



## **Philanthropy Australia's 2022-23 Pre-Budget Submission**

**A National Action Plan  
to Double Philanthropic Giving  
to Australian Charities by 2030**

## Philanthropy Australia proposes four initiatives to double philanthropic giving by 2030

### 1. Work in partnership to develop A National Action Plan to Double Giving to Australian Charities by 2030.

Philanthropy Australia calls on the Australian Government to commit to working with Philanthropy Australia and the philanthropic, for-purpose and business sectors on a policy development process aimed at doubling philanthropic giving by 2030. To ensure the highest standards of fiscal and policy rigour, the process could be run by the Federal Treasury, reporting to the Assistant Treasurer and comprise:

- A Green Paper prepared by Treasury setting out key issues and context and seeking input.
- Submissions from, and engagement with, the philanthropic, for-purpose and business sectors.
- Working Groups involving Treasury and sector experts to consider key reform proposals.
- A final White Paper setting a new strategic direction for philanthropy in Australia, and a suite of funded initiatives to double philanthropic giving by 2030. The paper would be released no later than 12 months after the 2022 election.
- The sector outlining initiatives it will take to increase giving.
- Should the government wish, the process could be overseen by a prominent Australian or Independent Panel.

Billions in additional philanthropic funding for Australian charities would make a transformational impact for our nation, particularly for Australians in greatest need. **The powerful Case for Action is set out at Attachment One.**

### 2. Cut the red tape that prevents Community Foundations (CFs) from investing in many charitable activities and receiving distributions from Private Ancillary Funds (PAFs).

Creating an Item 1 Deductible Gift-Recipient (DGR) Category for CFs would:

- Support charitable work by local people in local communities, particularly in regional Australia where most CFs operate.
- Ensure they are not prevented from funding charitable activities. Red tape requires CFs to only fund Item 1 DGR charities, few of which exist in many regional areas. This can mean CFs cannot fund many grassroots community groups and initiatives, which could and should be able to play a role in supporting crucial areas like health and education, or responding to natural disasters. Creating a new Item 1 DGR category for CFs would allow them to fund any charitable activities, provided the activities are covered by the 51 existing DGR endorsement categories.
- Enable grassroots community action across the nation at negligible cost to government. The primary impact of the reform is to provide CFs more freedom to invest in charitable activities, rather than just Item 1 DGR organisations. This has no cost to government, as it simply allows for more effective use of a given pool of money.

This reform would also enable PAFs - which are privately-run philanthropic foundations - to distribute to CFs, helping to:

- Increase access by CFs to funding to support local and regional communities - PAFs distributed \$565 million in 2018-19.
- Improve the impact of charitable works - CFs are financed and run by local people who understand their communities, which makes them uniquely placed to provide responsive support where it is needed most. Enabling more of philanthropy to tap into this expertise will help ensure more effective use of philanthropic dollars, and more value from the tax concessions provided for philanthropy.

This reform can also be delivered at negligible cost to government, as PAFs have already received tax deductions on the funds at the time they were donated, and any additional tax expenditures are expected to be minimal.

The regional foundations include:

