

8 August 2017

To Treasury,

dgr@treasury.gov.au

L1 Endeavour House
1 Franklin Street
Manuka ACT 2603

+61 2 6130 0530
mail@tai.org.au
tai.org.au

ABN 90 061 969 284
ACN 061 969 284



Re: Tax deductible gift recipient reform opportunities

The Australia Institute would like to make this brief submission to the Treasury discussion paper on Tax deductible gift recipient reform opportunities.

The Australia Institute is a Canberra-based think tank, registered as a charity with the ACNC. We conduct research on a wide range of economic, policy and political issues.

We wish to comment on **Consultation question 12**:

Stakeholders' views are sought on requiring environmental organisations to commit no less than 25 per cent of their annual expenditure from their public fund to environmental remediation, and whether a higher limit, such as 50 per cent, should be considered? In particular, what are the potential benefits and the potential regulatory burden? How could the proposal be implemented to minimise the regulatory burden?

It is concerning that the Discussion Paper ask for views about the potential benefits of requiring environmental organisations to direct funds towards remediation, without also asking for consideration of the negative impacts of such restrictions for advocacy, or the policy rationale for doing so.

The Australia Institute has a long history of work on the important role of advocacy in our political system and the economic basis for providing DGR status to groups conducting such advocacy. More recently we have conducted research into the case for DGR status for environment groups. We bring your attention to relevant reports, which are attached.

The Australia Institute's September 2015 report "***Who Says? Public support for environmental advocacy***" outlines nationally representative polling on these issues.¹ The research demonstrates strong public support for the idea that DGR status should be available to groups conducting advocacy and campaigns on environmental issues.

¹ Swann (2015) *Who Says? Public support for environmental advocacy*, The Australia Institute www.tai.org.au/sites/default/files/Swann_2015_DGR_Support.pdf

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Figure 1 - Tax deductions on donations to groups engaged in what activities?

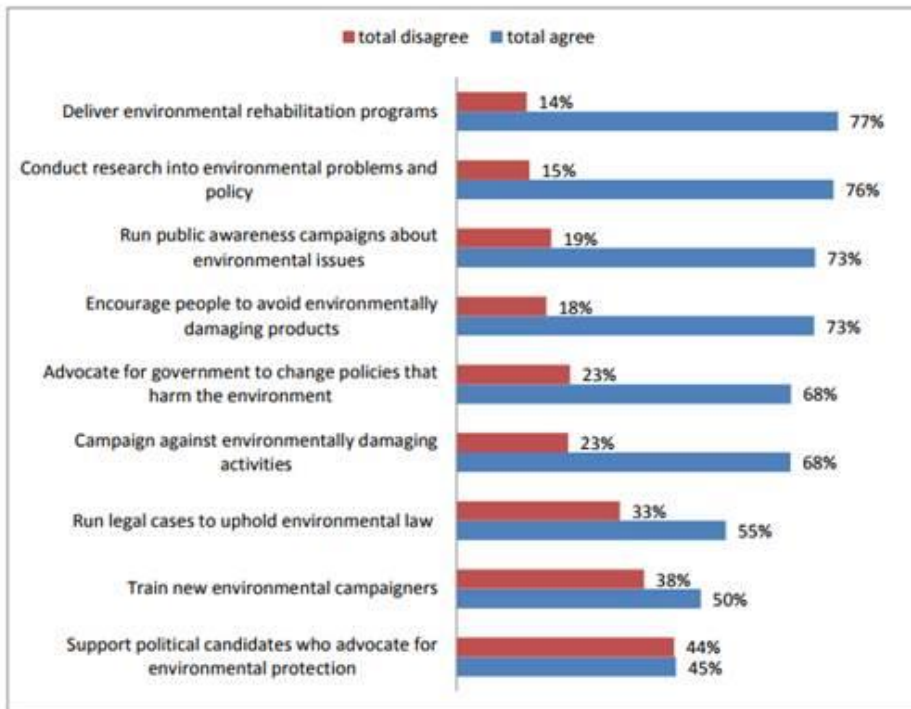
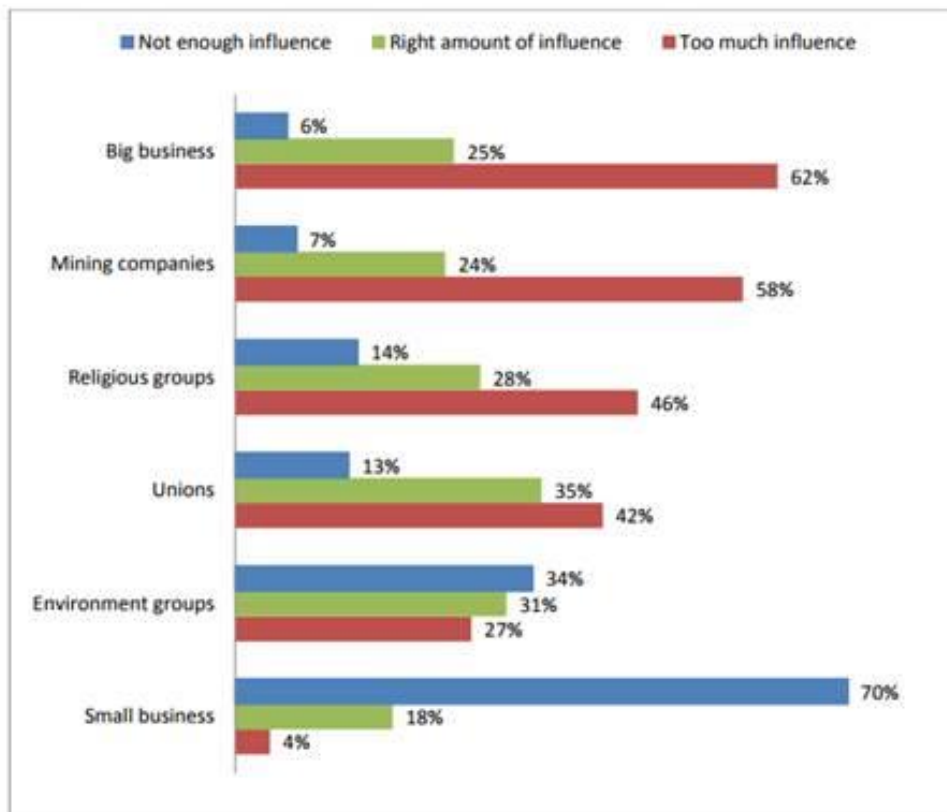


