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The Parliament of the Commonwealth of Australia

# Inquiry into the Register of Environmental Organisations

House of Representatives  
Standing Committee on the Environment

April 2016  
Canberra

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ISBN 978-1-74366-498-8 (Printed version)

ISBN 978-1-74366-499-5 (HTML version)

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## Foreword

In seeking to improve the natural environment, many not-for-profit environmental organisations work hand-in-hand with communities across Australia. Much of this work relies on the generous financial contributions of members and supporters. Often these donations are tax-deductible, which recognises the public good that comes from environmental work.

As such, public trust and confidence in the tax-concessional arrangements for environmental organisations is essential. The public should be assured that tax concessions are granted appropriately. Similarly, donors should be assured that their donations are distributed and used in line with their expectations.

This inquiry considered the administration and transparency of the Register of Environmental Organisations, which is the Commonwealth scheme to enable eligible environmental organisations to receive tax-deductible donations. Consistent with the terms of reference, the focus of the inquiry was on the effectiveness of the Register in supporting communities to undertake practical action to improve the environment.

In preparing the report of the inquiry, the Committee has identified measures to strengthen the integrity of tax-concessional arrangements for environmental organisations. The Committee has also identified scope to streamline the administration of the system. The recommendations outlined in the report are intended to make the system clearer for donors, environmental organisations, and the wider community.

On behalf of the Committee, I take this opportunity to thank the environmental organisations, representative bodies, individuals, and other stakeholders who contributed evidence to the inquiry. In particular, I would like to thank the many environmental organisations who hosted the Committee at site inspections around the country. The Committee was consistently impressed with the dedication and

professionalism of these organisations and their clear commitment to achieving lasting environmental outcomes.

I acknowledge the significant commitment made by my fellow Committee members in undertaking the extensive program of public hearings and site inspections around the country. Although we did not always agree on the matters under consideration, I thank my parliamentary colleagues for their constructive approach to the inquiry.

Lastly, I acknowledge the significant contribution made by the former Chair of the Committee, the Hon. Alex Hawke MP, who oversaw the establishment of the inquiry and the initial stages of evidence gathering.

The Hon. John Cobb MP  
Chair



## Membership of the Committee

<b>Chair</b>	The Hon. John Cobb MP (from 9/9/15) Mr Alex Hawke MP (to 9/9/15)
<b>Deputy Chair</b>	Mr Andrew Giles MP (from 20/10/15) Mr Tony Zappia MP (to 20/10/15)
<b>Members</b>	Mr Andrew Broad MP (to 9/9/15, and from 14/9/15) The Hon. Mark Butler MP The Hon. Mark Dreyfus QC MP Mr Andrew Giles MP (to 20/10/15) Mr Alex Hawke MP (from 9/9/15 to 14/9/15) Ms Nola Marino MP Mr Tony Pasin MP Mr Nickolas Varvaris MP Mr Jason Wood MP Mr Tony Zappia MP (from 20/10/15)
<b>Supplementary Members</b>	Mr Andrew Broad MP (from 9/9/15 to 14/9/15) Mr George Christensen MP (from 20/4/15) Ms Sharon Claydon MP (from 12/5/15) Mr Alex Hawke MP (from 14/9/15 to 12/10/15)

## Committee Secretariat

Secretary	Ms Peggy Danaee
Inquiry Secretary	Mrs Renee Toy (from 9/12/15)
Senior Research Officer	Dr Ashley Stephens (from 9/4/15)
Research Officer	Ms Sarah Codrington (from 6/7/15)
Office Manager	Ms Morana Kavgic
Administrative Officer	Ms Kathleen Blunden (to 30/10/15)



## Terms of reference

The Committee will inquire into and report on the administration and transparency of the Register of Environmental Organisations (the Register) and its effectiveness in supporting communities to take practical action to improve the environment. The inquiry will have particular regard to:

- the definition of 'environmental organisation' under the *Income Tax Assessment Act 1997* (Cth) (the Act), including under Subdivision 30-E;
- the requirements to be met by an organisation to be listed on the Register and maintain its listing;
- activities undertaken by organisations currently listed on the Register and the extent to which these activities involve on-ground environmental works;
- reporting requirements for organisations to disclose donations and activities funded by donations;
- the administration of the Register and potential efficiency improvements;
- compliance arrangements and the measures available to the Department of the Environment and the Australian Taxation Office to investigate breaches of the Act and Ministerial Guidelines by listed organisations; and
- relevant governance arrangements in international jurisdictions, and exploring methods to adopt best practice in Australia.





## List of abbreviations

ACNC	Australian Charities and Not-for-profits Commission
ACNC Act	<i>Australian Charities and Not-for-profits Commission Act 2012 (Cth)</i>
ASIC	Australian Securities and Investments Commission
ASL	Average staffing level
ATO	Australian Taxation Office
AYCC	Australian Youth Climate Coalition
Charities Act	<i>Charities Act 2013 (Cth)</i>
CERES	Centre for Education and Research in Environmental Strategies
CORENA	Citizens Own Renewable Energy Network Australian Inc.
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DGR	Deductible gift recipient
EDOs of Australia	Australian Network of Environmental Defenders Offices
ITAA	<i>Income Tax Assessment Act 1997 (Cth)</i>
MOU	Memorandum of understanding





## List of recommendations

### 3 The Register in operation

#### Recommendation 1

The Committee recommends that the Register of Environmental Organisations be abolished and that the administration process for endorsement as a Deductible Gift Recipient for environmental organisations be transferred wholly to the Australian Taxation Office.

#### Recommendation 2

The Committee recommends that registration as an environmental charity through the Australian Charities and Not-for-profits Commission be a prerequisite for environmental organisations to obtain endorsement as a Deductible Gift Recipient by the Australian Taxation Office.

#### Recommendation 3

The Committee recommends that the Treasurer and the Minister for the Environment pursue amendments to the *Income Tax Assessment Act 1997* (Cth) to remove environmental Deductible Gift Recipients listed individually by name in the Act.

#### Recommendation 4

The Committee recommends that the Australian Taxation Office maintain a publicly available list of organisations that receive Deductible Gift Recipient endorsement as an environmental charity.

## 4 Activities undertaken by environmental deductible gift recipients

### Recommendation 5

The Committee recommends that legislative and administrative changes be pursued by the Australian Taxation Office to require that the value of each environmental deductible gift recipient's annual expenditure on environmental remediation work be no less than 25 per cent of the organisation's annual expenditure from its public fund.

## 5 Community engagement with environmental deductible gift recipients

### Recommendation 6

The Committee recommends that administrative sanctions be introduced for environmental deductible gift recipients that encourage, support, promote, or endorse illegal or unlawful activity undertaken by employees, members, or volunteers of the organisation or by others without formal connections to the organisation.

## 6 Reporting and compliance

### Recommendation 7

The Committee recommends that environmental organisations with deductible gift recipient status be required to submit an annual self-assessment to the Australian Taxation Office supporting their continuing eligibility for endorsement as a deductible gift recipient.

### Recommendation 8

The Committee recommends that the Commonwealth Treasury, in consultation with the Australian Taxation Office, review the provisions in the *Income Tax Assessment Act 1997* (Cth) prohibiting conduit behaviour, with a view to providing clear guidance to environmental deductible gift recipients, as to the types of activities that would constitute conduit behaviour.

### Recommendation 9

The Committee recommends that the Australian Taxation Office, in conjunction with the Commonwealth Treasury, investigate options for establishing annual reporting requirements for organisations to maintain deductible gift recipient status as an environmental organisation, where such reporting is to be made publicly available.