

1 May 2009

AFTS Secretariat
The Treasury
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PARKES ACT 2600

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Dear Sir/Madam

RSPCA submission to the Review of Australia's future tax system

Please find attached RSPCA Australia's submission to the Review of Australia's future tax system.

We would welcome the opportunity to expand on any of the issues we have raised.

Yours sincerely



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**RSPCA AUSTRALIA
SUBMISSION TO THE REVIEW OF AUSTRALIA'S FUTURE TAX SYSTEM
1 MAY 2009**

RSPCA Australia makes this submission on Australia's future tax system on behalf of its members, RSPCA ACT, RSPCA Darwin, RSPCA NSW, RSPCA QLD, RSPCA SA, RSPCA TAS, RSPCA VIC and RSPCA WA.

In summary, the RSPCA recommends that the following principles should inform the development of Australia's new taxation system:

1. Individuals, corporations and other organisations are provided with incentives to donate money, goods and services to charities
2. The system is procedurally fair for individuals and charities
3. The value of the current taxation benefits provided to charities is preserved
4. The administration of the system for charities is simple and efficient
5. Charities should be enabled to operate commercially focused businesses as part of the charity as a means of achieving their mission and raising funds.

This submission expands on each of these principles and provides nine recommendations for going forward.

RSPCA IN AUSTRALIA

The RSPCA is one of Australia's most enduring charities, widely respected by governments, industry groups and the general public. It delivers essential services at a local level, benefiting both animals and humans, and contributes to a strong and safe society. Ninety eight per cent of the Australian community know who we are and know that we protect and speak for animals.

The RSPCA plays a leading educative role in relation to responsible pet ownership. Sixty three per cent of Australian households own one or more pets. Our programs and activities that support keeping people and their pets together enrich the lives of individuals. Our cruelty prevention work through the policing of animal welfare legislation and the delivery of humane education across different settings is highly regarded. Our contribution to government and industry policy development is well respected. In essence, through our work protecting animals, the RSPCA makes a vital contribution to the strength of our community. We know that the way in which a society treats its animals is a strong indicator of how it treats people.

To date, the RSPCA's substantial operations have been built through fundraising and the generosity of individual members of the public. The RSPCA has services in every State and Territory of Australia. Last year alone the RSPCA provided shelter for 162,000 dogs, cats and other animals in our 40 shelters and with our hundreds of foster carers. Our Inspectors investigated 49,500 complaints of animal cruelty. We directly delivered education to more than 100,000 school students and 25,000 pet owners and pets attended behaviour training courses. We provided animal welfare science and policy input to numerous government and industry processes focused on improving the welfare of production, companion and recreational animals. Tens of thousands of

other Australians contacted the RSPCA in some capacity for information about animals, heard the RSPCA's animal welfare messages or saw our information that is widely available in the community.

PRINCIPLES UNDERPINNING THE TAXATION SYSTEM

The RSPCA believes that the following principles should inform the development of Australia's future taxation system:

1. Individuals, corporations and other organisations are provided with incentives to donate money, goods and services to charities
2. The system is procedurally fair for individuals and charities
3. The value of the current taxation benefits provided to charities is preserved
4. The administration of the system for charities is simple and efficient
5. Charities should be enabled to operate commercially focused businesses as part of the charity as a means of achieving their mission and raising funds.

SUPPORTING AND ENCOURAGING DONATIONS TO CHARITIES

Australians are extraordinarily generous in their support of charitable works across a wide range of sectors and issues. These donations are essential to enable the charitable sector to operate.

Tax deductibility for individuals, businesses and other organisations of financial donations (over \$2), as well as goods that will be used for the charity to raise funds or support their mission in some way (directly or indirectly) must be retained. These eligible tax deduction provisions should be expanded to include the donation of services for example, accounting, legal and advertising services, that support the work of a charity by a business.

The demand for the services of charities and the growth of the 'third sector' generally means that other mechanisms that will facilitate the flow of private funds to charities such as Giftaid in the United Kingdom should be introduced. Under the Giftaid program, a donor is able to also 'donate' his/her tax deduction to the charity. That is, rather than the donor claiming the tax benefit from the government, the donor provides permission for the charity to claim it. This will increase the available funds for charitable works, potentially minimise calls for government contributions to charities, and will come at no cost (except administration costs which are incurred currently under the system).

The RSPCA recommends that the new taxation system include:

1. *Tax deductibility of donations to charities over \$2*
2. *Tax deductibility of donations of goods to be used by the charity to raise funds or support their mission in some other way*
3. *Tax deductibility of donations of services by businesses*
4. *A program similar to Giftaid in the United Kingdom in order to increase the value of private donations for charities*
5. *Other mechanisms that will facilitate the flow of funds, goods and services to charities.*

PROCEDURAL FAIRNESS

Currently there is an unfair system of tax concessions for charities delivering direct services to the community and the employees of those charities. There are differing concessions particularly in the areas of fringe benefits tax. Providing benefits to some charities and not to others infers that some charitable purposes are more worthy than others. Making a judgement on the contribution of one charity or charitable sector over another is a judgement based on individual values rather than being underpinned by a system of procedural fairness.

