



Response to the Australian Government Re:think Tax Discussion Paper March 2015

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Introduction

The Australian Government's discussion paper on taxation invites ideas on how to achieve a lower, simpler and fairer system that encourages higher productivity and workforce participation.

Australian charities are instrumental in achieving the Commonwealth Government's objectives of enhancing fairness, productivity and workforce participation. Charities provide a social and economic safety net for children and families that are unable to fully participate in the social and economic life of the community due to disability, poverty or transitional life circumstances. Through our work with clients, pathways are forged that reconnect many disadvantaged people to work and economic activities. In recent times the role of charities in increasing national productivity and workforce participation has become even more critical given the reduction in social investment due to austerity policies being implemented by State and Commonwealth Governments.

The continued viability of Australian charities is currently at risk. Increasing demand for services, increasing salary costs and a reduced, static or low growth funding base is eroding service capacity.¹ The Productivity Commission through its inquiry into the Not for Profit (NFP) sector found that most economically significant charities and other NFP organisations receive a third of their income through Government contracts with the balance being generated through fee for service and fundraising activities.² Given the reduction in social investment by Australian Governments, charities are endeavouring to respond to a diminishing financial base through increased fundraising and fee for service work. If these activities are either directly or indirectly taxed the sector would likely diminish, with the potential result of Australian Governments needing to support those impacted financially through social benefits, or those supported by charities facing ongoing and entrenched disadvantage.

About BoysTown

BoysTown is a national organisation and registered charity which specialises in helping disadvantaged young people and families. Established in 1961, BoysTown's mission *is to enable young people, especially those who are marginalised and without voice, to improve their quality of life*. BoysTown believes that all young people in Australia should be able to lead hope-filled lives, and have the capacity to participate fully in the society in which they live.

BoysTown currently provides a range of services to young people and families seeking one-off and more intensive support including:

- Kids Helpline, a national 24/7 telephone and on-line counselling and support service for five to 25 year olds with special capacity for young people with mental health issues
- Accommodation responses to homeless families and women and children seeking refuge from domestic/family violence
- Parenting programs offering case work, individual and group work support and child development programs for young parents and their children
- Parentline, a telephone counselling service for parents and carers in Queensland and the Northern Territory
- Paid employment to more than 250 young people annually in supported enterprises as they transition to the mainstream workforce
- Training and employment programs that skill approximately 5,000 young people each year, allowing them to re-engage with education and/or employment; and

¹ Refer to the Australian Council of Social Services 2014: The Australian Community Sector Survey 2014

² Productivity Commission, 2010. Contribution of the Not-for-Profit Sector (280-281)

- Responses to the needs of the peoples of the remote Indigenous communities of the Tjurabalan in Western Australia.

BoysTown is constituted as a Company Limited by Guarantee and is registered as a Public Benevolent Institution (PBI).

Our organisation has its own independent income derived from an active national fundraising program including the BoysTown Art Unions, corporate sponsorships, work-place giving programs, donations and bequests. Approximately 70% of BoysTown's operational income is derived from this fundraising program with the remainder being comprised of Commonwealth and State grants and fee for service activities.

We place great importance on our independent fundraising capability as it allows the organisation to deliver high impact services by supplementing Government funding as well as initiating services in response to the needs of young people and their families in areas where Government funding has been traditionally limited. Such services include BoysTown's domestic/family violence program, national telephone and online counselling services for children and young people (Kids Helpline) and responses to address youth unemployment (BoysTown's Social Enterprises).

Discussion Questions:

47. Are the current tax arrangements for the NFP sector appropriate? Why or why not?

It is our view that it is in the best interest of the Australian community and its various governments for NFP organisations to retain the existing range of tax concessions. The reasons for this position are outlined below.

1. NFP organisations are efficient providers of services that benefit the public. Services provided by NFPs would not be provided or would be limited in their provision if either private businesses or Government were the only providers of community services.

NFPs are efficient generators of social value. NFP services also increase the efficiency of the market by correcting market failure through the provision of goods and services that benefit the community and which are unlikely to be provided or would only be provided in a limited way if left solely to Government and private business.

This stance was supported by findings and recommendations of the last major Inquiry into the tax system known as the Henry Review. This Inquiry found that:

- NFP organisations generated and delivered goods and services with far reaching public benefits that would most likely not be provided by private business and Government
- NFP organisations are more effective in delivering services than Government and the private sector
- NFP goods and services often support Government social policy objectives³

Consequently, Recommendation 42 in the Henry Review calls on the Australian Government to retain existing income tax and GST concessions for NFP organisations. Furthermore, this Recommendation calls for Government to allow these concessions to be applied to any commercial activity owed by NFP organisations for fundraising purposes.

