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News release

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Amend GST-Free Sop to Political Parties, say Tax Law Experts

Experts back The Australia Institute

Leading tax lawyer Cynthia Coleman, Associate Professor at the University of Sydney, has come out in support of claims by The Australia Institute that current GST laws permit political parties to claim GST-free concessions intended for charities.

Author of a well-known taxation law text, Professor Coleman says:

“It’s pretty clear to me that there is a problem with the legislation.”

“Political parties get themselves under this GST concession because they are gift-deductible entities under Division 30 of the Income Tax Assessment Act.”

“Previously when unintended consequences have arisen, they been dealt with by amending the law in keeping with the original intention, and I would certainly expect that would be the case here.”

“No one would seriously contend that political parties are charities”.

Professor Coleman’s comments follow a week of confusion in government ranks with the Prime Minister arguing that GST-free treatment simply put political parties on the same basis as other non-profit organisations, and senior tax official Rick Matthews contradicting him with the statement that all political party fundraising would be subject to GST.

Assistant Treasurer Kemp has said ‘nothing in the GST Act makes political fundraising dinners GST-free’. But Dale Boccabella, lecturer in taxation law at University of Western Sydney-Nepean observes this statement could be misleading.

“It is the interaction between the GST concessions and the income tax law which facilitates such dinners possibly being GST-free,” Mr Boccabella points out.

For Dale Boccabella, too, the issue is clear cut legally.

“Registered political parties can access the GST concessions on provision of non-commercial supplies.”

“However, the broad intent of the provisions is for delivery of welfare, for example low or no cost accommodation for the homeless.

“Political parties hardly fit that category.”

Meanwhile, the ACTU's Bill Mansfield says that the PMs claim of no preferential treatment for political parties is 'nonsense'. The trade union movement gets caught up in the GST despite being 'non-profit'.

Australia Taxation Office literature confirms that a range of non-profit organisations are not considered 'charitable', including "sporting, recreational, and social clubs", "professional or trade groups", or "traditional service clubs like Rotary and Lions clubs". Non-profit childcare centres or RSL clubs are also not viewed as 'charities', and are barred access to the GST-free provisions enjoyed by 'charitable institutions' and 'gift-deductible entities' such as political parties.

"The issue remains - should political parties be able to access GST concessions intended to assist those dishing out welfare?" said Julie Smith, tax researcher at The Australia Institute.

"What is the Government's policy about GST and political parties' privileged access to GST-free provisions? Is the situation an 'unintended consequence' or a deliberate policy decision?"

As Dr Clive Hamilton says: "In the public's mind, the integrity of our political parties can only be diminished by this debacle. It is one thing for the definition of charities under GST rules to be in a mess, it's another thing for political parties and their 'clients' to profit from the confusion."

The Australia Institute's report on the GST and charities can be read on its web site:

www.tai.org.au.