<p><u>QUEENSLAND</u></p> <p><b>Buderim</b> Foundation  <b>Durong:</b> Red Earth Community Foundation  <b>Mackay</b> Community Foundation  <b>Sunshine Coast:</b> Sundale Community Foundation</p> <p><u>SA</u></p> <p><b>Mount Gambier:</b> Stand Like Stone  <b>Nuriootpa:</b> Foundation Barossa  <b>Port Lincoln:</b> Eyre Peninsula Community Foundation  <b>Victor Harbour:</b> Fleurieu Community Foundation</p> <p><u>TAS:</u></p> <p><b>Glenorchy</b> Community Fund</p>	<p><u>VIC</u></p> <p><b>Ballarat</b> Foundation  <b>Benalla:</b> Tomorrow Today Foundation  <b>Broadford:</b> Mitchell Community Resources and Advocacy Group  <b>Corryong:</b> Upper Murray Innovation Foundation  <b>Geelong:</b> Geelong Community Foundation; Give Where You Live Foundation  <b>Kinglake</b> Ranges Foundation  <b>Leongatha</b> District Community Foundation  <b>Marysville:</b> Foundation Murrindindi  <b>Mirboo North &amp; District</b> Community Foundation  <b>Mornington Peninsula</b> Foundation  <b>Myrtleford:</b> Into Our Hands Community Foundation  <b>Packham:</b> Casey Cardinia Foundation  <b>Warrnambool:</b> South-West Community Foundation  <b>Wonthaggi:</b> Bass Coast Community Foundation</p>	<p><u>NSW</u></p> <p><b>Ballina:</b> NSW Northern Rivers Community Foundation  <b>Bega:</b> Mumbulla Foundation  <b>Bowral:</b> Southern Highlands Foundation  <b>Broken Hill:</b> Foundation Broken Hill  <b>Tumut:</b> Community Foundation for the Tumut Region</p> <p><u>VIC/NSW</u></p> <p><b>Albury-Wodonga:</b> Border Trust (Community Foundation for Albury-Wodonga Region)</p> <p><u>WA</u></p> <p><b>Albany</b> Community Foundation  <b>Denmark</b> Community Foundation</p>
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### 3. Cut the red tape that prevents PAFs from distributing to Public Ancillary Funds (PuAFs).

- PuAFs are important because – unlike most forms of structured giving that require substantial wealth – they are accessible to all Australians, who can chip in what they can afford to support good causes.
- Allowing all PuAFs to receive funding from PAFs would unleash more funds for foundations supported by the general public and better facilitate high value giving, such as matched giving and collective giving initiatives, including workplace giving, which are on the rise around the world.
- It would involve negligible cost to government, as PAFs have already received tax deductions on the funds at the time they were donated.

### 4. Cut the red tape that prevents Australians from making a bequest to charity through their superannuation.

- As Australia's wealth and superannuation balances continue to increase, it makes sense to allow Australians to choose to give some of their remaining superannuation funds (the funds in their accounts when they die) to charity, as well as looking after their dependents.
- As \$2.6 trillion is passed on to new generations in the next 20 years, many Australians – particularly higher income Australians – will be positioned to support dependents, sometimes very generously, while also providing a minority of their funds to charity.
- The reform would likely deliver a step-change increase in giving in Australia.
  - Treasury forecasts superannuation balances at death will increase to \$130 billion by 2059 and will be even higher should the Australian Government maintain the legislated increase to the Superannuation Guarantee.
  - Providing an average bequest in the range of 10-30 per cent of super to charity would mean \$13-40 billion in additional investment in charity each year.
  - With Australia's total annual giving sitting at around \$13 billion annually, this would mark a huge increase in giving to so many great causes such as ensuring children get a great start in life, health and education, protecting our environment and so much more.
- If done with existing tax arrangements, the reform would have negligible cost - however the current tax penalty for donating to charity from super would remain a barrier for some Australians.
- Alternatively, the tax penalty could be removed. To leave some of their super to charity, Australians must first arrange to transfer the funds from their super to their estate through the complicated 'binding death nomination' process, then complete their will specifying that these funds should go to a nominated charity. Where this occurs, they then face a tax penalty – up to 15 per cent tax, plus the 2 per cent Medicare levy – which goes to the government, rather than their nominated charity. Australians are not taxed when they give to charity while they are alive (and indeed often receive a tax deduction), so it makes little sense to apply tax after people have died. Giving to charity should be encouraged, not penalised. The tax penalty should be removed.

**For more detail on the benefits of these reforms, see the Philanthropy Australia Election Statement [here](#).**

**To further discuss these initiatives with Philanthropy Australia,** please contact Sam Rosevear, Director of Policy, Government Relations and Research - [sam@philanthropy.org.au](mailto:sam@philanthropy.org.au).