³ Commonwealth of Australia, 2010. Australia's Future Tax System: Report to the Treasurer (B3-1)

BoysTown's operations demonstrate the validity of these findings. All of our services provide both social value to the community and are supportive of the Australian Government's social policy agenda. For the purpose of illustration, three (3) examples are outlined below. These particular services aim to increase the participation of youth in employment, reduce the adverse consequences of mental health that hinder workforce participation amongst the young, and increase the safety of women and children experiencing domestic/family violence.

These programs would not exist except for BoysTown's ability to fund them from income raised through our fund raising program. All of these programs are either fully or mostly self-funded. The loss of taxation concessions would reduce BoysTown's income and constrict the organisation's capacity to fund these and its other programs thereby reducing public benefit and increasing market inefficiency. Similarly, this would apply to all charities delivering services to disadvantaged people in our community.

The examples are:

a. Increasing Youth Employment: BoysTown Social Enterprises (Intermediate Labour Market Programs)

Intermediate Labour Market (ILM) social enterprise programs are an important pathway to assist youth who are at risk of chronic unemployment. BoysTown has experienced considerable success in delivering ILM social enterprise programs that enable at risk and disengaged young people to develop their vocational skills, address their barriers to employment and to make the transition to employment in the open labour market or move into further training such as apprenticeships.

BoysTown's social enterprises employ young people who have experienced long term unemployment. The enterprises are operated as real work environments where participants earn a wage while gaining work experience and improving their employability. BoysTown social enterprises usually involve employment in construction, land regeneration, landscaping and maintenance of public spaces.

In a four-year Australian Research Council (ARC) linkage project undertaken by Griffith University in partnership with BoysTown, the survey data from 542 young people in BoysTown's ILM social enterprise programs indicated a high success rate for transition into the mainstream workforce with 61.3% obtaining full-time employment, re-engaging with education or progressing into further training. A further 11.9% of participants obtained part-time or casual employment. Of the BoysTown participants who gained full-time employment outcomes, 89% were still engaged in work after 13 weeks and 80.3% achieved sustainable outcomes of at least 26 weeks. The overall 73.2% positive employment and education outcome rate for participants in BoysTown's social enterprises were higher than the benchmarks achieved for young people with similar profiles in the then national Job Services Australia employment programs.⁴

This case study outlines a commercial activity conducted by a NFP organisation to promote youth employment, particularly for young people most disconnected from the workforce. This activity is consistent with the Australian Government's employment policy of increasing youth participation in employment. Although a Social Return on Investment (SROI) evaluation has not been undertaken on this initiative the social value of other programs involved in achieving employment outcomes with long term unemployed youth is significant. For example, a program BoysTown conducted in

⁴ A summary of the ARC study can be found on the BoysTown website at the following link: <http://www.boystown.com.au/downloads/rep/BT-Reconnecting-Disaffected-Youth-Through-Successful-Transition-to-Work-Summary.pdf>

Western Sydney that had the purpose of transitioning long term unemployed youth into mainstream employment showed a social return on investment of 1:11.6. In other words for every dollar invested in the program \$11.6 of social value was created. Consequently it can be assumed that the social value of these enterprises would be significant.

Despite the social and economic value of ILM social enterprises, generally, social enterprises show a productivity deficit as revenue does not cover operating costs. Social enterprises have higher cost profiles than similar commercial activities due to the nature of its workforce and the subsequent need to provide case management, specialist counselling, training and other support to participants to support their engagement in work⁵. BoysTown's social enterprise programs have an annualised productivity deficit of about \$12,000 for each participant. Consequently it is unlikely that a commercial provider would be interested in operating a social enterprise that cannot cover costs even though evidence demonstrates that it is effective in achieving workforce entry for disadvantaged youth and creates significant social value.

b. Responding to Mental Health Concerns: Kids Helpline

Kids Helpline is Australia's only 24/7 national telephone and online counselling service for children and young people aged 5-25 years. In 2014 there were 368,461 attempts by children to contact the service. Kids Helpline was able to respond to 213,666 of these attempted contacts.⁶ The restriction on our ability to respond to all contacts is the lack of available funds. Kids Helpline is 70% financially supported by BoysTown's fundraising program. Government at both State and National levels only provides 30% of its operating budget.

