

PHILANTHROPY AUSTRALIA'S ELECTION STATEMENT

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

December 2021
Full Report

Executive Summary

The Proposal

Philanthropy Australia calls on the Australian Government and the Federal Opposition to commit to a grand national initiative – 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 not 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.
- To give the process momentum, Government could immediately commit to a long overdue reform – the creation of a new Item 1 Deductible Gift Recipient (DGR) category for Community Foundations, which do critical work especially in regional and rural Australia, so they are no longer stopped by red tape from supporting many charitable activities and can accept funds from Private Ancillary Funds (PAFs).

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 and 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. According to the Australian Financial Review's Rich List, Australia's 'Top 200' have a combined wealth of over \$480 billion, or an average of \$2.34 billion each. We can and must create a culture in which – like those who sign the Giving Pledge – the majority of this wealth is provided to charity, creating hundreds of billions for those most in need.

And at a time when governments are facing massive fiscal pressures – with Federal 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.

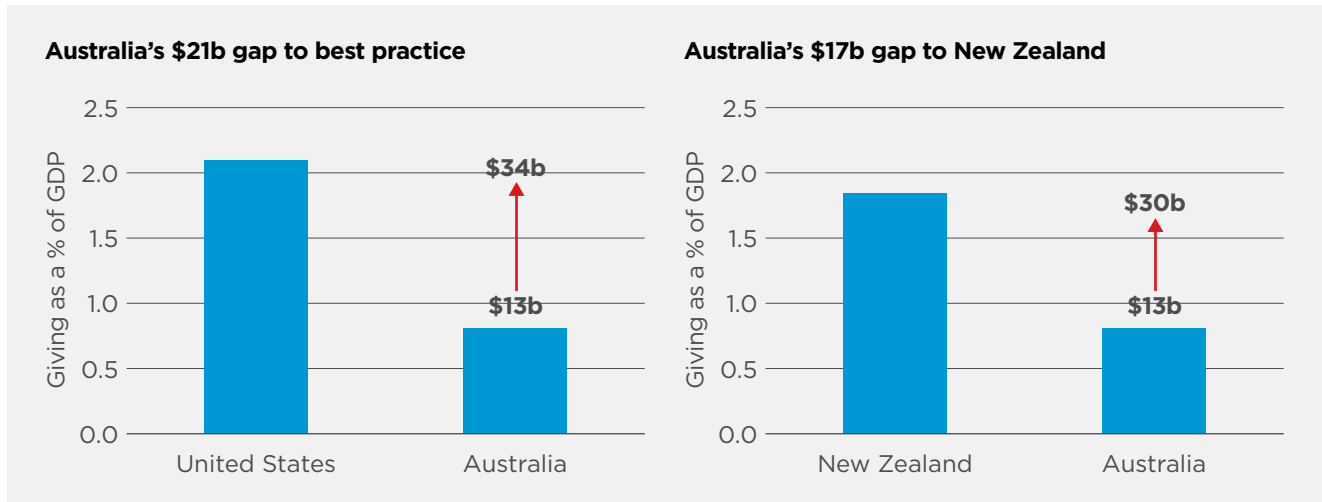
Philanthropy can empower communities to shape their own futures. Government cannot solve every social challenge alone. People in local communities – through Community Foundations, religious groups, and grassroots community organisations – can and want to take on the responsibility to get involved in 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 for their communities and our nation.

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

Australians can be generous people, but many of us have lost the giving habit. 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 almost \$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:

- Expanding Charity in Regional and Local Communities by Creating a New DGR Category for Community Foundations** (recommended for immediate implementation): Community Foundations, many of which operate in regional communities (such as the Buderim Foundation in Queensland and Stand Like Stone in Mount Gambier, South Australia), are financed and run by local people who understand their communities, which makes them uniquely placed to provide effective support where it is needed most. Unfortunately, they can only fund Item 1 DGR charities. There can be a lack of organisations with this status in regional areas, and it means that Community Foundations cannot fund many grassroots community groups and initiatives. This reform has long been advocated for, and the time has come for tangible action. Creating a new DGR category for Community Foundations would allow them to fund any charitable activities, provided the activities are covered by the 51 existing DGR endorsement categories, and would end the prohibition against them receiving funds from PAFs, which distributed \$565 million in 2018-19.