**About Philanthropy Australia (PA):** PA is the peak body for giving in Australia. Our vision is a generous and inclusive Australia. Our purpose is to inspire more and better philanthropy. As the peak body we serve a community of funders, social investors and social change agents working to achieve positive social, cultural, environmental and community change by leveraging their financial assets and influence. Our membership consists of well over 700 trusts, foundations, organisations, families, individual donors, professional advisers, intermediaries and for-purpose organisations.

## Attachment One – Why Action is Urgently Needed to Lift Philanthropic Giving in Australia

### The Case for Action

#### The power of philanthropy to transform society

**Philanthropy supports the charities that change millions of people's lives every year.** Whether helping people in poverty get life back on track (like The Salvation Army or The Smith Family), saving people in desperate need in the outback (The Royal Flying Doctor Service), transforming people's health (The Heart Foundation or The Fred Hollows Foundation), or helping people with mental health challenges (headspace, Beyond Blue and Lifeline), Australian charities make a profound contribution to our nation's economic, social, cultural and environmental fabric.

**Philanthropy also kickstarts innovations that become crucial institutions in society,** like a number of our sandstone universities, leading hospitals and medical research institutes. It enabled the creation of the bionic ear, which has brought hearing to hundreds of thousands of people across the world, and Bush Heritage Australia, which manages 37 reserves and protects more than 11 million hectares of land.

**Philanthropy helps achieve a better sharing of wealth and opportunity in Australia.** In 2021, the 'Top 200' had a combined wealth of \$480 billion, or an average of \$2.34 billion each. Australia's total annual giving is around \$13 billion. Imagine the impact on Australian society if - like those who sign The Giving Pledge established by Bill and Melinda Gates and Warren Buffett - a majority of the \$480 billion was directed to our most urgent challenges. Creating a culture of philanthropy in Australia can help ensure those more fortunately placed are playing their part to ensure all Australians can lead lives of opportunity, freedom and contribution.

'I could have bought a yacht ... but then how could I sit in church?'

Graham Tuckwell on donating \$50 million to Australian National University.

**And at a time when governments are facing massive fiscal pressures** – with Federal net debt headed towards \$1 trillion and the ageing of the population placing huge pressure on budgets – **philanthropy can step up** to provide smart, cost-effective support for Australians in need, and test new ideas that can enhance the effectiveness of government investment.

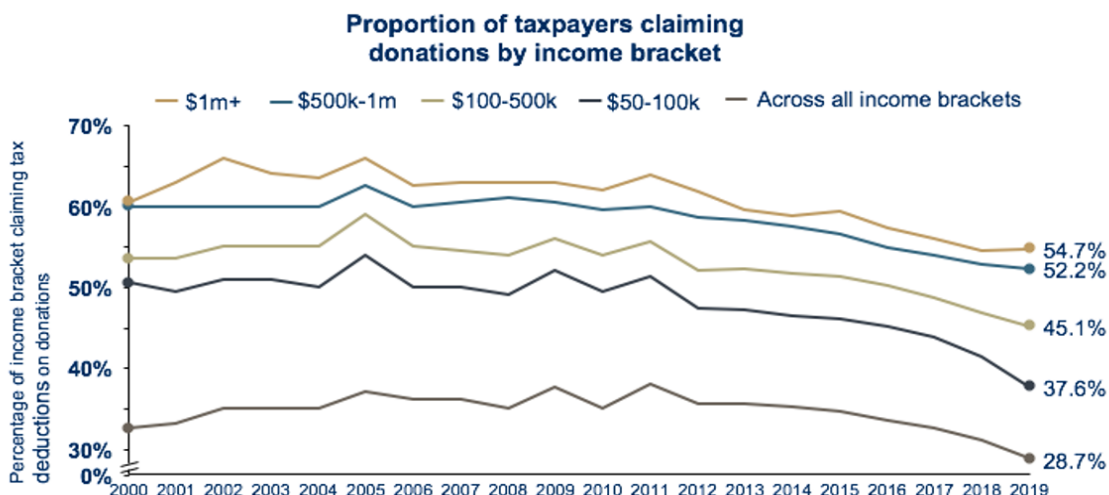
**Philanthropy can empower communities to shape their own futures.** Government cannot solve every social challenge alone. People in local communities - through Community Foundations, religious groups, and grassroots community organisations - can and want to take on the responsibility to get involved in donating, volunteering and participating in projects to help their local community thrive.

