



**The Hon Chris Bowen MP
Assistant Treasurer**

Minister for Competition Policy and Consumer Affairs

23 SEP 2008

**Mr Don Randall MP
Member for Canning
PO Box 465
KELMSCOTT WA 6991**

Dear Mr Randall

Thank you for your personal representations of 3 July 2008 on behalf of the Triumph Sports Owners Association (TSOA), Western Australia, concerning the taxation arrangements for not-for-profit organisations that cannot access an income tax exemption. I apologise for the delay in responding.

It may assist if I explain the rationale for the taxation arrangements that apply to various not-for-profit organisations and then explain the basis for the taxation rates that apply to organisations such as the TSOA.

As the purpose of not-for-profit organisations can vary enormously, the tax law does not provide a blanket income tax exemption for not-for-profit organisations or membership based entities. One of the key determinants of income tax exemption status is the extent to which an organisation provides a wide public benefit.

Income tax exemptions are provided to not-for-profit organisations whose purposes are broadly beneficial to the wider Australian community, such as charitable, religious, scientific and public educational institutions.

Where the purpose of a not-for-profit organisation is to provide services or support to its members in the first instance, then a tax exemption is not considered appropriate. This is because the organisation's focus is first and foremost on the interest of its members.

It should be noted that not-for-profit organisations which are based on the interests of members benefit significantly from not being assessed on the receipts from their members. That is the mutual receipts of a not-for-profit club, society or association are not counted as assessable income. Mutual receipts are those derived from dealings with the members of the organisation, and include amounts members pay for services offered by the club such as bar and restaurant facilities.

Not-for-profit entities that are not income tax exempt also enjoy concessional income tax treatment in regard to the assessable non-member income, such as bank interest. This concession is not available to a for-profit company. The \$416 threshold concession provides a tax exemption to smaller not-for-profit entities with a relatively low income. The concession is intended to ensure those small organisations do not have to incur the compliance costs associated with managing their tax affairs, such as lodging annual income tax returns.

You also raise concerns about the tax rates applied to not-for-profit organisations. As I have noted above, there is no blanket tax exemption for not-for-profit organisations. In the absence of an exemption, the competitive corporate tax rate of 30 per cent applies to the income of a not-for-profit organisation.

The Treasurer announced in the 2008-09 Budget that the Government will conduct a comprehensive review of Australia's tax system to create a structure that positions Australia to deal with the demographic, social, economic and environmental challenges of the 21st century.

The review will encompass Australian Government and state taxes, except the goods and services tax, and will encompass interactions with the transfer system. The review will reflect the Government's policy to preserve tax free superannuation payments for the over 60s and the Government's announced goals for personal income tax. As part of the review, the Government has also asked that the financial security of carers and seniors be examined.

On 6 August 2008 the Treasury released a paper on the current Australian tax and transfer system to inform public discussion. The review panel will provide a final report to the Treasurer by the end of 2009.

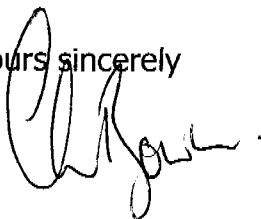
Additional information, including the terms of reference and a copy of the Treasury paper, can be found on the review website (www.taxreview.treasury.gov.au) or by calling the information line on 1800 614 133.

Whether the \$416 threshold should be raised falls within the broad scope of the review. As such, I have forwarded your correspondence to the review team to be considered as part of the review.

The Australian Taxation Office's (ATO's) Income Tax Guide for Non Profit Organisations publication provides a breakdown of organisations that are exempt from income tax, and outlines general information about income tax paid by not for profit organisations. This publication is available from the ATO's website www.ato.gov.au. The TSOA may also wish to contact the ATO's Non Profit Centre hotline on 1300 130 248, or alternatively Ms Anna Das on (03) 9215 3729, for further information.

Thank you for bringing this matter to my attention. I trust this information will be of assistance.

Yours sincerely



CHRIS BOWEN



The Hon Chris Bowen MP
Assistant Treasurer
Minister for Competition Policy and Consumer Affairs

Mr Don Randall MP
Member for Canning
PO Box 465
KELMSCOTT WA 6991

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Yours sincerely

CHRIS BOWEN

Don Randall JP MP

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2851 Albany Hwy, Kelmscott WA 6111
PO Box 465, Kelmscott WA 6991
Tel (08) 9390 1211 Fax (08) 9390 1255
Email don.randall.mp@aph.gov.au

Member for Canning

3rd July 2008

The Hon Chris Bowen
Assistant Treasurer
PO Box 6022
Parliament House
CANBERRA ACT 2600

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RECEIVED
09 JUL 2008
LIAISON

Dear Minister,

I am writing on behalf of the Triumph Sports Owners Association of Western Australia and its concerns about the way the Club is affected under current taxation arrangements.

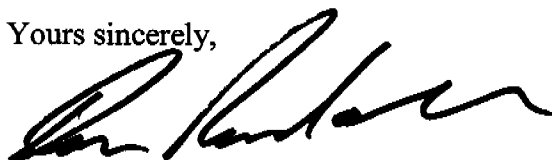
The Triumph Sports Owners Association (TSOA) of Western Australia is a member of the Council of Motoring Clubs in Western Australia. The Council has 12,000 members in the State and forms a part of the National Australian Historic Motoring Federation.

The Association President has drawn my attention to the way taxation laws are detrimentally affecting car clubs. Under present arrangements car clubs are specifically excluded from applying for an exemption from taxation. The President believes that the \$416 his club can legally earn from non-member income before paying tax is a grave injustice, particularly taking into account this figure has not been reviewed for many years. Under the legislation TSOA is required to pay tax at the company rate of 32 cents to the dollar which places an additional burden on the association members who manage the books.

As the old vehicle movement is of national benefit in the form of a 'mobile museum', supports numerous charities and provides community service throughout the country the Association is requesting the Government reconsider its position and look towards making car clubs eligible to apply for the taxation exemption and increasing the current threshold from \$416.00.

I anticipate your early response to these matters so that I may advise the Association accordingly.

Yours sincerely,



Don Randall MHR
Federal Member for Canning



Correspondence Received - Office of the Assistant Treasurer

Office Circulation

Assistant Treasurer

Chief of Staff

Diary Secretary

To: Adviser -

Cc: Advisers -

DLOs -

08 JUL 2008

Departmental Action

Acknowledge

Substantive Response

Appropriate Action

Information

Constituent Response

Signatory

Briefing

Speech

Refer to

No Further

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taxation of car clubs