Cancer Council Queensland

Inquiry into the implications of removing refundable franking credits

31st October 2018

Committee Secretary
Standing Committee on Economics
PO Box 6021
Parliament House
Canberra ACT 2600

Email: economics.reps@aph.gov.au

Dear Committee members

Cancer Council Queensland (CCQ) is Queensland's leading community-based organisation in cancer control. CCQ is an independent not-for-profit organisation. CCQ raises funds that are dedicated to improving quality of life for people living with cancer, through research, patient care, prevention and early detection.

CCQ is appreciative that charities have been excluded from the proposed policy and will continue to receive a refund for franking credits it has earned from its ASX shareholding investments. However, CCQ feels that this policy will affect our donors, many of who are self-funded retirees, hold shares in the ASX and rely on the franking credits to support themselves and to support charities.

Many donors end up in a tax refund position after they have made tax deductable donations to CCQ or other charities. Under this proposed policy, the donor will effectively be **denied a deduction (or part deduction) for those donations.**

Two of our major donors (one who has donated over $3.5m and another $0.6m, over several years) have advised CCQ that they are unlikely to be in a position to donate, if this policy is introduced, due to the deniability of the tax deduction. There are bound to be many more donors for all charities in this position.

Even smaller donors who give $20, $50, $100 (but make up a significant total for CCQ) could be **denied a deduction** if their financial situation is such that their income is from franked dividends only.

Such donations allow CCQ to pursue its strategic priorities of supporting people affected by cancer, preventing cancer, encouraging healthy lifestyles, improving survival outcomes, along with driving and funding world-class research. All of which would not be feasible without the valuable donations received from our donors.

CCQ foresees the financial ramifications will be felt by all charities across Australia. The Charity sector contributes an estimated $134.5 billion to the national economy, equivalent to eight percent of the Australian GDP. Such contributions can be achieved through donations received from major donors.

Although donors have alternative investment options available to ASX listed shares, such as trusts, managed funds, exchange traded funds and international equities, they are still likely to invest in the ASX and the denial of a franking credit refund (and therefore denial of a tax deduction for donations) will create uncertainty and act as a deterrent to donating.

Recommendation

CCQ would recommend a further carve out be allowed for charitable donations. i.e where the franking credit refund has been disallowed because of a charitable donation, the refund be allowed, at least to the value of the donation.

We encourage that the Standing Committee on Economics consider this proposal as part of the enquiry and broader policy review.

Should you require further details regarding our position on this issue, please contact our Chief Financial Officer, Stephen Morgan

Your sincerely,

Chris McMillan
Chief Executive Officer
Cancer Council Queensland