Mental health concerns are prevalent amongst children and young people aged up to 25. The Australian Institute of Health and Welfare estimates that one in four young people under 25 experience a mental health disorder in any one year⁷. Consequently, Kids Helpline responds to a high number of contacts associated with mental health concerns. In 2014 Kids Helpline answered 16,181 contacts where it was the assessment of the counsellor that the contact involved a mental health issue.⁸

In an independent evaluation it was found that Kids Helpline is effective in assisting young people to manage their mental health disorders.⁹ This enables children and young people to engage in education thereby enhancing their employability as well as sustaining work. Mental health disorders have a national impact on productivity and workforce participation. Recent Australian research has demonstrated that high psychological distress increases employee absenteeism and reduces work productivity by up to 20%, equating to a yearly loss of \$5.9 billion to the Australian economy.¹⁰ It can be argued that Kids Helpline telephone and online counselling services, by enabling young people to improve the management of their mental health disorders, supports their continued education allowing them to develop employment skills and/or supports young people in their employment which directly enhances the productivity of the Australian economy.

It is interesting to note that the independent evaluation of Kids Helpline showed a social return on investment to the community from the service of 1:16.¹¹ In other words for

⁵ Bodsworth, E. 2013. Working Futures Initiative evaluation, (57)

⁶ Kids Helpline 2014. Insights 2014: National Statistical Overview available at <http://www.kidshelp.com.au/upload/22973.pdf>

⁷ <http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=10737419259>

⁸ Kids Helpline 2014. Insights 2014: National Statistical Overview (46)

⁹ Netbalance (2011) Optus and Kids Helpline Partnership SROI Evaluation

¹⁰ e-Mental Health Services in Australia 2014: Current and Future

¹¹ Netbalance (2011) Optus and Kids Helpline Partnership SROI Evaluation

every dollar invested in the service nearly \$16 of social value that directly benefits the community is created.

c. Increasing the safety of women and children experiencing domestic/family violence

BoysTown's domestic and family violence program that provides crisis and transitional housing as well as counselling and support to women and children leaving situations of domestic and family violence is fully supported by BoysTown's fundraising program.

According to an Australian Bureau of Statistics report, 1.48 million Australian women had experienced violence from a current or previous partner. Almost one in four children in Australia have witnessed violence against their mother or stepmother¹². New government research shows that each year violence against women costs the nation \$13.6 billion¹³. There is considerable research indicating high levels of unmet need for places of safety for women and their children experiencing domestic violence.¹⁴ Although it is the clear policy intent of all Australian Governments to increase the safety of women and children where domestic and family violence is present, increased funding to respond to unmet need has not been evident.

The BoysTown program responds to this significant community need by providing housing support and counselling assistance to at least 51 women and their children annually. BoysTown fully funds this program which costs approximately \$1.2 million annually.

As previously stated the ongoing viability of this program would be at risk if BoysTown was stripped of its taxation concessions.

2. The capacity of NFP organisations to deliver public benefit and social value would be reduced by the withdrawal of tax concessions

The Australian Community Sector Survey (2014) provides evidence that NFP organisations are under severe stress.¹⁵ Over 80% of participating social service organisations (N=305) reported some difficulty in being unable to meet demand. In particular those organisations providing services to people and families on low incomes or with specific needs reported the greatest level of demand pressure. For these organisations 49% of services reported that they were unable to meet demand.

The gap between service levels and demand was also very significant. For survey participants that were unable to meet demand for their services, 33% reported that their organisation would need to increase capacity by between 11-25% to meet current demand and a further 30% reported a required capacity increase of 26%-50%.

If the withdraw of tax concessions leads to a reduction in net income for NFP organisations then the ability to meet the needs of their clients particularly those most disadvantaged and most in need of services would be further decreased. This is inconsistent with the Government's stated commitment to the guiding principle of fairness in undertaking the review of the tax system.

¹² Australian Federal Government (2009), Time for Action: The National Council's Plan for Australia to Reduce Violence Against Women and their Children 2009-2021', March 2009

¹³ KPMG (2009) *The Cost of Violence against Women and their Children*. Safety Taskforce, Department of Families, Housing, Community Services and Indigenous Affairs, Australian Government

¹⁴ Special Taskforce on Domestic and Family Violence in Queensland, 2014. Not Now, Not Ever: Putting and End to Domestic and Family Violence in Queensland

¹⁵ Australian Council of Social Services 2014: The Australian Community Sector Survey 2014

3. There would be a risk of reduced giving behaviour from the general public to charities

Charities by their very nature are dependent on community support for their survival. It is the community support of charities which enables these organisations to be efficient providers of social value to the community – refer to Point 1 in this section. This support can be given in many various forms. One critical form of support charities receive from the community is gifts and donations.