This inequity also creates distortions in the charity employment market and places higher hurdles on raising funds for some. The salary package of an employee of a charity that is also a public benevolent institution for example, has a higher employee benefit than the same salary package of an employee of the RSPCA, an organisation that is widely recognised as providing direct delivery of essential community services. For the RSPCA to match the employee benefits of the salary package of a PBI employee, will mean that the RSPCA will need to raise substantial additional funds from the public (the RSPCA employees around 1,100 people and 98% of the RSPCA's funding comes from individuals and businesses), creating an unfair burden.

The new taxation system should ensure procedural fairness and equal taxation benefits across all employees of charities (as defined under Recommendation 13 of the *Report of the inquiry into the definition of charities and related organisations June 2001¹*) whose primary role is the direct delivery of services to the community (as opposed to a charity's primary role being community education, coordination of volunteer efforts or campaigning on issues to change public policy or community behaviour).

Creating a fair system may mean that the Government foregoes some taxation income. However, the return on this investment for the Government is far outweighed by the benefits of the work of charities directly delivering services to the community. For example, if RSPCA employees were able to access benefits equivalent to those now received by employees of a PBI (even if this is called something different in the future), our analysis based on our salary costs will mean just \$3.4 million per annum in taxes foregone. This should be considered in the context of our operational budget of approximately \$81 million per annum (and growing because of demand), with only 2% coming from primarily State/Territory Governments and 98% coming from individuals and businesses. This return on investment is even higher when the economic and social benefits of animals and animal welfare in our society is considered. Government savings from the health benefits of companion animal ownership alone have been estimated at over \$3.86 billion per annum. The RSPCA plays a leading role promoting and facilitating responsible animal ownership.

The RSPCA recommends that the new taxation system:

- 6. Ensures procedural fairness and equal taxation benefits across all employees of charities (as defined under Recommendation 13 of the Report of the inquiry into the definition of charities and related organisations June 2001¹) whose primary role is the direct delivery of services to the community (as opposed to a charity's primary role being community education, coordination of volunteer efforts or campaigning on issues to change public policy or community behaviour).*

CURRENT TAXATION BENEFITS FOR CHARITIES

To ensure that the maximum amount of funds is available for core activities of the charity, the value of the benefits of the current provisions for example, income tax exemptions should be retained.

The RSPCA recommends that the new taxation system:

- 7. Preserves the value of the benefits of the current taxation concession and provisions.*

ADMINISTRATIVE SIMPLICITY AND EFFICIENCY

The new taxation system should ensure that the administrative burden to charities is minimised. Processes should be simple and streamlined.

The RSPCA recommends that the new taxation system:

- 8. Provides a simple and streamlined administrative process for charities.*

OPERATION OF COMMERCIAL ENTERPRISES BY CHARITIES

The operation of commercial enterprises by charities can provide an essential source of funds to support the work of the organisation. The taxation system should not provide any barriers to this type of activity.

The RSPCA delivers a number of services for which it charges within the range of market rates. The operation of veterinary clinics and dog training classes for example, deliver important animal welfare outcomes and at the same time provide small streams of income to support other areas of animal welfare work which do not attract an income. Retail activities, both online and person to person, is a growing segment and makes an important contribution to fundraising and in some instances, such as animal care books and training and grooming products, also contributes to animal welfare.

The RSPCA recommends that the new taxation system:

- 9. Enables the operation of commercially focused businesses as part of the charity as a means of achieving their mission and raising funds.*

RECOMMENDATIONS

The RSPCA recommends that the new taxation system:

- 1. Includes tax deductibility of donations to charities over \$2*
- 2. Includes tax deductibility of donations of goods to be used by the charity to raise funds or support their mission in some other way*
- 3. Includes tax deductibility of donations of services by businesses*
- 4. Includes a program similar to Giftaid in the United Kingdom in order to increase the value of private donations for charities*
- 5. Includes other mechanisms that will facilitate the flow of funds, goods and services to charities*

6. *Ensures procedural fairness and equal taxation benefits across all employees of charities (as defined under Recommendation 13 of the Report of the inquiry into the definition of charities and related organisations June 2001¹) whose primary role is the direct delivery of services to the community (as opposed to a charity's primary role being community education, coordination of volunteer efforts or campaigning on issues to change public policy or community behaviour).*
7. *Preserves the value of the benefits of the current taxation concession and provisions.*
8. *Provides a simple and streamlined administrative process for charities.*
9. *Enables the operation of commercially focused businesses as part of the charity as a means of achieving their mission and raising funds.*

ENDNOTE

¹ Charitable purposes shall be:

- The advancement* of health, which without limitation includes:
 - o the prevention and relief of sickness, disease or of human suffering;
- the advancement* of education;
- the advancement* of social and community welfare, which without limitation includes:
 - o the prevention and relief of poverty, distress or disadvantage of individuals or families;
 - o the care, support and protection of the aged and people with a disability;
 - o the care, support and protection of children and young people;
 - o the care and support of members or former members of the armed forces and the civil defence forces and their families;
- the advancement* of religion;
- the advancement* of culture, which without limitation includes:
 - o the promotion and fostering of culture; and
 - o the care, preservation and protection of the Australian heritage;
- the advancement* of the natural environment; and
- other purposes beneficial to the community, which without limitation include:
 - o the promotion and protection of civil and human rights;
 - o the prevention and relief of suffering of animals.

* Advancement is taken to include protection, maintenance, support, research, improvement or enhancement.