Cutting this burdensome and unnecessary red tape would boost funds for rural and regional communities, support grassroots community action across our nation, enable rapid responses to natural disasters, and unleash higher impact support in areas like health and education – all at negligible cost to government and with safeguards to protect the integrity of the DGR framework.

2. **Encouraging Bequests from Superannuation:** With superannuation balances at death set to reach at least \$130 billion by 2059, giving Australians the choice through their superannuation arrangements to leave some money to charity (and abolishing the tax penalty for doing so) would unleash billions for Australian charities.
3. **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.
4. **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.
5. **Additional High Value Reforms:**
 - (i) **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.
 - (ii) **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.
 - (iii) **Supporting philanthropy by the public:** Allowing Public Ancillary Funds (PuAFs) – a vehicle through which all Australians can chip in and contribute – to receive funding from PAFs, would unleash more funds for foundations supported by the general public. For instance, it would facilitate matched giving and collective giving initiatives, including workplace giving, which are on the rise around the world.

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 claiming 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 a National 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.

Further detail on ‘The Case for Action’ and the suggested initiatives is provided in the paper below.

A National Action Plan to Double Philanthropic Giving to Australian Charities By 2030

Introduction

This paper sets out the detail behind our call for a policy process aimed at doubling philanthropic giving by 2030. It comprises:

1. The Case for Action
2. Reforms to Deliver Billions for Charity
3. Sector-Led Reform

1. The Case for Action – Why Action is Urgently Needed to Lift Philanthropic Giving in Australia

Charities make a transformative contribution to Australian society and its people

Philanthropy is a crucial contributor to the charities that change people's lives. Think of:

- The Royal Flying Doctor Service providing medical support to Australians in need in the outback;
- The Smith Family, Mission Australia, The St Vincent de Paul Society and The Salvation Army providing support for people in poverty and a path back to opportunity;
- The Australian Red Cross providing support for people in their hour of greatest need;
- The Fred Hollows Foundation seeking to end preventable blindness, the National Breast Cancer Foundation working to prevent deaths from breast cancer, or Make-A-Wish providing support for children with life-threatening illnesses;
- Beyond Blue, headspace and Lifeline helping people to achieve their best possible mental health;
- Doctors Without Borders, Care, World Vision, UNICEF and Oxfam providing support across the world for people in extreme need; and
- The World Wide Fund for Nature working to create a sustainable planet.

Great philanthropy transforms societies. Where would we be without the work of these and many other great Australian charities?

Philanthropy is a critical catalyst, kickstarting innovations that become crucial institutions in society

Without the constraints faced by government, philanthropy can be nimble, take risks and innovate in ways that contribute to lasting institutions and transformative system change. See Box 1 overleaf for examples of how philanthropy has triggered change in almost every area of social policy in Australia.

A better sharing of wealth and opportunity

In 2021, the richest 200 Australians had a combined wealth of \$480 billion. Philanthropy is a means of ensuring wealth and opportunity is better shared across society. Bill and Melinda Gates and Warren Buffett established The Giving Pledge, through which more than 200 wealthy people from across the globe have pledged to give away the majority of their wealth (with more than \$600 billion pledged to date). Australia's total annual giving is around \$13 billion. Imagine the impact on Australian society if a majority of the \$480 billion amassed by The Top 200 was directed to our most urgent challenges. Wealth at the top end of our society has grown to unprecedented levels and is rapidly increasing – the top 10 per cent now holding 46 per cent of Australia's wealth. Creating a culture of philanthropy in Australia will 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.

