

10th August 2011

Submission from International Nepal Fellowship [Australia] Limited (ABN 75 090 528 500) regarding:

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

Introduction

The International Nepal Fellowship [Australia] Ltd (trading name INF Australia) is an Australian registered charity that has been serving the people of Nepal through health and development work for 50 years. Working with partners in Nepal, our projects help people marginalised by disability, leprosy, TB and HIV/AIDS, and those in poor and remote communities. We raise awareness of the needs of Nepali people among the Australian community, and recruit volunteers to serve there (over 60 Australians have served through INF Australia to date) and raise funds to support projects in Nepal. We are DGR registered and have a tax deductible overseas relief fund, but many people also support small non-tax deductible projects through us. We have recently become AusAID accredited and we comply with the ACFID code of conduct, demonstrating high standards of accountability and development practice.

Concerns

Professional advice suggests that the Exposure Draft will have the following impact on INF Australia.

- 1. Loss of income tax exempt status:** INF Australia is currently a tax exempt entity under 50-50(d) of the *Income Tax Assessment Act 1997* as a member of Australian Evangelical Alliance Inc (Missions Interlink) which is prescribed by law under regulation 50.50.02. We are an extremely cost efficient and cost sensitive organisation with many activities carried out by volunteers. Losing our tax exempt status would both increase our overhead costs, and reduce our income, putting at risk our ability to engage with the Australian community and potentially making INF Australia unsustainable.
- 2. Donor organisations would lose their income tax exempt status.** We receive donations from individuals, churches, foundations and other tax exempt entities. If INF Australia lost its income tax exempt status, then based on the Exposure Draft as currently drafted, there is nothing to prevent any other tax-exempt organisation from

losing their own tax exemption if it makes a donation to INF Australia. This will have a huge adverse impact on the entire not-for-profit sector in Australia. Furthermore there will be non-compliance because of lack of information and understanding of the proposed legislation, and more donor organisations whose activities are not accountable to Missions Interlink or other such organisations, will send money directly overseas, instead of through charities like INF Australia.

Recommendation

1. Changes to the law relating to charities should be postponed until after the new Charities Commission has been established.
2. The new law retains exemptions for all prescribed institutions listed in the current regulations.
3. A minimum threshold for donations to entities without income tax exempt status should be introduced into the legislation.

Should you need any more information about the work of INF Australia, or want to discuss this further, please do contact me.

Yours sincerely



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