

Committee of Presidents of Medical Colleges

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4 April, 2014

Dear Sir

I refer to the call for submissions in relation to draft legislation, draft regulations and explanatory materials to implement the 2009-10 Budget measure to restate and centralise the special conditions for tax concession entities. Specifically, *Tax and Superannuation Laws Amendment (2014 Measures) Bill 2014: Restating and Centralising the Special Conditions for Tax Concession Entities*.

The Committee of Presidents of Medical Colleges (CPMC) is the peak body representing all of the Australian and Australasian specialist medical colleges which operate as not-for-profit organisations responsible for the training and ongoing education of specialist medical practitioners, and for the advancement of professional standards in their respective fields in Australia, and some, through their bi-national status in New Zealand. A majority of medical colleges have deductible gift recipient (DGR) status as currently defined in taxation law.

While each individual Specialist Medical College may provide their own individual submission on this important draft legislation, citing specific impact on their particular College activities, there are a number of points the CPMC wishes to raise which directly impacts upon all entities.

CPMC understands that for an entity to be exempt from income tax it must satisfy the special conditions of being a non-profit entity, and operate principally in Australia, and pursue its purposes principally in Australia. Similarly, the changes proposed to the threshold for an entity to qualify as a deductible gift recipient (DGR) restrict it to being established and operating solely, in Australia. In addition, within the scope of the proposed reforms are measures to restrict tax exempt entities from having other entities use its funds outside Australia. CPMC understands that the term principally is not less than fifty per cent of operations.

To the extent that tax exempt entities have an obligation to self-assess their ongoing entitlement to exemption, CPMC is concerned the wider range of circumstances that must be considered to assure the 'in- Australia' requirement will make self-assessment more difficult to do.

CPMC is chiefly concerned this legislation will adversely impact on medical colleges and societies, many of which conduct activities outside of Australia, for example in New Zealand, Australasia and developing countries through Asia-Pacific aid programs. Many Colleges have overseas members and trainees. How will these bi-national and long-standing activities be managed in the new laws?

CPMC is the peak body representing the specialist medical colleges in Australia.

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Many Specialist Medical Colleges also collaborate with overseas institutions, and without an exemption, DGR endorsed institutes would be restricted to operating or using donated funds solely in Australia.

Importantly, the 'In Australia' reforms will restrict those Specialist Medical Colleges with DGR listing (the majority) from operating overseas except to a "minor and incidental" extent. Those with DGR endorsed funds will be restricted to using their gift funds for Australian activities.

The concern with the draft legislation and associated material is the potential it has to create adverse conditions and in the current form, has the effect of going against the spirit and intent of the broad policy aim which is for tax concessions to ultimately be for the broad benefit of the Australian community.

In order to enable Specialist Medical Colleges to meet the 'solely in Australia' requirements and allow them to continue Australasian operations, CPMC recommends the draft legislation be amended at section 30-80 (2) after item 9.2.33 to show a list of all Specialist Medical Colleges as a fund, authority or institution. This will have the effect of exempting them in the same way as medical research institutes are from the 'solely in Australia' requirements.

We would appreciate the opportunity to discuss and work with The Treasury to address these concerns. I can be contacted via the CEO, Ms Angela Magarry at ceo@cpmc.edu.au.

Yours sincerely,



A/Professor Michael Hollands Chair