Australian research by the Australian Charities Fund, ANZ and The Centre for Social Impact called Project Ignite found that giving behaviour was tax sensitive. The study found that 37% of donors to charities were partly motivated by the tax deductibility status of gifts to charities. Gift giving to charities would be negatively impacted by the withdrawal of tax concessions concerning Deductible Gifts or by an imposition of income tax on received donations.

As previously stated this would further restrict the operations of charities in delivering social benefit and value to the community, particularly for the most disadvantaged in our community. This would be inconsistent with the Government's stated commitment to fairness.

4. The effectiveness of NFP organisations would be compromised as the sector would be uncompetitive in the labour market

The NFP sector is responding to increasingly complex social issues such as youth unemployment, mental health and domestic /family violence. Volunteers are extensively used across the charitable sector as an expression of giving behaviour and add considerable value to the work of charities. However there is also a need for charities to employ skilled staff in management and service delivery to maintain the sector's sustainability. Indeed many of the governance and service standards introduced by Government through its tendering processes and the Charities and Not-for-profit Commission require appropriately qualified and skilled staff to implement.

The NFP sector also competes with Government, academic and commercial sectors for staff. Work conditions particularly in the Government and academic sectors are generally significantly more favourable than what can currently be provided by charities to their staff. For example, comparable pay rates and superannuation provisions in the public and academic sectors exceed those offered in the charitable sector.

FBT exemptions are currently a cost effective strategy used by charities to address this imbalance in work conditions between the public and academic sectors and the charitable sector. Withdrawal of these provisions would inhibit charities in recruiting appropriately qualified and skilled staff required to manage and deliver services that are efficient in creating social value and public benefit.

A further issue to consider is the possible industrial relations consequences on charities if the benefit of FBT exemptions were withdrawn. A long established industrial relations principle enforced by Industrial Tribunals is that an employer can not withdraw a staff benefit without compensation. Under the EBA industrial agreement system it is difficult to renegotiate work conditions prior to the expiry of an agreement. Consequently BoysTown and other NFP organisations may be required under industrial practice to compensate staff for the withdrawal of FBT concessions. If this was the case it is BoysTown's assessment that an additional \$4.486 million would be added to our annual staff costs. This is outlined in the Breakout Box 1 below.

Breakout Box 1

As BoysTown is a Public Benevolent Institution (PBI) all eligible staff are able to access the fully grossed-up value of FBT (\$30,000). If BoysTown was placed in a position whereby had to increase their gross salary to ensure those individuals were not disadvantaged the cost would be:

Factor	Number and Value
Number of staff (FTE)	397
Increase in gross salary \$10,000	\$3,970,000
Increase in Superannuation and on-costs 13%	\$516,100
Total Increase in staff costs	\$4,486,100

It appears that there is a specific focus on FBT concessions applied to NFPs, however they are not the only sector for whom such benefits apply. This would highlight inconsistency in approach.

5. Income tax and GST concessions to NFP organisations do not generally compromise competitive neutrality principles

Contextually there is a clear difference between NFP and for profit providers who compete within the same space. The major objective of for profit providers is to return financial value to the owner or shareholders in contrast to that of NFPs which is to provide social value in alignment with Mission.

This observation was relevant to the analysis made by the Henry Review in relation to tax concessions to NFPs and competitive neutrality principles. NFPs operate commercial enterprises to support their charitable purpose. Consequently NFP organisations will not generally undercut the prices of commercial providers and will follow the same pricing policies as their commercial competitors. Furthermore any concern about the over allocation of resources to NFPs due to the presence of tax concessions is offset by the fact that the philanthropic activities carried out by NFP organisations provide public benefit. In light of these considerations the Henry Review's main finding in regard to this matter is that tax concessions for NFPs did not 'generally violate the principle of competitive neutrality where NFP organisations operate in commercial markets'.¹⁶ There have been no shifts in economic or policy areas to invalidate this finding.

6. Reduced investment in research needed to increase innovation and productivity

The impacts from NFP services are intangible and difficult to quantify.¹⁷ The evaluation of services may require costly and difficult longitudinal studies. The withdrawal of tax concessions resulting in reduced income will most likely result in NFPs reducing their investment in research. Generally the Productivity Commission's Inquiry into the NFP sector was critical of the lack of funding for research and evaluation which the Commission argued was essential for facilitating greater levels of productivity and innovation.¹⁸ The withdrawal of tax concessions will worsen this situation.

