

# Charities & Not-For-Profits

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AUSTRALIAN DEMOCRATS ACTION PLAN  
CHARITIES AND NOT-FOR-PROFIT SECTOR  
TAXATION, FINANCE AND CORPORATE AFFAIRS

*The Australian Democrats strongly support the work of charitable and not-for-profit organisations, known as the third sector (NFPs). The Democrats recognise that the role of NFPs is changing and services which were formerly provided by Government or the public service are now provided by it.*

*“It is time to address the regulation of the charities and not-for-profit sector to properly reflect the development of the third sector’s role in a modern democracy.”*

**Senator Andrew Murray**  
Spokesperson for  
Taxation, Finance &  
Corporate Affairs

This transfer of service provision has been done without a proper recognition of the role of these organisations, a haphazard reporting structure, often limited resources and little regulation and accountability. The Democrats therefore propose the implementation of appropriate regulation and accountability measures.

In 1999 the Government agreed to the Australian Democrat’s request to establish an inquiry into the confusing approach to the regulation of charities. In 2000 the Government set up the Inquiry into the Definition of Charities and Related Organisations which reported in August 2001. The 27 recommendations of that Inquiry have not been accepted by the Government and none have been implemented.

Charities and NFPs play an important role in advocacy. The Democrats support this role so that organisations can speak on government policy without fear of funding cuts or loss of the tax advantage provided by Deductible Gift Recipient (DGR) status. A strong democracy and civil society requires that people and organisations can participate in policy debates without fear of repercussions.

## Democrats Action Plan

- Pressure the Government for a broader definition of charities as set out in the August 2001 Report of the Review of the Charities Definition and proposed in Senator Murray’s Discussion Paper July 2006 One Regulator One System One Law;
- Work to establish an appropriate regulator for the sector, either a Charities Commission based on the UK model, or a dedicated division of the Australian Securities and Investment Commission;
- Work to require compliance with advanced integrity, reporting and accountability standards due to the level of public investment in NFPs through direct government expenditures and tax expenditures;
- Sponsor legislation to require the regulation of the third sector to safeguard the public interest. This is necessary because NFPs now provide government services and also represent the interests of the public and community interest groups;



Other ACTION PLANS are available online at  
[www.democrats.org.au](http://www.democrats.org.au)

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- The Democrats recognise that economic or social sectors of the size of the third sector need an overall coherent framework of regulation meeting public expectations and standards which matches the standard of regulation applying in other sectors;
- Encourage corporate philanthropy through tax incentives and the development of partnerships between charities and corporations;
- Monitor the cost of public liability insurance for NFPs through a capped, government underwritten public liability scheme;
- Promote the importance of social capital and the role of a strong civil society; and
- Enhance the freedom for NFPs to communicate on matters of public policy without fear of loss of charitable or DGR tax concessions.

## The Issues

During this Government's term there has been ongoing review of regulatory law for entities in the public and the for-profit sectors to modernise governance and enforce higher standards. This is commendable. However, little has been done to regulate the NFP sector.

The variety of state laws which apply to different aspects of the governance and regulation of NFPs needs to be addressed. Ideally a national NFP regime would see either the harmonisation of laws to make them uniform, or the incorporation into federal law of the different state based Acts.

It is time for the steps to be taken to achieve the reform that is necessary to properly regulate the sector and make it more transparent and accountable.

It must be recognised that the economy is made up of three substantial sectors - the private sector, the public sector and the 'third' sector which comprises charitable and not-for-profit organisations.

The third sector provides services on behalf of the Government including healthcare, education and employment services. Therefore it needs to be regulated to make it accountable to the people who support it, and those who utilise its services.

The sector is diverse, from small local sports clubs which raise funds from a sausage sizzle and memberships, to large international organisations such as the churches that receive Government funding for health and education and provide employment to a large number of people. Regulating such a numerically large and diverse sector is challenging, but not impossible.

The sector has an important advocacy role, to give voice to the voiceless and this role must not be stifled by Government regulation, nor by threats from Government to restrict the DGR status of charities and not-for-profits which speak out on matters of policy, in their area of expertise or interest.