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August 5, 2011

**Submission regarding: Exposure Draft –
'In Australia' Special Conditions for Tax Concession Entities'**

Dear Sir / Madam,

Australian Relief & Mercy Services Ltd (ARMS) is a registered charity and aid and development organization that works with the poor and needy both within Australia and overseas. We are staffed entirely by volunteers.

Our organization is a Public Benevolent Institution that provides direct relief to persons in Australia or in countries that have been certified to be developing countries by the Australian Taxation Office, (ATO) who are suffering from poverty, sickness, suffering, distress, misfortune, destitution helplessness or who are in necessitous circumstances.

We provide positive community based programs that give hope to thousands of needy people in three Australian states but are also involved in disaster and development work in overseas communities where there is need for sustainable development. At this time we are involved in educational, health care, community development, refugee relief and disaster response projects in several countries within the developing world.

Recently the Australian Tax Office released its *Exposure Draft – 'In Australia' Special Conditions for Tax Concession Entities'* for public comment. We are very concerned about this document and professional advice that we have received suggests that our organization stands to lose its tax exempt status if we donate funds to another organization that is not tax exempt.

Within Australia, ARMS supports many programs that benefit those who are in need. We also donate funds to the projects we run and support in the developing world. Although great care is taken to make sure that accountability measures are in place to ensure that the funds we donate are used for the purposes for which they are sent, it is not always possible to donate funds to a recognized organization that is tax exempt. Which according to the advice we have received puts us at significant risk of losing our tax exempt status with ATO. If this were to happen then the churches, businesses, and trusts that currently donate to us could not continue their support of our projects as donating funds to us would put their own tax exempt status with the ATO in jeopardy. If this were to happen the negative impact to our organization would be considerable.

According to the advice we have we could also lose our 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 put at risk the positive impact that organizations such as ours are having.

We also have concerns with regards to the implied compliance burden this legislation could bring to our volunteer based organization.

We would like to ask the ATO to reconsider aspects of this legislation and we would like to make the following recommendations to the ATO on this matter;

1. That a minimum threshold for donations to entities without income tax exempt status be written into the legislation.
2. The new law retain the exemptions for the prescribed organizations that listed in the current legislation.

I remain yours sincerely

A handwritten signature in blue ink, appearing to read 'D Skeat', with a large loop at the end.

David Skeat
National Director