



nsw Federation of
Housing Associations inc

Federation Bulletin



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Proposed Start for Taxation of Some Unrelated Business Income of Charities Delayed for 12 Months

The Australian Government announced yesterday that it will extend the start date for the 2011-12 Budget measure to better target NFP tax concessions from 1 July 2011 to 1 July 2012.

The rationale for the extension is the need to consult further with the not-for-profit (NFP) sector. The extension also aims to reduce the uncertainty for the NFP organisations that have commenced commercial activities since the 2011-12 Budget that may be caught by the measure.

What this means is that organisations who have been concerned about the tax concessions on new unrelated commercial activities begun after 10 May 2011 (Budget Night) now have certainty that there will be no potential tax liability retrospectively applied to those activities for the 2011-12 financial year.

The extended start date of 1 July 2012 will only apply to new unrelated commercial activities that commenced after 7:30 pm (AEST) on 10 May 2011. Existing unrelated commercial activities that commenced prior to that date will continue to be covered by transitional arrangements as announced in the 2011-12 Budget. Further information about this measure and the Government's NFP reform agenda can be found at www.treasury.gov.au.

Background

The Australian Government in the 2011-12 Budget announced that it will reform the tax concessions provided to NFP entities limiting income tax concessions to profits generated by the unrelated commercial activities of charities that are directed to the charities' altruistic purpose.

The taxation of non-related commercial activities is matter of critical importance to the community housing sector. Community housing providers deliver services, the vast majority of which are similar to for-profit commercial activities. The community housing sector activities include housing development.

In our submission to the Treasury Consultation Paper '*Better Targeting of Not-for-Profit Tax Concessions*' last year, we have made the following recommendations:

- Compliance costs should be minimised;

- The activities undertaken in the course of providing social and affordable housing should be seen as 'related' to the charitable purpose and not taxed;
- Unrelated commercial activities should be only taxed if there is a significant risk that the income from such activities will not be applied to altruistic purposes;
- Compliance must not commence before required systems can be established.

The Federation will continue to advocate on behalf of the sector for better taxation treatment of community housing. We also support the advocacy efforts of Community Housing Federation of Australia (CHFA) who is represented on the Charities Consultative Committee.

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