

Tuesday 1 August 2017

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

Dear Sir/Madam,

Tax Deductible Gift Recipient Reform Opportunities Discussion Paper

Mackay Community Foundation, would like take the opportunity to responds to the Australian Government's Tax Deductible Gift Recipient Reform Opportunities Discussion Paper.

Mackay Community Foundation was founded in 2003 and provides support to local community groups and charities in the Mackay region. Since our inception we have distributed over a million dollars to our local community, including over \$550,000 raised in the Mackay Flood appeal in 2008.

We are part of a network of 38 community foundations in Australian and over 1800 place based foundation around the world. Community Foundation play a vital role in their communities.

We believe that this 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 - which 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:

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- Community foundations cannot accept donations 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.
- 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.

As a regional community foundation, we experience firsthand the difficulty of being unable to respond to those in need because of the restriction that we can only grant to a DGR 1 organisation. We have a limited number of DGR 1 charities in our region, yet a number of worthy community groups that we are unable to support because they do not have DGR status.

Furthermore, we have a local Trust that we have previously worked with for a successful Back to School program, but due to the current DGR limitation for community foundations, we had to go through time consuming processes to get the money from the Trust via the FRRR to flow through to the program.

Mackay Community Foundation 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.

Thank you for the opportunity to contribute to this consultation.

Kind regards,

A handwritten signature in black ink, appearing to read "Ian Joblin", with several overlapping loops and a long horizontal stroke at the bottom.

Ian Joblin
Chairman
Mackay Community Foundation

