

AFTS Secretariat
The Treasury
Langton Crescent
PARKES ACT 2600

April 9, 2009

Re: Tax Review – Tax treatment for not-for-profit organisations

We write this submission on behalf of the Pottsville Beach Neighbourhood Centre Incorporated, with particular reference to the tax treatment of not-for-profit organisations. We agree with the Consultation Paper Overview (Section 7) statement: "The tax concessions for the NFP sector are complex and applied unevenly".

In response to your **Q7.1 What is the appropriate tax treatment for NFP organisations, including compliance obligations?**

Answer: The tax treatment for NFP organisations needs to be broadened in the interpretation of eligibility ie, modifications to the existing ATO Tax Rulings to allow for neighbourhood centres such as ours to more easily qualify for Public Benevolent Institution (PBI) status and Deductable Gift Recipient (DGR) endorsement. According to statistics collected by the Association of Neighbourhood Houses and Learning Centres (ANHLC), currently only 7% of Neighbourhood Houses or Neighbourhood Centres have DGR endorsement. *Source: "Prevention is Better than Cure..." ANHLC September 2008.(Attached)*

We implore you to give urgent attention to the ANHLC proposal for charity tax laws to recognise preventative approaches in addressing disadvantage. We endorse the point made in the Hon. Janelle Saffin's speech to the House of Representatives on Thursday, 19 March 2009, that Neighbourhood Centre services "include programs that build resilient communities and help people avoid social exclusion" and absolutely support her stated belief in "the old adage that an ounce of prevention is worth a pound of cure." We have first-hand, practical knowledge of this.

In our own case, services which work in a direct manner to alleviate "poverty, sickness, suffering, distress, misfortune, destitution or helplessness" include the:

- PBNC Referral, Information and Advocacy Service
- PBNC Centrelink Agency
- Opportunity Shop - providing **low cost** household items and clothing to the general public, and household items and clothing to people in financial crisis at **no cost**
- Brighter Futures Early Intervention Program Outlet – providing support for vulnerable families
- Pottsville Counselling Service – a service which provides generalist counseling by a psychologist who bulk bills Pottsville residents
- Northern Rivers Community Legal Centre Outreach Service – providing free legal advice

**Old School Buildings, 12a Elizabeth St,
P O Box 54 Pottsville Beach NSW 2489**
☎ 02 6676 4555 📠 02 6676 4306 ABN 30 631 542 574
E:admin@pottsbnc.ngo.org.au W:www.pottsvillebeachnc.org.au

Other preventative measures to alleviate "poverty, sickness, suffering, distress, misfortune, destitution or helplessness" are in the PBNC's provision of social groups, supported playgroups, adult education, volunteer program, personal growth courses, community development, and management of local arts, crafts and produce markets.

As it currently stands, it is not a simple process to apply for PBI/DGR status. Through our regional and state alliances, we are aware of a particular neighbourhood centre's numerous applications to the ATO to have PBI status and DGR endorsement applied to their organisation. Each attempt involved significant costs and resources, before the final application became successful. Their experience and similar experiences of other organisations appear to reveal inconsistencies in the ATO's awarding of PBI status and DGR endorsement.

Q7.2 Given the impact of the tax concessions for NFP organisations on competition, compliance costs and equity, would alternative arrangements (such as the provision of direct funding) be a more efficient way of assisting these organisations to further their philanthropic and community-based activities?


Answer: Yes.

As a not-for-profit organisation that is currently surviving on self-generated funds and meagre, term-limited commonwealth funding, we understand the pressure to remain relevant and responsive to disadvantaged people in our community. We do not have PBI status or DGR endorsement and as a result of this have been rendered ineligible by some philanthropic and corporate funding bodies under their current funding assessment guidelines. This inability to access an important source of funding diminishes our capacity to meet community needs.

Not having PBI status puts our organisation at a further disadvantage because we are unable to offer salary sacrificing to employees. This inability prevents us from competing with other community welfare organisations (with PBI status), in the recruitment of staff, based on issues of salary equity and incentives.

The impact for government of PBNC not being able to achieve PBI/DGR status is that this organisation will continue to rely heavily on government funds and inadequate local fundraising efforts, neither of which is realistic or sustainable, particularly in light of the ever-increasing demand on our community-based, community-responsive programs. This demand is set to escalate due to the current economic downturn and increased unemployment.

Yours faithfully,



Rosemary Nissen-Wade (Secretary, PBNC Committee of Management) and
Angela Maxwell (PBNC Community Facilitator / Centre Coordinator)

Encl.