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Dear Sir/Madam

Better Targeting of Not-for-Profit Tax Concessions

Netball Australia welcomes the consultation paper released by The Hon Bill Shorten MP, Assistant Treasurer and Minister for Financial Services and Superannuation on 27 May 2011 concerning "Better targeting of not-for-profit tax concessions" (**Consultation Paper**) which sought public views on how to implement the Government's 2011-12 Budget announcement to better target not-for-profit tax concessions for unrelated commercial entities.

As Australia's leading female sport, Netball Australia and the State Netball Associations are committed to the provision of innovative and sustainable netball programs to facilitate social change and empowerment of women and girls.

Netball is ranked as the leading women's participation team sport and the top team based sport in Australia for 15 to 24 year olds. Over 1.2 million participants enjoy the game nationally and Australia has been dominant on the international stage since 1963. Netball Australia has more than 330,000 registered members; 5,000 clubs nationally; 570 Associations; and eight member organisations.

Netball Australia is afforded applicable tax concessions as Netball Australia was established for sport purposes. On first reading, it would appear that Netball Australia does not undertake activities which might be considered commercial. If this turns out to be incorrect given definitional and other determinations, Netball Australia reserves the right to alter this submission.

Netball Australia is a National Compact Partner and as such is committed to the National Compact's shared vision, purpose and principles.

Netball Australia acknowledges that the not-for-profit sector encompasses a diversity of entities and activities, and that Netball Australia has limited expertise and experience in many of the areas raised in the Consultation Paper. Accordingly, in this submission, Netball Australia will not answer each of the consultation questions separately; rather, this response deals with the policy intent and Netball Australia's observations.



As Netball Australia understands it, the Consultation Paper proposes that not-for-profit entities will pay income tax on profits from unrelated commercial activities that are not directed back to their altruistic activity. Further, the reforms are not intended to affect the availability of tax concessions where activities directly further not-for-profit altruistic purposes even if that activity is conducted in a commercial manner; small scale and low risk activities; and passive investment activities.

Netball Australia supports, in principle, this premise, noting that the Consultation Paper requests input to assist in the definition and or determination of what constitutes unrelated commercial activities of a not-for-profit. Moving forward this definition may prove difficult to define and apply given the scope of the not-for-profit sector.

The Consultation Paper outlines three (3) methods by which the Government could implement the reform:

- 52.1 Option 1 — Unrelated commercial activities could be undertaken through a separate entity which would be taxed equivalently to other commercial entities in Australia;
- 52.2 Option 2 — Unrelated commercial activities could be undertaken in a separate entity, and profits retained in the entity at the end of the year would be taxed; or
- 52.3 Option 3 — NFP entities could undertake unrelated activities within the NFP entity.

All of these options include a number of benefits and challenges.

Implementing Option 1 would likely result in increased compliance costs; Option 2 appears complex and costly to implement and administer; and Option 3 would require separate accounting for related and unrelated commercial activities. Notwithstanding, Option 3 is more preferable as this option would minimise compliance, administration and complexity as it avoids the need for any restructuring of current activities.

Under Option 3, the importance of definitions and determining what small-scale and low-risk commercial activities are becomes even more critical; otherwise, there could be increased costs and administrative burdens as not-for-profits could struggle to develop internal systems for separating their core activities (both commercial and non-commercial) from any unrelated commercial activities.

How a not-for-profit determines the scope of its activities depending on the definition adopted; whether a not-for-profit entity needs to restructure its activities depending on the model adopted; and any resultant transition period may prove complex for many small to medium scale not-for-profits.

Further, scoping out the nature of a not-for-profit's existing activities; any new or planned activities; and applicable review procedures may also prove too complex or too costly for many small to medium scale not-for-profits.

It is critical that any system adopted is “user friendly” and can be adapted given the depth, breadth and scope of the not-for-profit sector. Education, support, and assistance will become essential Government services that the not-for-profit sector will need to draw upon.

Netball Australia welcomes the Government's commitment to reform Australia's Not-for-Profit sector to deliver smarter regulation, reduce red tape and improve the transparency and accountability of the sector; the establishment of the Australian Charities and Not-for-profits Commission; and the harmonisation of the federal, state and territory laws relating to the not-for-profit sector. Care must be taken to ensure there are no unintended consequences as the reform agenda progresses.

Netball Australia looks forward to ongoing involvement in this process.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Nadine Cohen', with a horizontal line underneath.

Nadine Cohen
Head of Strategy and Government Liaison

4 July 2011