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From: Brian Page [mailto:[REDACTED]]
Sent: Wednesday, 12 July 2017 4:34 PM
To: FOFA.PIR
Subject: TAX DEDUCTIBLE GIFT RECIPIENT REFORM OPPRUNITIES SUMISSION REQUIRED BY AUGUST 4, 2017

From [REDACTED]
[REDACTED]

INTRODUCTION

I am a Founding Director of Stand Like Stone Foundation which is a Community Foundation and also a Member of Australian Community Philanthropy, and associated with Philanthropy Australia. My wife and I have been given recognition by SLSF being the "Foundation Donors". I have wide experience in the region, the Limestone Coast of SA from Mt Gambier in the south to small communities, Kingston, Keith and Bordertown in the north and west of the Victorian border. The population of the region is about 64,000 people with more than half in the local boundaries of the City of Mt Gambier and DC Grant.

All Community Foundations, about 38, in Australia are associated also with the Foundation For Regional and Rural Renewal FRRR, and also Philanthropy Australia, all have strong legal support. Recent ones are usually Companies Limited by Guarantee, listed with the ASIC and are structured as charitable bodies and as trustee companies. Board members are Directors required to meet ASIC requirements. The Corporate Structure of Community Foundations and associated Trusts, is most robust, and rigorous. Annual Community Foundation Forums are events of a high standard and address core issues, effectiveness, legal and charitable regulations, outcomes and charitable ideas, impact giving, etc and by sharing experiences, the core competency of Community Foundations and their service to their communities.

In the Case of SLSF, there is a Public Fund (a Private Ancillary Fund DGR 2), the Open Fund (does not have tax deductibility but is a tax free charitable entity), and a Scholarship Trust Fund with DGR 1. SLSF is a Philanthropic body and its trusts are Capital invested with annual income bring distributed as required by regulation.

In our region, there a many small communities where DGR 1 entities are lacking. SLSF thus is unnecessarily inhibited in providing grants and support for activities which meet certain definition as Charitable under Government regulation. Supporting these from the DGR 2 fund often requires unnecessary use of legal intermediaries which needs time to do and can involve costs (both direct and hidden) and charges.

Many communities may have less than a thousand residents or even much less than this. Current

charitable tax structures in my view, disadvantage small communities all over Australia, are very unfair, these seem to enforce systemic discrimination against regional Australia and small communities. Community Foundations by their design and intent are able to support the smallest town or village, and in doing so, aid the idea and more importantly the sustainability coming from the idea of stronger communities.

Yet these small communities constantly receive postal and phone appeals, and over many years have donated and entered fund raising lotteries, this sending funds to capital cities and to major charities most of which provide no services in regions and thus swallow up millions of regional funds desperately needed to support their own communities. Community Foundations are a real alternative to unstructured giving and provide every small community an opportunity to become stronger.

There are comments other submissions (by Australian Community Philanthropy which I concur with) and do not repeat. Similarly I also generally endorse the Philanthropy Australia submission. My submission does not cover matters of detail as in these two submissions but is basically restricted to a few issues of concern to me. Issues such as advocacy, governance, accountability, red tape, government overview, etc.

CORE ISSUES.

As mentioned above, the **restrictions of Private and Public Ancillary Funds in needing to only distribute funds to DGR 1 entities is a real challenge in regions** and I generally support the comments of other submissions. Public and Private Ancillary Funds are too restrictive and should be able to provide support for Charitable Acts and Activities to non DGR 1 entities. In the case of the Private Ancillary funds associated with Community Foundations this would be one useful change.

However providing DGR 1 status to Community Foundations is much preferable for many reasons.

- a. **Unnecessary red tape and over-regulation.** As above Community Foundations have at least three entities under their control and in many cases, four if they have a DGR 1 Scholarship Trust Fund. It is my understanding that should CF's receive DGR 1, then the Foundation and Open Fund would be both DGR 1 and importantly, the Public Fund (a PuaF) would be un-necessary, and could be closed or liquidated and its assets transferred to the Open Trust Fund. If so Four entities becomes Three. Across the CF family, this means all might liquidate their PuAF and reduce the number of charitable entities needing registration.
- b. In consequence, reductions in the amount of annual submissions accrue to a range of bodies eg the ATO, ACNC, ASIC, etc therefore reduce effort, and one might hope, reductions in costs and there should be eventual **savings to the public purse**. I might be the only person to point these real savings to the Public Purse.
- c. **This would lead to substantive savings in running of Community Foundations and trusts.** I draw on the situation of Stand Like Stone Foundation which has four corporate entities. Fortunately we have sponsors which provide essential accounting and auditing at their expense as a charitable contribution to SLSF. When we were paying for Auditing and

with much lower assets, the Audit Cost of the four entities cost around \$3,500. I would consider, having been in business, that the sponsored accounting of each entity would be at least \$4,000. If able to liquidate the PuAf reduces these real costs by a quarter or say at least \$4,000 pa at this time and the benefit continues forever and is not a one off matter.