Figure 2 - How would you describe their role in public debates?



The research shows that the view of some lobby groups, politicians and commentators that “the public expects” environmental groups to focus on “on-ground” works like tree planting is not correct. While DGR status is supported for such purposes, there is also strong support for its use for advocacy. The view of most Australians is in line with the High Court’s rulings regarding DGR status for advocacy amongst registered charities, noting the essential role of advocacy in our constitutional system.

The polling also asked about the influence of different groups on Australian public life. Only around a quarter said that environmental organisations had too much influence, with a third saying they had too little influence. By comparison, clear majorities said ‘big business’ and ‘mining companies’ had too much influence.

We further draw your attention to The Australia Institute’s June 2015 report **“Powers of Deduction: tax deductions, environmental organisations and the mining industry”**.² Mining lobby group revenues in the decade to 2014-15 were \$484 million (average \$48 million per year); this figure does not include in-house marketing and lobbying or use of third party lobbyists, for which data is not available. As the report explains, this expenditure operates as a tax deduction for businesses seeking to increase their influence over political decision making.

By contrast, the cost to the budget of DGR status for those environmental groups highlighted by the NSW Minerals Council was \$18m per year, or around 0.005% of Commonwealth Budget revenue. This very small amount of support provides a critical source of scrutiny of environmentally risky or damaging activities and advocacy for policy to mitigate those impacts, with real world positive environmental consequences.

We also bring your attention to **reports that the ACNC has recently sent letters to some environment groups requesting that they outline how much of their budgets are spent on each on different activities**, for example on research, conservation works, advocacy and campaigns. The policy or regulatory basis for this request for information is unclear. The ACNC risks the perception that it is responding to calls to regulate with regards to these activities before any such decision has been made and while the debate about such regulation continues, as it does in your discussion paper. ACNC could assist by explaining the reason for requesting such information and whether there has been any government direction to do so.

Sincerely,

Tom Swann

Research

The Australia Institute

² Campbell et al (2015) *Powers of deduction: Tax deductions, environmental organisations and the mining industry*, The Australia Institute, <http://www.tai.org.au/content/powers-deduction-tax-deductions-environmental-organisations-and-mining-industry>

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