7. Additional overhead costs will be borne by NFP organisations if taxed

The imposition of tax will require NFPs to both restructure their operations to reduce financial impacts and increase the numbers of administrative staff skilled in accounting

¹⁶ Commonwealth of Australia, 2010. Australia's Future Tax System: Report to the Treasurer (B3-2)

¹⁷ Productivity Commission, 2010. Contribution of the Not-for-Profit Sector (100)

¹⁸ Productivity Commission, 2010. Contribution of the Not-for-Profit Sector (87)

and tax law to manage the new regulations. Furthermore NFPs will need to develop new administrative systems compliant with any new taxation law and associated regulations. The imposition of increased overhead costs will further reduce funding available for services to the disadvantaged.

8. The imposition of taxation on charities appears to be inconsistent with the current Australian Government's stated policy towards civil society organisations

In 2013 in an address to the Centre for Independent Studies, Sydney the then Shadow Minister for Community Services, Kevin Andrews outlined the approach of a Coalition Government towards the charity sector if it gained government. In brief Mr Andrews outlined a policy approach whereby a Liberal Government would be an enabler of civil society associations. This would be achieved by freeing charities of unnecessary State control and red tape to better enable these associations to respond to community concerns. As Mr Andrews stated:

'The political community should be of service to the associations of civil society. That is what the Coalition will endeavour to achieve in government'.¹⁹

Mr Andrews also noted that a Coalition Government would seek to encourage a culture of philanthropy and giving in Australian life.

As argued across the previous seven (7) points in this section of the paper, the withdrawal of tax concessions to charities will be a disabler that will seriously limit the work of charities in supporting the most disadvantaged. Furthermore, rather than encouraging a culture of philanthropy and giving in Australia the implications of a withdrawal of tax concessions on gifts and donations will most likely undermine philanthropic activities.

Consequently any move by the Coalition Government to withdraw tax concessions would be a breach of previous policy commitments.

48. To what extent do the tax arrangements for the NFP sector raise particular concerns about competitive advantage compared to the tax arrangements for for-profit organisations?

As stated in the previous section responding to Question 47 it is BoysTown's view that current tax concessions to NFP organisations raise no concern regarding competitive neutrality and advantage in relation to for-profit organisations.

The last major inquiry into the Australian Tax system known as the Henry Review found that income and GST tax exemptions did not generally violate the principle of competitive neutrality where NFP organisations operate in commercial markets.²⁰ The Inquiry report contained a recommendation (Recommendation 42) that NFP organisations even if operating in contestable markets should retain their income and GST concessions. There have been no policy changes since the time of the Henry Review which would invalidate this finding.

The Henry Review did find that NFP FBT concessions provided competitive advantage in contestable markets as charities could afford to pay market wages at a lower cost. The Inquiry report qualified this finding by also stating that where NFP operations had no

¹⁹ Transcript of an address by Kevin Andrews to the Centre for Independent Studies, Sydney, Tuesday, 23 April 2013

²⁰ Commonwealth of Australia, 2010. Australia's Future Tax System: Report to the Treasurer (B3-2)

direct for profit competition the impact of FBT concessions on competitive advantage was less clear.²¹

Consequently it is our view that the Australian Government needs to consider this issue on a sector by sector basis. There may well be an argument that in the health sector, as the Henry Review identified, that market distortions and unfair competition is present between commercial and NFP providers caused by the application of FBT concessions for NFP health services. However across services in other sectors such as in the community and social services sector within which BoysTown operates, FBT concessions do not provide NFP organisations with competitive advantage as these services by their very nature are unprofitable and subsequently not open to commercial competition.

The other effect for NFP organisations operating in uncontested markets if FBT concessions were withdrawn, is their subsequent impaired ability to recruit staff. As previously noted, NFP organisations are competing with public sector and academic organisations for skilled staff. In view of the higher rates of remuneration for comparable positions within the public and academic sectors compared to the NFP sector, NFP organisations will be even more disadvantaged in being able to attract skilled staff. There is no evidence that the Henry Review examined the impact of removing FBT concessions on NFP organisations vis-à-vis its competitive position with the public and academic sectors for resources.

50. What if any changes could be made to the current tax arrangements for the NFP sector that would enable the sector to deliver benefits to the Australian community more efficiently or effectively?

