



Stonnington Scottish Country Dancers Inc.

A0011480T

President: Graham Stanley

Secretary: Sue Stanley

Not-for-profit entities – Tax Assessments

Submission to: Senate Standing Committees on Economics

Introduction

There appears to be more than 155,000 Not-for-profit (NFP) organisations within the Australian community who are caught up in the Federal Government's new self-reporting obligation in relation to either being exempt or required to lodge an annual tax return.

Many of them, if not most, are small community groups involved in activities common to their members. In my case, I am the President of a Scottish county dance club with about 65 members.

As set out in our Statement of Purposes under Section 5 (b) of the ASSOCIATIONS INCORPORATION ACT 1981, our name is, and major purposes are:

1. The name of the incorporated association is **Stonnington Scottish Country Dancers Incorporated**.
2. The purposes for which the incorporated association is established are:
 - (a) To preserve and further the practice of traditional Scottish Country Dancing as recommended by the Royal Scottish Country Dance Society to which the incorporated association is affiliated;
 - (b) To promote, encourage, foster, improve and advance the practice and teaching of traditional Scottish Country Dancing;
 - (c) To achieve the foregoing objects and to improve the standard and knowledge of Scottish Country Dancing by regularly conducting classes and instruction sessions;
 - (d) To conduct dances open to dancers from other groups in the Melbourne and District Branch of the Royal Scottish Country Dance Society and others;
 - (e) To collect and disseminate information of interest to persons interested in traditional Scottish Country Dancing;
 - (f) To hold, organise, conduct or convene meetings, dances, socials, classes and instruction sessions;

- (g) To provide venues for the holding of meetings, dances, socials, classes and instruction sessions;

We appear to be included in NFP self-review reporting obligation because we have an ABN (Australian Business Number). We did not obtain an ABN to conduct any commercial or business related activities; we remain a NFP community organisation. Rather we were required to obtain an ABN when, in 2017, we hired the Malvern Town Hall for our 50th Anniversary Ball. In applying to use the hall, the Stonnington City Council required us to provide an ABN.

We also needed the ABN to apply for a council grant to purchase new music equipment.

Unfortunately, it appears that being a NFP with an ABN has caused our club to caught up in this new taxation reporting requirement.

I know of many other NFP community clubs and societies that do not have an ABN and are not included in this legislation and are not required to fulfill the onerous obligations of this new self-reporting obligation.

This is clearly discriminative. Whether a NFP community organisation holds an ABN that allows it to carry out activities related to its purpose, such as applying for community grants or hiring a venue, should not dictate the compliance burden placed on that organisation.

Recommendation 1: Whether a NFP community group holds an ABN should not impact on its bureaucratic compliance burden.

ATO Letter of April 18, 2024

The first I, and many other organisations, knew about this proposed new regulatory impost was when we received a letter from the ATO headed ‘Your annual self-review reporting obligations’.

The letter began: “Your not-for-profit (NFP) organisation has new annual reporting requirements to notify of its income tax exempt eligibility”.

This was the first time that we had been advised that we were subject to *any* income tax reporting requirements. If this was the case, the ATO had made no previous attempt to inform us of this, and we were not aware of any such process.

The letter then goes on to explain all we needed to know, when to lodge, and how to get ready to lodge online.

While the letter alluded to the simplicity of the process, we had to wade through six different and at times, very lengthy, links to various section of ATO legislation. Often these links led us to other, more complex, links within the ATO’s website.

Following the process set out in the letter generated a significant time and administrative burden on members of our NFP community organisation, who do this as volunteers for no remuneration. However, despite the time invested by our member is trying to understand the process, these links provided did nothing to explain exactly what we had to do to comply with the legislation.

That letter concluded by instructing us to link our (in my case, my personal) myGovID to our club’s NFP return. (Additional information on this below).

While I believe that the ATO has been swamped with enquiries from the concerned and confused NFP organisations seeking information to explain this new annual reporting requirement, the ATO has ruled out simplifying the new requirements for non-charitable NFPs.

The ATO Assistant Commissioner, Jennifer Moltisanti, is reported to have said a return should take “only a few minutes to complete,” and “there’s not much more we [the ATO] can simplify.”

If this is the case, it suggests a deeply troubling lack of understanding within the ATO of the NFP and community organisation sector. For members of our organisation, even those with previous experience in accounting, it is not simple and amounts to a significant, and in our view unnecessary, administrative burden. Ms Moltisanti is presumably far more adept at navigating the Byzantine bureaucracy of the ATO, or has not tried to do the exercise herself.

