



Speech by

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GOODS AND SERVICES TAX

Mrs LAVARCH (Kurwongbah—ALP) (11.51 p.m.): Last week the Australian Council of Social Service released its findings after surveying 520 front-line community agencies. Its report, *Australians Living on the Edge*, presents a disturbing picture of a community welfare sector under enormous strain. Nearly half the agencies that are struggling to meet the increased demand upon them report that they are having to turn away many clients. Nearly all of these agencies nominated changes to Government policy as the biggest issue they faced. Of course, they are changes to Federal Government policy.

On the same day that those findings were released, the Prime Minister, John Howard, was reported to be seeking the support of welfare groups for tax reform and the GST. I understand that the response from some groups has been to implore the Prime Minister to hold an inquiry into the effects of the GST, especially on food and services for those on low and fixed incomes. They fear, rightfully in my view, that these people will be the greatest affected. This will mean a greater demand on welfare agencies, agencies that are already at breaking point. But what of the effect of the GST on the agencies themselves? The QUT program on nonprofit corporations is currently looking into this aspect of the GST. In particular, Myles McGregor-Lowndes is undertaking an extensive analysis of taxation impacts on this sector. I commend him for his excellent work.

Tonight I will raise members' awareness of the issues directly confronting our nonprofit or community sector and ask that they take the time to become fully informed. I have no doubt that they will be asked many questions by community groups in their electorate should the GST be introduced. If one looks at the coalition's tax reform package, one will find that it contains a list of GST-free activities. What is striking about this list—and what should cause great concern—is that the emphasis has changed from who is sales tax exempt to what is GST free. That means that some activities of community agencies will be GST free whilst other activities will not. Under the present system, many of those agencies are sales tax exempt and do not pay any tax at all. The tax reform package states that charities, public benevolent institutions, community groups and the activities of religious organisations that are not commercial are GST free. But it is not stated whether all organisations currently tax exempt under the Income Tax Assessment Act will continue to be so and qualify as GST free. Also, it is not clear whether sporting clubs, particularly those who earn their income from poker machines, will be GST free.

Another concern that has been raised is the treatment of large organisations like St Vincent de Paul, Lifeline and even the churches that provide a number of facilities such as hospitals, nursing homes, schools and second-hand clothing shops. Will they be treated as one single legal entity or be broken up into each activity or division? If they are treated as one single entity, it could have enormous repercussions on the organisation in respect to tax. The definition of what attracts a GST for nonprofit groups would include second-hand charity shops, any publications or advertising in publications for community groups or charities as well as anything sold, from sweets and lollies at a church fete to lunches at a school tuckshop. Those would attract a GST. It also has serious consequences for charities or community groups that charge a fee for service. Meals on Wheels is one that comes to mind, but I am sure that the list is infinite. More questions are raised than can be answered for the activities of the nonprofit sector.

The treatment of gambling under the tax reform package has also raised alarm for those commenting on behalf of the nonprofit sector. The Howard Government wants to place a GST on the operator's margin. The tax will apply the difference between total tickets sold and the value of the prizes

or winnings. Many nonprofit organisations engage in charity gambling to raise income for services. Members can consider the Endeavour Prize Homes or the Boys Town Art Unions. Then there is the whole question of State gambling taxes. The tax reform package states that a GST on gambling may require a corresponding decrease in State gambling taxes. If a State receives either decreased gambling taxes from the effect of the GST or, alternatively, reduces tax correspondingly, what will that mean to the Gaming Machine Community Benefit Fund? I urge all members to stand up for their community groups, welfare agencies, sporting clubs, schools, churches and the millions of ordinary people who give their time, money and effort to the community and stop the GST from destroying them.
