

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Additional Estimates

2014 - 2015

**Department/Agency: ACNC**

**Question: AET 311-313**

**Topic: Australian Charities and Not-for-profits Commission**

**Reference: written - 06 March 2015**

**Senator: Xenophon, Nick**

**Question:**

311. Following on from the questions I placed on notice last estimates, has the ACNC done any modelling or have any data about how much money has been saved in lost revenue through the tax breaks that would have been given to the 6,000 plus entities that have had their charitable status revoked or removed?
312. Is the ACNC still receiving the appropriate funding, or is it due to be cut off, given the government's intention of abolishing the agency?
313. There is a significant trend world-wide in establishing agencies such as the ACNC to support and enhance the not-for-profit sector, and the ACNC has provided some information on notice about the work it is doing with these agencies.
  - a. What is the general view overseas about the importance of such agencies?
  - b. What economic benefits can be seen in jurisdictions with such agencies, in terms of the operation of the NFP sector?

**Answer:**

**311.** The ACNC is unable to quantify the actual revenue through Commonwealth charity tax concessions that would have been given to the 6,000 charities that have been revoked or removed from the Charity Register as they have not supplied the ACNC with financial information.

Charities are required to provide the ACNC with financial information in their 2014 Annual Information Statement. After 30 June 2015, the ACNC will be in a position to quantify the lost revenue saved for future revocations.

The ACNC has begun analysing the information it has received from charities in the Annual Information Statement. The [Curtin Charities Report 2013](#) was commissioned by the ACNC and uncovered that the combined income of the sector in 2012-13 was approximately \$100 billion. The Charities Report 2014 will analyse the financial information registered charities provide the ACNC as part of the 2014 Annual Information Statement.

The ACNC's revocation/removal of charities from the Charity Register has had a significant impact on the number of organisations with deductible gift recipient (DGR) status. To date, the ACNC has revoked/removed over 793 charities that have held DGR status, and a further 205 that have managed DGR funds.

There are approximately a further 1,000 registered charities with DGR status out of a list of 7,000 that the ACNC has listed as 'at risk' of revocation. This group has been identified as 'Double Defaulters' as they have failed to submit Annual Information Statements for two

**Senate Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**Treasury Portfolio**  
Additional Estimates  
2014 - 2015

consecutive years. The 7,000 charities will receive a notice of intention to revoke their charity status in April 2015 with a revocation date in May/June 2015.

Once this process is complete, the ACNC will have revoked the status of approximately 11% of all registered charities with DGR status, making a significant contribution to lost revenue.

Prior to the establishment of the ACNC there was no national public register of charities. The ATO had a paper based list of the charities it had given tax concession status to at some stage in the past but they had no obligation to keep even basic information such as contact addresses up to date. Many charities self-assessed for tax purposes and were not required to file a tax return with the ATO.

**312.** The ACNC's current budget was not altered in the [MYEFO 2014-15](#) announcement. The Treasury Portfolio Budget Statements (PBS) 2014-15 (on page 198) set out the following forward estimates:

2014-15 Budget	2015-16 Forward Year 1	2016-17 Forward Year 2	2017-18 Forward Year 3
\$'000	\$'000	\$'000	\$'000
\$15,039	\$14,845	\$14,752	\$14,858

The ACNC's three year forward budget will be confirmed in the 2015-16 Budget in May 2015.

**313. a.** What is the general view overseas about the importance of such agencies?

World-wide trend in establishing agencies such as the ACNC

England and Wales have had a Charity Commission since 1853. Since 2006, a number of jurisdictions have established regulators of charities and/or voluntary organisations, including:

Established	Jurisdiction	Name
2006	Scotland	Office of the Scottish Charities Regulator
2006	Singapore	Office of Commissioner for Charities
2007	Malta	Office of the Commissioner for Voluntary Organisations
2007	Brazil	National System of Entities Qualified by the Ministry of Justice
2007	New Zealand	Charities Commission (transferred to Charity Services office in July 2012)

**Senate Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**Treasury Portfolio**  
Additional Estimates  
2014 - 2015

2009	Northern Ireland	Charity Commission for Northern Ireland
2013	Virgin Islands	Non-profit Organisations Registration Board
2013	Jamaica	Charities Authority (designated Authority being the Department of Cooperatives and Friendly Societies)
2014	Ireland	Charities Regulatory Authority

Kenya has had an independent regulatory body, the Kenya NGO Co-ordination Board, since 1992. South Africa has also recently consulted on a new policy framework involving a new regulatory body.