Recommendation 2: The process of understanding and actioning the ATO’s requirements should be simplified in consultation with the NFP and community group sector.

Definition of a NFP Organisation

There are eight categories into which as NFP organisation can fall:

1. Community service
2. Sporting
3. Cultural
4. Educational
5. Health
6. Employment
7. Scientific
8. Resource Development

Cultural category:- established for the following purposes:

1. To encourage art, literature or music
2. Musical purposes

According to the cultural definition, the main purpose must be to encourage art, literature, music or musical purposes. Art includes drama and ballet, as well as painting, architecture and sculpture. This very narrow definition **does not** include Scottish country dancing, Irish, Greek, Indian or any other national dance (e.g., First Nations’ corroborees).

The narrowness of this definition presents a non-sequitur. Why is only ballet recognised by the ATO as being “Cultural”, compared to all other forms of national cultural dancing?

Our Statement of Purposes clearly establishes the cultural nature of Scottish country dancing.

It would appear that the ATO has very little understanding of what, in this community sense, is “cultural”.

Recommendation 3: The definition of cultural needs to be broadened to include all nations’ dance styles and even dress in consultation with cultural NFP groups.

myGovID

ATO letters of both April 18, 2024, and July 26, 2024, requires: “your associate sets up a myGovID...then links their myGovID to your organisation’s ABN...so you can access Online services for business”.

I assume that in this context, “your associate” is me as the Club’s President.

An individual’s myGovID is supposed to be confidential.

However, given the recent reports of scam emails coming in the name of myGovID, (and I receive three or four a week) I do not believe it would be prudent to link my myGovID to my Association for this reporting requirement. I believe other NFP organisation members would feel the same.

If the NFP section of the ATO needs to contact my club, it already has our Secretary’s name and the address to send communications to.

Recommendation 4: An individual’s myGovID must remain confidential and not linked to their club or society, or any other organisation.

Use your Tax Agent

Paragraph 2 of the ATO letter of July 26, 2024, suggests: “Your tax agent can also lodge on your behalf.”

There are two issues with this advice.

Firstly, my organisation does not have a specific tax agent. It would be prohibitively expensive for a small organisation like ours, and I am confident that this would be the case for other similar NFPs.

Secondly, from my enquiries, several tax accountants I know do not know anything about these new NFP requirements. Others are as confused as the rest of us.

More work for an organisation’s Treasurer

The ATO has advised that my organisation does not fall within any of the eight categories under the self-review process.

We were referred to links to the Mutuality Principle and the process by which our Treasurer can calculate the taxable income of our Association.

This is a very involved process and for a small organisation such as ours, will mean an inordinate amount of extra work for the Treasurer. Extra records will need to be kept to allow the Treasurer to identify whether any revenue is from a member or non-member, calculate any income as non-assessable, assessable or apportionable.

Expenses will need to be allocated as a percentage between members and non-members and classified as deductible, non-deductible or apportionable.

In addition, the Treasurer will need to check whether any other issues need to be covered under the Mutuality Principle for our association.

If the surplus exceeds \$416, then the surplus is taxed at 30% and paid to the ATO.

In today’s society, it is becoming harder and harder to get club members to step into executive positions like Treasurer. Not everyone has the skills to do the job, therefore the more complex the ATO makes this important club position, the harder it will become to fill the Treasurer’s position. This new requirement from the ATO add to this issue.

Running a small community organisation like ours, should be encouraged through minimal administrative burden. It is clear that the way this reporting requirement is being implemented, it will have the opposite impact.

At the end of the day, at Stonnington Scottish Country Dancers Inc., all we want to do is enjoy ourselves and get plenty of physical and mental exercise through Scottish country dancing.

Conclusion

The self-review reporting obligation, and the income reporting process is not simple, but extremely complex. It is causing much confusion and difficulties for all small NFPs such as my organisation.

The process only covers those NFP organisations who have an ABN that, in our case, is only required once in a while for special events.

If the Federal Government is to raise much-needed funds to boost its budget by accessing funds from small NFP organisations, then it will need to simplify the whole process.

But given the small amount of income that may be raised by taxing NFP organisations and the large increase in the public service needed to administer the tax, I would strongly recommend that the ATO abolish this proposed avenue of taxation.

If it were to proceed, it would not only lose money, but it would also cost the Federal Government thousands of votes at the next election.

Graham Stanley
President,
Stonnington Scottish Country Dancers Inc (A0011480T)
Telephone [REDACTED]

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