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14 May, 2004

Consultation on the Definition of a Charity
The Board of Taxation
C/- The Treasury
Langton Crescent
PARKES ACT 2600

Att: Ms Jane Schwager

Dear Ms Schwager,

RE: CONSULTATION OF A DEFINITION OF A CHARITY

Thank you for your recent invitation for the City of Bunbury to make a submission in relation to the above matter.

Further to our letter of the 27 December 2000 we would like to offer the following comments regarding charitable organizations in relation to local government.

Firstly the original process in the definition of 'Charitable' was certainly archaic and difficult to apply in a rating situation. Having read the proposed legislation it appears that the definition will in fact become even broader and more encompassing in its general terms.

The difficulty in applying the new definition can be clearly shown with the new reference under the heading of "advancement of social and community welfare" and the sub heading "the provision of assistance and support for people who are disadvantaged in the labour market". Two problems for an example are; a) *who*, in this instance, determines who is 'disadvantaged in the labour market?' and b) it is quite feasible that the major population of a given council could be made up of those of a lower social/economic background and thereby all be considered 'disadvantaged in the labour market'.

The same example could mean that the Western Australia Department of Housing and Works is now a charitable organization and its 580 assessments located within the City of Bunbury would become exempt from rates. Taking an average of \$700 per assessment this would equate to a loss of revenue totalling over \$406,000 alone.

A further anomaly that arises out of the present situation is how pensioners and seniors are treated with respect to rating. If a pensioner is able to purchase a residential unit with a organization that is deemed to be charitable then no rates will be paid by that person. Normal pensioners who own their own home

however are only entitled to a maximum of a 50% rebate from the State Government. This problem is not addressed under the new legislation.

Council nevertheless applauds the activities of charitable organizations but the problem experienced by local government is that the increasing numbers of charitable organizations means increasing requests for rate relief (exemption from rates in most cases). This waiving of rate charges on non-rateable properties means a loss of rate revenue – a loss that for the City of Bunbury is currently estimated at over \$80,000 per annum and represents a figure that, as seen above, could easily balloon under the new legislation.

The principal concern is that Council is increasingly expected to offer rate concessions to many organizations often previously financed from Federal/State government sources while at the same time Council itself is forced to operate on ever reduced Government funding.

As such and with respect to this submission Council would like to see either of the following statements recognised by the Board that:

- *If Council is required to operate with legislation that has been broadened as per the proposed Charities Bill then Council requests that compensation of foregone rate revenue be given by State/Federal governments in support of revenue lost as a direct result of such legislation, or alternatively;*
- *If Council is not to receive suitable recompense for lost revenue then Council requests greater flexibility and/or control over the recognition of charitable organizations with respect to the rateability of such situations.*

In closing I again thank you for the opportunity to submit our concerns to the Board and trust that the matters we have raised will be given due consideration.

Yours sincerely,

Greg Trevaskis
Chief Executive Officer

CC: Carolyn Betts
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