**Charities are an important part of the nation's economy.** In 2019, they employed 1.38 million people, or 11 per cent of Australia's workforce, more than the retail or construction sectors, with revenue of \$166 billion and assets of \$354 billion. Around 3.6 million Australians volunteered in 2019.

**Creating a philanthropic culture builds a nation many Australians yearn for.** While we are more connected digitally than ever before, many of us feel less connected to our communities and each other than ever before. A philanthropic culture creates a different society - one in which we recognise we are all in it together, we do our bit to support people in need, and together we solve our biggest challenges. The bushfires and pandemic have reminded Australians that we are stronger when we work together and people are eager to play their part in building a stronger future.

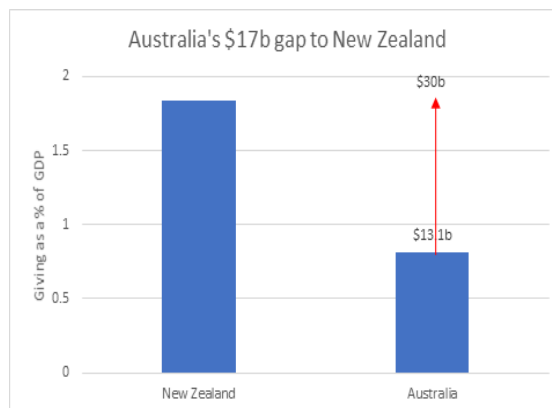
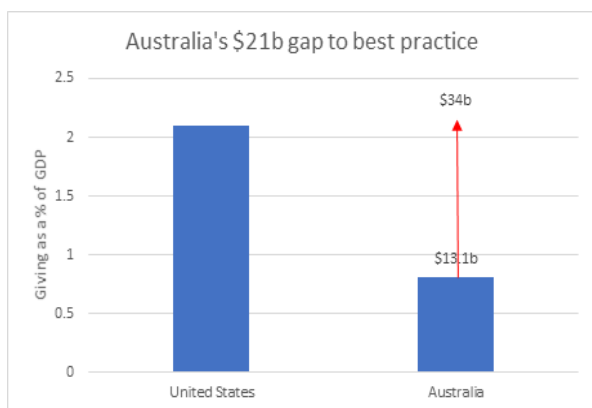
#### **Australians can be generous people, but many of us have lost the giving habit.**

The proportion of Australians contributing to charity is falling rapidly in every income group, and overall, from around 38 per cent of the population claiming tax deductions in 2011 to 29 per cent in 2019. Just 54.7 per cent of Australians on \$1 million or more are giving and claiming deductions.



### Australia is falling behind, with a \$21 billion gap to best practice.

Giving in Australia is around 0.81 per cent of GDP, compared with 1.84 per cent in New Zealand and 2.1 per cent in the United States. Reaching the US proportion of giving would lift annual giving in Australia from \$13.1 billion to \$34 billion, a \$21 billion increase. Reaching the NZ proportion would unleash an extra \$17 billion per annum.



### The unparalleled opportunity before us.

Australia has an unprecedented opportunity to draw on our rising wealth to increase giving to our most important causes. Australia will shortly experience the largest intergenerational wealth transfer in its history. Over the next two decades, \$2.6 trillion is expected to pass to the next generation. If we could pass 10-20 per cent to charity, this would unleash \$260-520 billion to support the most crucial causes in our society. This would be transformational for Australia, catapulting us to being among the leading philanthropic nations in the world.