In the United States, a group of 12 pilot state regulators have come together to establish an online portal to allow charities, their professional fundraisers and private foundations to comply with every state's registration and reporting requirements in one online location. Connecticut Assistant Attorney General for Charities and president of the organisation established to implement the portal, Ms Karen Gano, has said:

“Australia was an obvious place to look when advancing this project as the ACNC has achieved a lot in short period of time. The ACNC's 'report once, use often' model with its website and searchable public Charity Register, its user friendly online filing and reporting portal combined with the level of guidance they offer the sector, provides inspiration as to what is possible.”

For more information see the ACNC's [media release](#).

General view overseas about the importance of such agencies

While there are obviously many contextual differences both between and within jurisdictions, there is a clear international trend towards establishing and supporting sector-specific regulation. This trend is being driven by some common concerns, which are increasingly being recognised as important risks to different societies.

These include:

- an increased desire for transparency and accountability of organisations;
- recognition of the risks to the community posed by fraudulent or poorly run charities;
- a recognition of the conflict of interest involved in revenue authorities regulating the not-for-profit sector; and
- concerns over the potential for charities to be misused for terrorist or money-laundering purposes.

For example, the UK Government has recognised the importance of charity regulation as a safeguard against terrorism financing. In 2014, the Government provided the Charity Commission for England and Wales an additional £8 million of funding over three years, and drafted legislation to provide the Commission with new powers – similar to and informed by ACNC enforcement powers. These measures were taken to help the Commission re-focus its

**Senate Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**Treasury Portfolio**  
Additional Estimates  
2014 - 2015

regulatory activity on proactive monitoring and enforcement around the abuse of charities for terrorist and other criminal purposes.

The importance of such regulators was also recently demonstrated by the establishment of a charity regulator in Ireland. The regulator's establishment had been provided for by the Charities Act 2009. As in Australia, there had been a number of inquiries and reviews that had supported the establishment of a regulator for decades prior to the Charities Act 2009, and the Act was broadly supported and welcomed. However, the Authority was not established until 2014, when a public scandal concerning compensation of an outgoing charity executive resulted in the emergency establishment of an interim authority.

**313. b.** What economic benefits can be seen in jurisdictions with such agencies, in terms of the operation of the NFP sector?

The existence of a charity or NFP regulator is expected to involve economic benefits including:

- Increased public trust, with likely increase in donations and involvement in charities
- Removal of charitable status from non-compliant charities reducing waste in donations and tax expenditures resulting from tax concessions
- Increases in brand value and reputation associated with registration
- Reductions in costs borne by charities investigating and seeking remedies for non-compliance including fraud
- Reductions in costs associated with investment in self-regulatory initiatives
- Reductions in costs associated with the provision of free regulatory guidance
- Reductions in costs for donors in identifying key information about charities
- Increases in efficiency and effectiveness due to improvements in governance and compliance stimulated by regulation and facilitated by regulatory guidance
- Increases in efficiency and effectiveness, particularly in jurisdictions with federated structures, due to streamlined regulation and reporting under a consistent national framework.

Given the international trend to establish charity and NFP regulatory bodies, future rigorous research on the economic benefit of these regulators is warranted.

The ACNC commissioned Curtin University to analyse the data collected as part of the 2013 Annual Information Statement and this was reported in the [Curtin Charities 2013 Report](#). This research will be built upon for the 2014 Annual Information Statement, which includes financial information, and this will be an excellent starting point for research into the financial benefits of a charity regulator.