

PRODUCTIVITY COMMISSION

Happy Valley Community Association Inc submission 5 May 2023

Background

Happy Valley Community Association Inc (“HVCA”)

ABN 24 936 006 023

HVCA is a not for profit association to represent the interest of the community of Happy Valley on K’gari / Fraser Island.

Information request 5

Other tax concessions for not-for-profit organisations

The Commission is seeking views and information on the following.

- The role and effectiveness of tax concessions (other than those available under the DGR framework – see above) in supporting the operation of not-for-profit organisations and philanthropy.
- Anomalies and inequities in the operation and application of particular concessions.
- Unintended and adverse consequences arising from compliance with concession eligibility criteria, including those applicable in Australian States and Territories.
- The efficiency, effectiveness and equity of tax concessions in supporting not-for-profit organisations, and how they compare with alternative approaches to providing government support for not-for-profit organisations

HVCA submission

Tax concessions include:

- Income tax exemption;
- FBT exemption concession; and
- GST concessions.

Income tax exemption is provided to NFPs under two broad headings-

- Those organisations whose activities are within the specific exemption categories contained in Division 50 of the ITAA 1997 including,
- Those organisations who are required to apply for income tax exemption (ITEC).

Division 50 prescribes requirements that must be met to retain income tax exemption by a NFP.

HVCA has self-assessed itself to be income tax exempt as a Community organisation

The two specific tests are

1. Comply with all the substantive requirements in its governing rules (paragraph 50-50(2)(a));
and
2. Apply its income and assets solely for the purpose for which the entity is established (paragraph 50-50(2)(b)).

HVCA applies all of the funds generated to further the objects in the Constitution.

HVCA does not receive government funding, but rather generates its revenue from membership income and volunteer effort.

If HVCAe was required to pay income tax, this amount would restrict the ability to deliver services to the community.

The introduction of the annual return for non-charity income tax exempt NFPs will over time provide the regulatory structure for the Federal Government as the controller of the income tax legislation, to be satisfied that those who have access to the income tax exemption remain qualified to receive access to that tax concession.

This requirement will apply to HVCA and the organisation has no hesitation in supporting this new requirement.