### Reforms that would deliver billions to charities.

Now is the time to introduce a new wave of historic reforms that can leave a lasting legacy for Australia, following the example of the Howard Government's introduction of PAFs in 2001 (the last major reform to spur philanthropic giving in Australia).

"I wanted to enlist the natural generosity and decency of the Australian community and it's there at all levels of society. I particularly wanted to enlist people of wealth and I understood the contribution they could make and the example they could set."

**Former Prime Minister John Howard at the Philanthropy Australian National Conference 2021**

These reforms have delivered a significant legacy. There are now almost 2,000 PAFs with total assets of over \$7 billion. PAFs distributed more than \$4.1 billion to charity between 2001 to 2018-19, including \$565 million in 2018-19.

The next Australian Government can pick up the reform baton, considering reforms that in combination would deliver billions in additional funds for Australians in greatest need. For example, in addition to the reforms detailed above, the

process to develop *A National Action Plan to Double Giving to Australian Charities by 2030* could consider additional reforms, including:

1. **Creating an Incentive to Leave a 'Living' Bequest to Charity:** While \$2.6 trillion is set to be passed between generations in the next 20 years – a huge opportunity – at present only around 7 per cent of Australians are leaving bequests in their wills. An incentive to make a 'living' bequest, as exists in leading countries that donate more of their national income to charity, could make a huge difference. As noted above, passing just 10-20 per cent of our intergenerational transfer to charity would unleash \$260-520 billion to support the most crucial causes in our society.
2. **A National, Co-Funded Campaign to Build a Culture of Giving in Australia:** A multi-channel campaign to inspire Australians and give them simple, practical ways to give could help reverse the decline in the proportion of Australians giving to charity and unleash the generosity and 'fair-go' ethos that is an essential part of the Australian identity.
3. **Fix fundraising:** Creating a single national fundraising regulation regime – to replace the seven different State and Territory sets of rules – would cut costly and time-consuming red tape and enable more funds to go where they are needed most – helping people in need.
4. **DGR reform:** Australia has around 58,000 charities, but only around 30,000 have DGR status (which allows the public to donate and get a tax deduction). Broadening and simplifying access would ensure more charities access DGR, boosting the funds they can attract for their important work.

#### **Sector-led action to create a culture and practice of giving.**

The policy process could be complemented by sector-led action to expand giving, drawing on initiatives developed in Philanthropy Australia's *A Blueprint to Grow Structured Giving* (April 2021), such as:

1. **An awareness agenda to build a stronger philanthropic culture and grow giving,** including co-funding the national campaign, initiatives in schools and workplaces, championing stories of giving and establishing a bi-annual survey on giving by wealthy Australians.
2. **Supporting professional advisors to engage their clients about philanthropy,** so lawyers and financial advisors discuss the option of contributing to charity with clients planning their financial futures or preparing their wills.
3. **Supporting Ultra High Net Worth (UHNW) individuals to engage their peers to encourage giving.** With just 54.7 per cent of Australians earning more than \$1 million per annum claim tax deductions for giving, compared to 90 per cent in the United States, an activist group of UHNW philanthropists could engage their counterparts to foster a stronger culture of giving.
4. **A Research Agenda to grow giving.** The sector can fund and facilitate research and trials on how to foster giving in areas including High Net Worth (HNW) giving, increasing donations in wills, and arresting the downward decline in the proportion of Australians giving to charity.

#### **Together, we can create new possibilities for Australian society.**

To capitalise on this opportunity, Philanthropy Australia recommends the Australian Government work with the philanthropic sector, Australia's leading charities and the business community to develop an Action Plan to Double Philanthropic Giving by 2030. It has been many years since an Australian Government established a clear strategy to harness the tremendous power of philanthropy to create a stronger society. Instead, policy has evolved from a series of ad hoc decisions that have not created a fully coherent framework. Now is the time for a clear and bold strategic direction and an action plan to lift philanthropic giving to better support Australians in need.