commodity boom mark II", and leaves much of the reform beach untouched.

The charitable sector calls for an urgent resumption of talks.

While Fringe Benefits Tax concessions remain in place, their effectiveness for attracting staff is being eroded as the concession cap has not been indexed since 2001. We urge the Commonwealth to use next week’s budget to announce the indexation of the FBT concession cap as an interim step ahead of implementing many of the recommendations from the Productivity Commission’s report released in February.

A simpler, fairer and more transparent tax system will include reforms of the tax treatment of public benevolent institutions (charities) to remove complexities and red tape and make it simpler for all Australians to support their chosen charity. It is essential that government and the sector work together to develop a fairer and simpler system to ensure that we can keep caring for people who need our support.

We are sure the Government has listened to the concerns of the NFP sector and we look forward to the creation of a single Federal Government entry point for charities, based in the Department of Prime Minister and Cabinet, through which the overdue reforms can be progressed in the very near future.

The relevant note for the sector came in the Government’s response where it indicated it would not adopt various proposals from the Henry Review including to:

- Do any changes to the tax system that harm the not-for-profit sector, including removing the benefit of tax concessions, raising the gift deductibility threshold or changing income tax arrangements for clubs (see Rec 9e, 13, 41, 43 & 44)

Ends

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