



PHILANTHROPY
Australia

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Patrons
Sir Gustav Nossal AC CBE
Lady Southey AC

Re: 2014 AIS Public Consultation Paper

Thank you for the opportunity to comment on the Public Consultation Paper.

Consultation question: related party transactions (medium and large)

Do you agree that medium and large registered charities should separately disclose related party transactions in the AIS as proposed in Attachment (ii)? If not, what approach would you suggest and why?

Yes, medium and large charities should separately disclose related party transactions to the ACNC. This is already a requirement for both Private Ancillary Funds and Public Ancillary Funds under their respective guidelines, which require disclosure in the financial statements of all related party transactions other than gifts.

Charities should have the opportunity to note the reasoning behind payments made to related parties and that such payments are fair and reasonable, if they wish to do so.

Consultation question: Business activity (small, medium and large)

Do you agree that small, medium and large charities should separately disclose information about their business activities as proposed in Attachment (i) and (ii)? If not, what approach would you suggest and why?

The question as posed is unclear, and if it were to be included, significant explanatory materials would be required to more clearly articulate what constitutes a business activity, particularly if all such activity is to be detailed whether or not it relates to charitable purposes. This is particularly likely to be burdensome for small charities or those in regional areas, which often carry out a large number of activities which could be construed as business activities.

The guidance notes provided do not adequately explain what constitutes a business activity. For example, it is unclear whether charging fees to attend counselling classes, selling second-hand items in an op shop, investing surplus funds to generate income, or charging membership fees constitutes a business activity, particularly since the majority of charities will carry out some kind of business or trading activity which is directly related to their charitable purpose. Referring charities to business industry codes is not particularly helpful as it is difficult to correlate the many disparate activities of charities with the simplicity of the codes provided. Given this lack of clarity, as well as the unrelated business income legislation which is currently not finalised and has been delayed

several times since 2011, Philanthropy Australia is not in favour of requiring separate disclosure of business activities.

Consultation question: Reserves (medium and large)

What information, if any, should medium and large charities be required to provide about reserves in the AIS? Why?

Philanthropy Australia supports the proposal to require medium and large disclose only three types of reserves in the AIS.

Consultation question: Financial information collected for small charities

Based on the current proposal in Attachment (iii) is there any additional financial information that you believe should be collected (or not collected) from small charities. Why?

Philanthropy Australia supports the proposal to collect only basic financial information from small charities.

Consultation question: Use of optional questions on the AIS (small, medium and large)

Do you have any comments on the proposal to include optional financial questions in the AIS that charities can complete so they can meet any specific requirements of state, territory or Commonwealth agencies that also apply to them?

Philanthropy Australia supports any measures to reduce duplication of reporting for charities, and is therefore supportive of the use of optional questions in the AIS to collect information that specifically discharges the obligations of charities to report to state, territory and Commonwealth agencies.

Consultation question: ACNC assistance with financial reporting

What types of practical assistance (if any) would you like to receive from the ACNC to help your charity meet its financial reporting obligations to us? When would you like to receive this assistance?

While Philanthropy Australia is unlikely to need such assistance, many smaller charities are likely to require it. In particular, telephone and online support as well as workshops and training in larger centres are likely to be very useful.

Thank you again for the opportunity to provide comment.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Louise Walsh', with a small dot at the end.

Louise Walsh
Chief Executive Officer