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RE: Tax Deductible Gift Recipient Reform Opportunities – discussion paper

Thank you for the opportunity to provide feedback on the consultation paper considering potential reforms to the Deductible Gift Recipient (DGR) tax arrangements.

VICSERV is the peak body representing mental health service providers in Victoria. Most of our members are registered as charities with the Australian Charities and Not-for-profits Commission.

VICSERV understands and supports the intentions of the DGR tax arrangement reforms – that is, to strengthen governance arrangements and reduce administrative complexity for NFPs, however we are concerned that the proposed reforms will do the opposite of what is intended.

In particular, we are concerned that the proposed reforms would:

- increase the financial and administrative burden for a number of organisations by introducing an additional layer of regulation and reporting; and
- limit the advocacy activities of organisations by imposing new and unnecessary additional red tape.

Central among the proposed reforms is that all DGRs be required to become charities registered and regulated by the ACNC.

At present 92% of DGRs are registered with the ACNC. That means 25,760 of 28,000 DGR entities are already governed by the ACNC regulatory framework, which requires annual reporting. The discussion paper proposes to require all DGRs (except government entities) to be registered as charities, bringing more than 2,000 DGRs under the ACNC regulatory framework.

Initiating a rolling review and audit process for these organisations would be costly and the case has not been made that such a cost is justified given the current nature of the risk.

Further, the ACNC and the ATO already have the power to undertake reviews and audits where they believe they are warranted.

Our view is that a detailed and robust regulatory impact assessment must be undertaken before any legislative changes are introduced.

In addition, **the proposed reforms must be considered within the wider context of growing legal and administrative restrictions placed on civil society in Australia**, and in particular, on permissible advocacy activities.

Charities undertaking advocacy has been recognised as both a legitimate activity and one essential to our system of parliamentary democracy. It is an important approach which charities can use to address the causes of societal problems, rather than just the symptoms – this often requires policy change.

Increased regulation of permissible advocacy activities for the charitable sector risks undermining public debate and stifling legitimate criticism of public institutions, including government.

It would be remiss if the wider impact of these reforms is not considered in the discussion paper.

Yours sincerely,



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