

Introduction

- 1.1 Not-for-profit organisations receive government assistance through a range of tax concessions, including the ability to receive tax-deductible gifts and contributions. Tax deductibility is intended to encourage giving to eligible entities that have been assessed as providing a public benefit.
- 1.2 To receive tax-deductible gifts and contributions, an organisation must be endorsed by the Australian Taxation Office (ATO) as a deductible gift recipient (DGR).
- 1.3 To be eligible for DGR endorsement, organisations that undertake environmental work are required to be listed on the Register of Environmental Organisations (the Register), which is administered by the Commonwealth Department of the Environment (the Department).

Related inquiries

- 1.4 In 2011, the Australian National Audit Office undertook an independent performance audit of the ATO's administration of DGRs.¹
- 1.5 Similarly, in 2013, the Not-for-profit Sector Tax Concession Working Group, established by the then Assistant Treasurer, reported on the broader framework of tax concessions available to not-for-profit entities.²
- 1.6 Both reports identified scope for improvements to the administration of DGR status. However, the Committee is not aware of any recent assessments of the Register specifically, or its administration by the Department.

1 Australian National Audit Office, *Audit Report No. 52 2010–11, Administration of Deductible Gift Recipients (Non-profit Sector): Australian Taxation Office*.

2 Not-for-profit Sector Tax Concession Working Group, *Fairer, simpler and more effective tax concessions for the not-for-profit sector: Final Report*, May 2013.

The current inquiry

- 1.7 On 24 March 2015, the Minister for the Environment, the Hon. Greg Hunt MP, wrote to the Committee requesting that it inquire into and report on the administration and transparency of the Register and its effectiveness in supporting communities to take practical action to improve the environment.
- 1.8 On 26 March 2015, the Committee adopted the terms of reference referred by the Minister.

Conduct of the inquiry

- 1.9 The inquiry was advertised on 26 March 2015. Submissions were invited from organisations on the Register, some of the contributors to previous inquiries of the Committee, and other relevant stakeholders.
- 1.10 The Committee received 685 submissions and 21 supplementary submissions, which are listed in Appendix A. The Committee also received 12 exhibits, which are listed in Appendix B.
- 1.11 The Committee received a significant volume of form letters and other correspondence related to the inquiry (10,082 examples of 21 unique form letters or contributions generated via web forms were received, and 215 pieces of correspondence were noted by the Committee). Consistent with the practices of other Committees and previous inquiries undertaken by this Committee, in most cases an example of each form letter received was accepted as a submission and published on the inquiry web page.
- 1.12 The Committee acknowledges that form letters reflect genuine public interest in the inquiry. However, the Committee also notes that, in this instance, the form letters received had limited evidentiary value and imposed a disproportionate administrative burden, detracting from the work of the Committee. Notwithstanding, the Committee appreciates the many detailed and thoughtful submissions from environmental organisations and other stakeholders, especially those submissions which clearly and thoroughly addressed the inquiry's terms of reference.
- 1.13 Due to the strong public interest in the inquiry – particularly from small, community-based environmental organisations with a direct interest in the inquiry – the Committee resolved to undertake an extensive program of public hearings and site inspections around Australia. The Committee sought to hear firsthand about the range of environmental work being supported by the Register.

- 1.14 The Committee heard from a wide range of witnesses at public hearings in Canberra, Brisbane, Hobart, Adelaide, Perth, Melbourne, Bowen, and Sydney. These witnesses are listed in Appendix C.
- 1.15 The Committee met with representatives and members of the following environmental organisations at site inspections in Queensland, Tasmania, South Australia, Western Australia, and Victoria:
- Bulimba Creek Catchment Coordinating Committee;
 - Australian Rainforest Conservation Society;
 - Landcare Tasmania;
 - Quamby Bend Landcare Group;
 - Greening Australia;
 - Murray Bridge Community Nursery;
 - Monarto Zoo;
 - Conservation Council of South Australia;
 - Trees for Life;
 - Cockburn Wetlands Education Centre;
 - Native ARC;
 - Friends of Lake Claremont;
 - CERES Community Environment Park; and
 - Australian Institute of Marine Science.
- 1.16 The Committee also visited Abbot Point – a site that was raised in many submissions to the inquiry – and received briefings from the North Queensland Bulk Ports Corporation and Glencore.
- 1.17 Lastly, the Committee held a private roundtable discussion in Melbourne with members of the Australian Environmental Grantmakers Network.
- 1.18 The Committee expresses its appreciation to all of these stakeholders for taking the time to meet with the Committee and for their significant contribution to the inquiry.

Scope of the inquiry and this report

- 1.19 Throughout this report, and unless otherwise specified, the term ‘environmental DGR’ is used to refer to organisations that are listed on the Register as well as environmental organisations that hold DGR status as a result of being listed by name in Section 30-55 of the *Income Tax Assessment Act 1997* (Cth).

- 1.20 Reflecting the weight of the evidence received, this report has a focus on the administration of the Register by the Department and the activities of registered organisations.
- 1.21 Chapter 2 provides an overview of the establishment of the Register and the requirements to be met by environmental DGRs. The chapter also discusses the relationship between DGR status and charitable status and briefly considers equivalent regulation in international jurisdictions.
- 1.22 Chapter 3 considers evidence in relation to the administration of the Register, including the extent of duplication between the process of seeking and maintaining DGR endorsement and related regulatory requirements. The chapter also considers proposals for reform of the Register.
- 1.23 Chapter 4 presents an overview of the activities undertaken by environmental DGRs. Although it is clear that a broad range of work is undertaken by environmental DGRs, the Committee considered that the terms of reference required a particular focus on on-ground work and practical action to improve the environment.
- 1.24 Chapter 5 considers evidence relating to community engagement with environmental DGRs. The chapter considers donations to environmental DGRs and public trust in the sector, as well as evidence in relation to community concerns with the activities of some environmental DGRs.
- 1.25 The final chapter of this report considers the reporting and compliance framework for environmental DGRs, including the powers available to the Department and the role of other regulators. The chapter concludes with a consideration of options to strengthen reporting and compliance for environmental DGRs.
- 1.26 Given the scope of the terms of reference, many of the matters raised throughout the inquiry were interrelated. Readers will therefore find that each of the terms of reference is addressed across several chapters, and the terms of reference as a whole are covered by the entirety of this report.