- d. **Substantive savings in staff time on reporting etc.** Reporting includes accounts, GST returns, Imputation Credits on investments in the three trusts, auditing, ASIC, ATO PuAf reporting, other ATO reporting, State Government regulatory needs etc. Reporting on three entities is much less than for four entities. Unseen effort always has hidden costs.
- e. **On an operational level grants making is simplified and made more effective and more responsive to community need and particularly in small communities.** My comments above in my introduction cover this issue and the lack of DGR 1 entities general in small communities.
- f. **The operation of SLSF and all Community Foundations would be made more effective at all levels.** CF's by their close connection to the community, would be better equipped to service their regional community. Input from local communities can and does tend to prioritise core and priority needs and thus better outcomes, consultation and better expenditures on grants. CF's can also attract flow through funding from the general Philanthropic sector and thus bring, for a change, City money to regions rather than country money going to capital cities. The community also appreciates that funds that they receive has a connection to their funding of CF Trusts and regional ownership and input. SLSF for instance has a small and growing number of regional local bodies akin to local auxiliaries which add priority, input and support to the regional CF entity.
- g. **Community Foundations by their structure and trusts are much more efficient and sustainable charitable bodies in so many ways.** Being capital invested and all expenditure on grants coming from the trusts income only, **sustainability in perpetuity is assured.** A donation to a normal charity of say \$1,000 is immediately consumed in administration costs say at least 30% and perhaps Collector's commissions and there have been examples in the press where as little as 5% goes to charitable use on the ground. **In the case of a CF after costs,** about 4% pa is granted or \$40 over 25 years, and the \$1,000 is given away. BUT!, the CF stills has this \$1,000 and over 100 years, potentially \$4,000 is given away at today's value. If safely and prudently invested to match the rate of inflation, the income grows at last equal to inflation, and in 100 years potentially is given away in the inflated value of original funding. **A dollar today according to Reserve Bank Inflation calculators, at average inflation rate of 4.1% in 100 years, would be valued at \$55.30 and this shows the great worth of the capital invested model.** The cost on the public purse over time is considerably reduced due to the imputed great reduction in massive potential, annual tax deductible donations.
- h. Much of the funds that SLSF and its three trusts have accumulated would not have had **tax deductions. Community Foundations and their Trusts thus have low public purse costs.** It is reported that conservatively less than 40% of small donations eligible for tax deductions are ever claimed. A lot of funds have been raised at fund raisers and events which are not tax deductible. A number of defunct community bodies have passed their funds onto SLSF Trusts not incurring tax deductibility. Estates as I understand at death lose ability to claim tax deductions on funds bequeathed. **However DGR 1 is essential** for the DGR 1 eligible stream of donations, but more importantly to grant or donate widely in regions to charitable purposes which meet regulated definitions. **It is a matter of concentrating of outcomes, real outcomes, and less on the inputs.**

I am particularly concerned about the charitable telemarketers and maybe these need significantly better regulation and oversight.

Many donors, have 'in lieu of flowers' at say funerals, send a donation to some or many charities. And it seems soon after, tele-marketers begin ringing as they seem to act for many charities or bodies purported to be charitable. Once they have one's contact, one is then on the list of many charitable causes. My wife and I now receive maybe two phone calls a week! Most are for purchases of lottery tickets maybe \$50 each.

Three serious matters arise from this.

Firstly, this uses and encourages gambling, yet some related charities might need to assist the victims of gambling and families blighted by gambling, which is an ethical matter of consequence.

Secondly, these Tele-callers usually get a 30% commission of the funds received without any disclosure of this. **Should there be a regulatory requirement for such disclosure**

And, thirdly passing on of donors contacts from charity to charity or by tele-marketers, seems an invasion of privacy and maybe DO NOT CALL regulations might need to apply to this sector of fund raising.

Similarly, **places like Mount Gambier are at times swarmed over by visiting collectors for charities wearing their 'uniforms**, and these as I understand, also get a 30% commission from any funds received. **Should they be required to disclose this?** And some require one to agree to provide credit card details and to agree to regular deductions (mostly overseas charitable supports and bodies like Greenpeace. I have heard that once committed, it is very difficult to withdraw or un-subscribe from this regular giving, and that regular amounts deducted might be increased, without advice or disclosure (but according to some obscure details) in documents signed.

I do point out that local auxiliaries of major charities providing services in region do collect charitable funds eg Flying Doctor, and these booths are manned by volunteers and are commended and not part of the comments made. Maybe this is a State matter as well.

Respectfully

Brian Page