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News release

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GST Free Kick for Political Parties

Minister Kemp Misinformed

Assistant Treasurer Rod Kemp has been seriously misinformed about the implications of GST legislation if he believes political parties will not be treated as charities under GST law, the Australia Institute said today.

The Institute was replying to a statement from the Minister's office that sought to challenge an Institute study released yesterday. The study found that political parties could be treated as charities and claim the same GST-free status as soup kitchens or women's refuges.

"The Assistant Treasurer's response to the Australia Institute's report on the benefits to political parties from the GST deliberately avoids the critical issue raised by the Institute which is that political parties have access to the same GST-free provisions as do charities", Institute tax specialist Julie Smith said.

"The GST Act says that non-commercial activities of 'gift deductible entities' are GST-free. Political parties are defined as 'gift deductible entities' in the Income Tax Assessment Act."

"This means that if political parties can put on a cheap dinner for rich corporate donors, for example, or provide them with a range of other valuable goods at less than commercial rates then those supplies are GST-free. Political donations from those courted in this way are also GST-free."

Income tax laws make political parties 'gift deductible entities' and therefore eligible to access GST concessions as charities under GST laws if they charge at less than 50% of market value for their supplies.

"It is disingenuous of Senator Kemp to infer the contrary."

As for community childcare centres, some will be below the \$100,000 threshold for compulsory registration but may choose to register in order to avoid being input taxed. Along with those above the \$100,000 threshold, they would be required to charge GST on their activities other than those directly related to childcare services.

The point is that community childcare centres are not considered to be charities by the Government's tax laws and are therefore denied access to GST-free provisions on their non-

childcare supplies, while political parties can access such concessions. This is an extraordinary principle for the Government to be defending.

The Assistant Treasurer is also silent on the capacity of political parties to access GST-free provisions for raffles and bingo.

“The Australia Institute spoke with the Tax Office which confirmed that political parties can access these provisions,” said Ms Smith.

“What is more, the government itself, in saying on Channel 9 News that the loophole has only minimal financial implications, appeared to be acting on advice. What advice has the government received on this matter, and what action did it take on this advice?”

Institute Executive Director Clive Hamilton said Senator Kemp appeared also to be under a misapprehension about the role of the Australia Institute.

“The Institute is an independent research body”, said Dr Hamilton. “We are not a lobby group and we have no political affiliation or association with any political party or political group. We research issues of current interest and put our findings into the public domain, that is all.”

Defining Charity in A New Tax System can be read under ‘What’s New’ at The Australia Institute’s web site: www.tai.org.au.