Senior Adviser
Individual and Indirect Tax Division
The Treasury
Langton Crescent
PARKES ACT 2600

By Email: DGR@Treasury.gov.au

Dear Sir/Madam,

Tax Deductible Gift Recipient Reform Opportunities Discussion Paper

Please find attached Into Our Hands Community Foundation's submission in response to the Australian Government's Tax-Deductible Gift Recipient Reform Opportunities Discussion Paper.

We appreciate the opportunity to share our concerns and reform needs and would be pleased to discuss the matters raised in our submission. In this regard, please do not hesitate to contact me.

Yours Sincerely

Katrina Bendeman
Executive Officer
Into Our Hands Community Foundation
E: info@intoourhandsfoundation.com.au
[redacted]

Into Our Hands Community Foundation Submission:
Tax Deductible Gift Recipient Reform Opportunities Discussion Paper

Into Our Hands Community Foundation Overview
The Foundation celebrated its launch in March 2013 and shortly after received a VBAF allocation of $1m to assist the fire-affected communities in the municipal councils of Alpine, Indigo and Wangaratta. It is a requirement that all the funds be spent by 20 June 2022.

Into Our Hands Foundation is a not-for-profit Company Limited by Guarantee. The purpose of the Foundation is to oversee and to act as Trustee for two charitable trust funds; the Into Our Hands Victorian Bushfire Appeal Fund (VBAF) Trust Fund and Into Our Hands Public Trust Fund.

What's the Foundation's role?
The Foundation is primarily a project funder and facilitator and has two roles:

1. To distribute grants to community groups for projects that enable local people to shape the future of their communities by directing resources (money, time and talent) to support worthwhile local initiatives.

2. The Into Our Hands Public Fund has been established to raise money for community projects within the geographic area of Alpine, Indigo and Wangaratta councils. The Public Fund has Deductable Gift Recipient (DGR) status which means it can receive tax deductible gifts and is an Income Tax Exempt Fund (ITEF).

Into Our Hands Community Foundation with its 'public ancillary fund' operate as (an 'Item 2' deductible gift recipient) and, as such, can only provide grants to 'Item 1' deductible gift recipients

KEY CONCERNS

Into Our Hands acknowledges that the Tax-Deductible Gift Recipient Reform Opportunities Discussion Paper is reflective of the Government's commitment to addressing inequities and anomalies within the current DGR framework and we welcome this opportunity to provide our input.

The Deductible Gift Recipient (DGR) framework as it now stands is complex, and onerous. This creates unnecessary barriers to giving and, more importantly, limits the ability to effectively distribute or make grants especially in smaller rural areas as there are limited 'Item 1' deductible gift recipients that all community groups would be required to go through when seeking grant funding from the foundation. This puts unacceptable pressure on those organisations and limits the chances of small incorporated organisations gaining funding through their local community foundation. Thus, limiting the impact that we can make in our communities.

Into Our Hands Community Foundation agrees with the Australian Community Philanthropy analysis of the discussion paper, their analysis addresses our concerns as a community foundation as listed below.

The Discussion Paper does not Address Key Issues for Community Foundations

There is growing acceptance that the complex and difficult problems facing communities around Australia can only be addressed with an integrated, multi-faceted place-based response.

As a valuable and unique form of community infrastructure, community foundations empower communities to address local challenges themselves. They seek to build social capital, catalyse development and strengthen community; they engage with their constituents as donors, advisors and volunteers. Community foundations are responsive to the challenges facing their communities and leverage their deep local knowledge to respond to need through their purposeful grant-making.

And yet, community foundations - who harness local resources, strengthen community and build local capacity - are fettered by a regulatory framework that creates significant barriers. The existing tax laws are inhibiting the growth and impact of community foundations.

Community foundations generally operate a 'public ancillary fund' (an 'Item 2' deductible gift recipient) which imposes significant restrictions on their operations:

- *Community foundations cannot accept donations or grants from one of the most common forms of private foundation, 'private ancillary funds', as private ancillary funds are also an 'Item 2' deductible gift recipient – this cuts them off from a significant source of philanthropic funding and precludes Private Ancillary Funds from leveraging the expertise and community knowledge of community foundations.*

Australian Community Philanthropy believes that a new deductible gift recipient category within Division 30 of the Income Tax Assessment Act 1997 (Cth) specifically for community foundations is needed to remove these barriers, reduce red tape and enable community foundations to focus on generating impact in their communities.

We expect that the revenue forgone from the change would be minimal. This would be an affordable reform, which will grow community philanthropy and strengthen community resilience in Australia.

- *As an 'Item 2' DGR community foundations are limited to funding DGR 1 charities from their Public Ancillary Funds. This creates an obstacle for locally responsive organisations with relevant experience, particularly in rural and regional areas where there are fewer local DGR1s, undermining community resilience and creating unnecessary dependency on external organisations and government.*

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