We believe based on evidence presented in response to Question 47, that NFP organisations are currently efficient and effective providers of social value and public benefits. It is our view that the current tax treatment of NFP organisations operating in the community and social service sector which is largely an uncontested market is therefore appropriate. We believe that the current status quo in relation to the treatment of NFP organisations within the tax system should be maintained as these concessions facilitate NFP organisations' efficiency and effectiveness.

The area the Government needs to examine to improve the efficiency and effectiveness of NFP organisations and reduce compliance costs is in relation to the overlapping and contradictory legislation and regulatory frameworks across State and Commonwealth Governments used to govern the work of NFP organisations. For example national NFP organisations involved in fundraising need to navigate a range of State and Commonwealth legislation and regulation which is incongruous and duplicative. As this issue is outside the scope of this consultation no further detail will be provided. However addressing the systemic issues concerning the formulation and administration of law between the Commonwealth and the States would be more effective in increasing the performance of NFP organisations than tax reform.

Other Issues

We recognise that this consultation is preliminary in nature focussed on receiving feedback and ideas on the development of a lower, simpler and fairer taxation system. However as this paper demonstrates the impacts of withdrawing existing tax concessions from NFP organisations will have significant and detrimental impact both on the organisations and the people they support who most often are the most disadvantaged in our community. Consequently in implementing any reforms that arise from this review

²¹ Commonwealth of Australia, 2010. Australia's Future Tax System: Report to the Treasurer (B3-2)

we believe that the following actions should be undertaken with respect to decisions impacting on NFP organisations:

1. That an Industry Impact Statement with respect to any proposed reforms to the taxation of NFP organisation be prepared to inform decision making processes

The charitable sector is diverse and complex. The impact of taxation reforms will differ across the various sectors and markets within which NFP organisations operate. In terms of the Coalition Government's policy intent that the '*political community should be a service to civil society*'²² it is the responsibility of the Commonwealth Government to fully assess the implications of any proposed reform through an Industry Impact study prior to implementation. The Productivity Commission could be a suitable agency to undertake the impact study. This study should specifically focus on the capability of NFP organisations to meet service and workforce requirements within any new proposed tax system.

2. Utilise a transition (phase-in) period for any new tax arrangements

Any reduction of tax concessions to NFP organisations will most likely result in increased overhead costs and reduced operating income. NFP organisations will require time to review, adjust and implement new organisational structures, service delivery and fundraising strategies. The Henry Review recommended a ten year transition period for reforms that it proposed. We believe that this would be a suitable timespan for a phase in period of any significant changes to current tax concessions.

3. Reallocate the management of this Inquiry from Treasury to the Department of the Prime Minister and Cabinet (PM&C)

The review of the tax system should not be led by the Department within Government responsible for raising revenue. This is an inherent conflict of interest and any subsequent decisions taken from the review will not appear to be without bias. It would be more appropriate for the review to be led by the Department of the Prime Minister and Cabinet (PM&C) which has a whole of Government and community perspective.

Conclusion

The Australian Government is seeking feedback on the development of a lower, simpler and fairer taxation system. This paper argues that the review of current tax concessions to charities and in particular the withdrawal of these concessions will increase NFP overheads, reduce funding for services and innovation, and compromise charities' ability to be efficient and effective providers of social value and public benefits. The restriction on services arising from any withdrawal of tax concessions will also directly deepen the disadvantage of the most disadvantaged people in our community.

The paper also argues that the withdrawal of FBT concessions will not increase competitive neutrality in most sectors that charities operate in as these sectors are uncontested markets because services by their very nature are unprofitable. When the issue of tax concessions to NFP organisations has been reviewed by previous Governments such as through the Henry Review and The Treasury through its consultations on the *Better targeting of not-for-profit-tax concessions* the proposed reforms in response to these reviews have tended to increase Government control over charities and to introduce layers of red tape that would have added to operational costs

²² Transcript of an address by Kevin Andrews to the Centre for Independent Studies, Sydney, Tuesday, 23 April 2013

without any benefit. As Kevin Andrews, a senior Minister in the current Government stated:

'When the State directs the activity of civil society, it enfeebles the ability of citizens to take responsibility for their own community and society'.²³

Charities operating in uncontested markets need to retain their existing tax concessions as this area of the current tax system is lower, simpler and fairer.

²³ Transcript of an address by Kevin Andrews to the Centre for Independent Studies, Sydney, Tuesday, 23 April 2013