

Submission on the workability of the Charities Bill 2003 Australian Red Cross

1. Name and Contact Details

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2. Dominant Purpose of ARC

The mission of the Australian Red Cross is:

- To prevent and alleviate human suffering wherever it may be found;
- To protect life and health and ensure respect for the human being, particularly in times of armed conflict and other emergencies;
- To work for the prevention of disease and for the promotion of health and social welfare;
- To encourage voluntary service and a constant readiness to give help by members of the International Red Cross and Red Crescent Movement and a universal sense of solidarity toward all those in need of its protection and assistance.

3. Principal Reasons for making a submission on the workability of the Charities Bill 2003

With the following exceptions, ARC broadly supports the Bill's basic thrust.

Advocacy as a disqualifying purpose

In its current form Clause 8 places in jeopardy ARC's charitable status. In carrying out the mission, ARC engages in public advocacy and lobbying with the aim of relieving poverty, and improving health or education. This activity includes lobbying Governments and other political parties, researching issues of concern in these areas, developing public policy proposals, and raising these issues in debate in the mass media. As indicated in its strategic plan 2010, The International Movement of the Red Cross and Red Crescent Societies has

committed its resources to increasing advocacy roles as one of the most important tools for achieving the mission.

The Bill creates uncertainty as to ARC's continuing charitable status and attendant benefits, which are crucial to the organisation's continued existence in Australia. The advocacy work of charities should not be restricted to the extent suggested in the Bill.

If legislated in its present form, the Bill could lead to additional administrative costs associated with record keeping and auditing of the advocacy activities of ARC. This would reduce ARC's capacity to attract the donated dollar and reduce the proportion of total funds available for charitable activities aimed at achieving our mission.

Altruism in the core definition

ARC broadly supports the core definition as a clear and workable formulation. We favour the proposition that the public benefit test should specify that charities should be altruistic as defined by the Charity Definitions Inquiry: "unselfish concern for the welfare of others". This is, in our view, an essential distinguishing feature of charity, as understood by most charities themselves and the general community. It is important to distinguish between altruistic organisations, and organisations that improve health, education or welfare in the direct interest of the individuals that control the organisation (for example, friendly societies).

In a competitive environment ARC and other altruistic organisations struggle to attract the resources necessary for achieving their missions. If the definition is extended to non altruistic organisations it may become more difficult to do this.

More than one dominant charitable purpose

ARC's mission is essentially humanitarian and utilises a variety of purposes to this end. It is difficult to identify one dominant purpose when comparing the mission with Clause 10 of the Bill.

Consideration should be given to change the wording of paragraph 4(1)(b) to make it clear that a charity may have more than one "dominant charitable purpose". This is apparent from Clause 6, which refers to "one or more purposes which are charitable". However, the *reference to a single dominant purpose in Clause 4 may lead to confusion.*

Recommendations

ARC's recommendations with regard to the draft Charity Bill are as follows.

Clause 8: Disqualifying purposes

Recommendation 1:

Clause 8 of the Draft Bill should be replaced by a provision along the following lines:
"A Charity may have public advocacy purposes (which could be described in the explanatory material as including "attempts to change the law or government policy"), provided those purposes:

- (1) further, or aid, or are ancillary or incidental to, its dominant charitable purpose or purposes; and*
- (2) do not promote a political party or a candidate for political office, unless such purposes are ancillary or incidental to its dominant charitable purpose or purposes."*

Clause 4: Core definition

Recommendation 2:

Clause 4 of the Draft Bill should be amended as follows:

- (1) *to indicate that the dominant purpose of a charity should be altruistic;*
- (2) *to make it clear that a charity may have more than one dominant charitable purpose (as outlined later on in Clause 6).*

4. ITEC status

ARC is currently endorsed as an Income Tax Exempt Charity. As explained in section 2 above, this entitlement may be altered if public advocacy is legislated as a disqualifying purpose in the Charities Bill 2003.

5. Not Applicable

6. Would Charities Bill 2003 impose any additional administrative burden on ARC. How? What additional compliance costs do you anticipate?

ARC anticipates Clause 8 of the Bill, if enacted unchanged, would increase substantially the cost of recording and auditing the advocacy activities of ARC. Given the importance of charitable status to ongoing ARC operations and the need to unequivocally demonstrate compliance across the diverse activities of staff and volunteers, it is estimated that this costs will exceed \$ 1 M per annum. Training of volunteers alone would create a significant financial burden for ARC.

7. Does the Charities Bill 2003 provide the flexibility to ensure the definition can adapt to the changing needs of society?

If the recommended changes to Clauses 8 and 4 are made, the definition and Bill can adapt to the changing needs of society.

8. If the public benefit test were further strengthened by requiring the dominant purpose of a charitable entity to also be altruistic, would ARC be affected?

ARC is altruistic as defined by the Charity Definitions Inquiry: "unselfish concern for the welfare of others" and recommends that this is included in the public benefit test (See Recommendation 2 above).

**Attachments to the Australian Red Cross
Submission on the workability of the Charities Bill 2003**

- 1. National Statistics – Australian Red Cross, 2002 – 2003**
- 2. Australian Red Cross leaflet**
- 3. Australian Red Cross Annual Report, 2102 – 2002**