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AFTS Secretariat
The Treasury
Langton Crescent
PARKES ACT 2600

Via Email: AFTSubmissions@treasury.gov.au

Australia's Future Tax System

Thank you for the opportunity to make a submission to this important matter that relates to Australia's future taxation system.

Introduction

The Australian Historic Motoring Federation (AHMF) is the National organisation that represents the interests of all Australian motoring enthusiasts. The AHMF comprises representatives from each state-based motoring council, covering all States, with dual representation from Victoria and NSW. These councils in turn represent the individual motoring clubs from across Australia, who then attach to thousands of physical members and their families.

The historic vehicle movement comprises not only cars, but also trucks, motorbikes, tractors, machinery and stationary engines. The members of this movement across the Country are in control of restoring and preserving Australia's largest moveable museum of motoring and machinery history, and provide this to the Australian public at no cost to the Government.

The movement makes a significant contribution to the Australian economy financially, with our most recent survey conducted showing an injection into the economy in excess of \$600 million per annum.

Further, there is the benefit to the community and charities generally that each and every Club provides via displays, local shows, fundraising events, local schools and other contributions. Some Clubs organise larger events that bring thousands of people into their local area where the local traders benefit greatly, with one event commissioning a report that showed a \$2 million benefit to the local economy. This is on top of the local businesses that are already supported directly by the movement.

Issues/Concerns

At a National level we are concerned about the taxation treatment of our Clubs within the Income Tax system. This relates firstly to the taxable status of our Clubs in comparison with other Clubs, and secondly to the current tax-free threshold of taxable non-member income for non-profit organisations.

Issue 1 – Tax Exemption

We have researched our standing within the non-profit sector and considered the current categories of available tax exempt organisations including community service and resource development organisations. We further focussed on sporting and cultural organisations.

We have considered sporting organisations and the tax concessions they enjoy, and find that in taxation ruling *TR 97/22 Income Tax: exempt Sporting Clubs* para. 31 states “The activities of participants in car owner clubs are not participation in sports for similar reasons; the ... focus is ... not on any sport or game-like activity”. Further in para. 40 it states “Activities that we do not consider to be a ‘game or sport’ include ... car owners clubs/associations.”

We have further considered the cultural organisation category and note that it narrowly provides for “the encouragement of art, literature or music” and includes drama, ballet, painting, architecture and sculpture.

Historic motoring organisations are not included in, or provided for, in the tax exempt categories, and are in fact being excluded.

We feel that in this context, inequity exists in the current system. Our members hold strong views that they have the same goals and provide the same encouragement as sporting organisations, and have outstanding cultural intentions to those referred to above; however our Clubs are not exempt from tax and are caught within the taxation system.

This then creates the administrative burden, with the necessity for Clubs to annually assess their income tax position and liability, and incur the costs of managing their tax affairs including lodging income tax returns and engaging external assistance where required. This is a huge responsibility on Clubs where the office bearers are usually non paid members. It is unfair they have this responsibility and it discourages volunteers from holding important positions. As a nation we should be aiming to encourage people to be involved as volunteers, rather than creating barriers.

We feel that the savings to Clubs and their volunteers would far outweigh any small decrease to tax revenue, whilst protecting our valuable cultural history.

Issue 2 – Tax-Free Threshold

We further submit and wish to make comment on the current tax-free threshold for non-profit organisations.

Currently the threshold is \$416 – a figure that was determined back in 1972 and remains unaltered. Since this time other rates and thresholds have been updated and we ask consideration be given to lifting this threshold.

Many non-profit Clubs that are not sporting or tax exempt Clubs will have accumulated funds to further their organisation by way of saving for equipment or premises, or are holding funds to meet future expenditure. Where these Clubs prudently invest their money of say \$7,000 at a current rate of 8%, they will be brought into the income tax system and thereby experience the administrative burden outlined above.

A suggested threshold would be to align with the Personal Income Tax Rates. This would provide a basic \$6,000 tax-free threshold and, after allowing for the gross-up effect of the low income rebate (being \$1,200 for 2008-2009), give a level playing field of \$14,000 per annum in respect of non-member income, remembering the principle of mutuality will remain to exempt member income. The tax rate of 30% from there on could remain in line with the company tax rate.

This threshold needs to be addressed so that it is fair for all non-profit organisations.

Summary

We have reviewed the guidelines for making a submission and note the request for problems with the current system, together with reforms required to address these problems. We have outlined our issues above.

We further read the terms of reference (TOR) and within the objectives and scope area, see our concerns raised as being in line with:

- clause 2 whereby we seek to “provide equity” and “minimise complexity for taxpayers and the community”;
- clause 3.3 “including the role and structure of company taxation” where we consider the Income Tax on non-profit organisations being linked to the company tax rate generally;
- clause 4 where we seek to “enhance overall economic, social ... wellbeing, with a particular focus on ... 4.4 reducing tax system complexity and compliance costs”;
- clause 7 with a reference to concessions, our focus being on tax-exempt status for historic motoring organisations.

Conclusion

We request and encourage the review panel to re-visit an Income Tax exemption for the historic vehicle movement so that our members can carry out the most important task of preserving history, whilst continuing to inject valuable spending into the Australian economy and at the same time provide a wide public benefit, whilst not being encumbered with the burden of managing tax affairs and unnecessary costs of compliance.

We look forward to your due consideration of our concerns.

I authorise for this to be lodged by Mr Brett Holloway, a delegate to the AHMF who has carriage of this submission. Brett's contact details are as follows:

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Yours sincerely,

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