



MEDIA RELEASE
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Test case on tax status sends shock waves through charitable sector

A test case decision handed down this week which applies a very restrictive definition of what is a 'charitable' organisation for taxation purposes will have ramifications throughout the charitable sector. On appeal, the full Federal Court found in favour of the Australian Tax Office and stripped charitable status from a small charity, Aid/Watch, that monitors Australia's international aid programs.

"The restrictive definition of charitable organisation applied by the Federal Court will send shockwaves through the charitable sector", said Aid/Watch spokesperson Dr James Goodman.

"Aid/Watch will continue to fight this decision and is considering launching a High Court appeal.

"The Federal Court ruled that, despite having a clear charitable purpose to alleviate poverty, Aid/Watch does not meet the definition of charitable because the organisation takes a 'view' on the government's aid program and tries to influence government decision-making.

"This restrictive definition may be a bridge too far for many charitable and environmental organisations.

"This decision is a threat to public debate.

"Charities are involved in the broad array of social life, and address causes as well symptoms of social problems. To do so they must be able to speak up without fear of penalty - they must be able to advocate.

"After this case, charities can no longer speak out and fearlessly take a view on political issues of the day", said Dr James Goodman.

Background: In October 2006 the ATO disqualified Aid/Watch as a charitable organisation. Aid/Watch appealed this decision to the Administrative Appeals Tribunal and in July 2008 the AAT President, Justice Downes, overturned the ATO's decision. In February 2009 the ATO appealed to the Federal Court of Australia. The Federal Court judgement was handed down on 23 September in favor of the ATO. This case is the latest chapter in a long-running saga to define the meaning of "charity" on which may depend an organisation's tax-exempt status as well as the tax deductibility of donations.

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