



10 August 2011

The Manager
Philanthropy and Exemptions Unit
Personal and Retirement Income Division
The Treasury
Langton Crescent
PARKES ACT 2600

Response to the Exposure Draft – ‘In Australia’ Special Conditions for Tax Concession Entities

To the Manager,

Thank you for the opportunity to comment on the Exposure Draft ‘In Australia’ special conditions for Tax Concession Entities.

Hands at Work in Africa (Australia) Limited (Hands at Work)

Our work is to alleviate the effects of poverty in Sub-Saharan African communities identified as vulnerable through:

- Coordinating and developing community partnerships within Australia and vulnerable communities in Africa to sustain community development;
- The sending of volunteers and teams to support community development projects in African communities; and
- Providing financial, practical and skilled support to community-based partners and projects in African communities.
- Increased community awareness in Australia of the situation of many communities in Africa;

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Hands at Work works in vulnerable communities in 8 countries throughout Africa (South Africa, Zambia, Zimbabwe, Mozambique, Swaziland, Democratic Republic of Congo, Malawi and Nigeria), where HIV/AIDS, poverty and number of orphans are highest and support structures are very low. We support communities to develop a community-owned organization and, through long-term relationship, develop their capacity to care for the basic needs of the vulnerable. Hands at Work in Africa is currently supporting a network of more than 80 community-based organizations throughout Africa, providing basic healthcare, food security and education.

Although there are many examples, one example of the role of Hands at Work in Africa can be demonstrated by our relationship with the community-based organizations in Luanshya, Zambia. For more than 5 years, we have partnered with communities in Luanshya, Zambia. Through regular and committed support, Hands at Work in Africa (Australia) has provided support for:

- the construction of wells to provide clean drinking water;
- establishment of community schools in 3 local communities, enabling hundreds of orphaned and vulnerable children to access ongoing education;
- a food sustainability program within the schools;
- support to build community gardens and income-generating projects.

Through the long-term partnership with these communities, we have sent numerous teams across to Luanshya, Zambia, on an annual basis, to run week-long camps for orphaned and vulnerable children focusing on healing from grief and loss. Through the sending of volunteers, we have encouraged the African people in these communities to continue in their efforts to further develop and support their communities.

The communities served by Hands at Work are entirely volunteer based, relying heavily on the support of organisations such as Hands at Work for the provision of partnerships, international volunteers, skills and financial support. In addition to Zambia, we also have community projects and partnerships in Mozambique, South Africa and Nigeria. As a relatively new charitable organisation in Australia, we are in the early stages of development.

Hands at Work currently has local Australian representation in Victoria and New South Wales. Regular events are held in Sydney, Whittlesea and Ballarat to raise awareness and support of the work of Hands at Work. It is through these events that Hands at Work is able to raise volunteers and vital support to continue the work in Africa.



Concerns

Professional advice suggests that the Exposure Draft will have the following impact on Hands at Work:

- 1. Loss of income tax exempt status** under 50-50(d) of the Income Tax Assessment Act as a member of Australian Evangelical Alliance Inc (Missions Interlink) which is prescribed by law under regulation 50.50.02. This would have a major impact on the core activities of our organization, including a significant reduction to the amount of financial support we provide in assisting the development of vulnerable communities in Africa: building capacity in vulnerable communities; the provision of wells for safe drinking water; the ongoing support of community schools that provide education and meals to vulnerable children; basic healthcare services; as well as resources to increase awareness and support within Australia. An introduction of payable tax would result in much strain being placed on already limited finances. Furthermore, the impact of the loss of income tax exempt status would result in additional administration to fulfil ATO requirements, as well as the impact of the following point.
- 2. Donor organisations would lose their income tax exempt status.** Hands at Work in Africa (Australia) Limited receives monies from organizations such as local churches, schools, as well as small businesses and individuals. If some of these donor organizations, such as the local church, lose their income tax exempt status, then under the Exposure Draft any other tax-exempt organisations that makes a donation to them will lose their own tax exemption. This will have a huge impact on our ability to operate, resulting in low compliance (because of lack of information and understanding), and reduce donations. This will significantly impact our ability to operate in our core activities, directly impacting the community projects that we are currently supporting. Furthermore, this will also lead to donor organisations sending money directly overseas which would result in less control by the Australian government. Hands at Work operates in



partnership with established processes to ensure the funding and support is received and used for its intended purposes. Regular reporting, monitoring and evaluation processes are in place to provide continual assurance that funding is being appropriately allocated. At present, Hands at Work understands that if the ATO is concerned that the donations and other income of Hands at Work is not directed toward fulfilling its charitable purposes, it has the power to request information for the purposes of investigation. This power also extends to a power to revoke the income tax exemption status if Hands were unable to show that its funds are directed toward charitable activities.

Recommendation

We would recommend that to carry out the policy intent of the exposure draft:

1. the new law retains exemptions for all prescribed institutions listed in the current regulations. In addition, a minimum threshold for donations to entities without income tax exempt status should be introduced into the legislation to ensure small organisations are still financially viable; and
2. to maintain security and public confidence, the ATO be given wider investigation powers to ensure that funds directed overseas toward charitable purposes by income tax exempt organisations are in fact directing funds toward charitable purposes.

Prepared for on behalf of Hands at Work in Africa (Australia) Limited.

Carly da Costa

National Coordinator