

## ATTA Abstract – 2015

### **The Tax Treatment of Charities: Allowing government to abrogate responsibility for provision of social goods**

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Text – 200 to 500 words

In Australia the charities' sector benefits from tax concessions and direct government funding. Eligible Australian charities also benefit from the fact that taxpayers are also allowed to deduct from their income philanthropic gifts to organisations which are endorsed as deductible gift recipients.<sup>1</sup> In 2006-07 the tax deductibility of charitable donations resulted in a cost to tax revenues of \$860 million.<sup>2</sup> Tax concessions and exemptions were estimated to have resulted in at least \$4 billion in tax relief and direct government funding of the charities sector was estimated as being \$25.5 billion.<sup>3</sup> In total, charities benefitted from the tax and transfer system in the amount of \$30,360 million in one year.

The charities sector, a key sector of the not-for-profit sector (NFP), 'is large and diverse, with around 600,000 organisations ... contributing \$43 billion to Australia's GDP, and 8% of employment in 2006-07.'<sup>4</sup> In 2006-07 charities contributed 4.1% to Australia's GDP<sup>5</sup>. This makes charities a much larger sector in Australia than, for example, tourism. The latest data from the Australian Bureau of Statistics estimated that in Australia, for the year 2012-2013, tourism accounted for 2.8% of GDP.<sup>6</sup>

Charities are used by Australian governments to provide government services.

In 2010 the Australian Productivity Commission surveyed government agencies to determine the extent of NFP engagement in the delivery of those services. Findings showed that NFPs are major providers in most service areas with half of the agencies reporting that over 75% of their program value was delivered by NFPs<sup>7</sup>.

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<sup>1</sup> Australian Government, Productivity Commission, *Contribution of the Not-for profit Sector: Productivity Commission Research Report: January 2010*, (Productivity Commission, Canberra, 2010), 155.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid 275.

<sup>4</sup> Ibid xxiii.

<sup>5</sup> Ibid xxiv.

<sup>6</sup> Australian Bureau of Statistics, 'Australian National Accounts: Tourism Satellite Account, 2012-2013, <http://www.abs.gov.au/AusStats/ABS@.nsf/MF/5249.0>, 19 December, 2013.

<sup>7</sup> Above n1, Appendix D, D1.

This paper will argue that:

Dependence on conditional government funding removes the power of charitable organisations to act independently of the government for the good of the community with whom they directly engage. When charities accept government funding to deliver government services they are constrained in how they deliver services and thus lose independence and flexibility.

The provision of government services in health, education and welfare is an abrogation of government responsibility to provide these services to the community. One result of this abrogation of responsibility has been evidenced by the interim findings of the current Royal Commission into Institutional Responses to Child Sexual Abuse. The interim report stated that though 'it is not clear how prevalent abuse has been, or continues to be, in institutions'<sup>8</sup> it was clear that the main themes identified by the Royal Commission include 'repeated abuse and multiple perpetrators, barriers to reporting the abuse and adults that have systematically failed to protect children'<sup>9</sup>.

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<sup>8</sup> Abuse <http://www.abc.net.au/news/2014-06-30/royal-commission-releases-interim-report-child-sex-abuse/5560782>, accessed 30/08/2014.

<sup>9</sup> Ibid.