Box 1: Transformative Change led by Philanthropy

In **higher education**, in the 19th century, philanthropy played a critical role in the establishment of a number of **Australia's sandstone universities** that have gone on to be among the best in the world, creating opportunity for millions of Australians and undertaking world leading research. William Charles Wentworth founded Sydney University to give "the opportunity for the child of every class to become great and useful in the destinies of this country."

In **health**, it was philanthropy that founded the **Austin** and **Epworth Hospitals**, which have provided world class care to patients over more than 100 years. It established **The Heart Foundation**, launched in 1961, which put heart disease – our biggest killer – on the map, and continues to promote heart health today, saving countless lives.

In **mental health**, philanthropy was critical in the establishment of **Orygen**, whose work has transformed youth mental health in Australia, including by spawning **headspace**, which runs a national network of youth mental health centres, set to grow to 164 by 2024-25.

To **address poverty**, philanthropy helped establish **The Salvation Army** in Tasmania in 1873, an organisation which today supports more than one million people in need each year. It supported the **No Interest Loan Scheme**, which has helped more than 100,000 low-income Australians purchase fridges, washing machines, car repairs and medical procedures.

For rural and regional Australia, philanthropy in partnership with the Australian Government established the **Foundation for Rural and Regional Renewal**. It has established **a national network of Community Foundations**, which enable local people to donate, volunteer and support grassroots initiatives to help their regions thrive.

In **research and innovation**, philanthropy was crucial to the development of the **bionic ear** (Cochlear Implant), which has since brought hearing to hundreds of thousands of people all over the world, and to establishing the feasibility of the **bionic eye**. It established **leading research institutes** like the **Garvan Institute**, **Walter and Eliza Hall Institute**, **Howard Florey Institute**, **St Vincent's Institute** and the **Murdoch Children's Research Institute**.

To protect the **environment**, philanthropy established **Bush Heritage Australia**, which today owns and manages 37 reserves and protects more than 11 million hectares of land and played a crucial role in establishing **Australia's National Marine Park Network**, a network of 58 parks all around Australia covering over 3 million square kilometres – the first of its kind in the world.

In **arts and culture**, philanthropy has been crucial bedrock. It has been a driving force behind the development of the **Melbourne Arts precinct**, already has one of the highest concentrations of arts, cultural and creative organisations anywhere in the world, and set for further renewal through the Melbourne Arts Precinct Transformation project. Philanthropy established **The Miles Franklin Award**, to give prominence to Australian writers and Australian culture and **The Walkley Awards**, which reward and encourage high quality journalism.

A culture of tight-knit communities where helping hands reach out to those in need

Australia today faces innumerable challenges – 1 in 6 children and young people living in poverty, a global pandemic, opportunity not equally shared, the risk of climate catastrophe and ongoing disadvantage among Australia's First Peoples, to name just a few. We need to create a stronger philanthropic culture in our country to develop a nation where we all come together and no one gets left behind.

Philanthropy literally means 'love of humanity'. Philanthropy exists not only to support society but as an expression of some of the best impulses within humanity. People in any society are likely to want to give, volunteer or follow their natural desire to support their communities. It's about compassion, engagement, generosity, and empathy. Philanthropy is more than just an act of giving – it's an affirmation of what makes us who we are.

Today we are more connected digitally than ever before, but many of us feel less and less connected to our communities than in the past. A philanthropic culture creates a different society – one in which we come together to support causes bigger than ourselves, where we feel greater unity with our fellow human beings, we feel more meaning in our lives, and we solve our biggest challenges together. And importantly, philanthropy snowballs. When people act, others notice and join in. Big possibilities become big new realities.

With government facing major fiscal pressures, philanthropy can step up to share the load

Philanthropy is also crucial because the pressure on government is mounting. Responding to the pandemic has seen Australian government net debt increase dramatically, heading towards \$1 trillion by the middle of the decade. Treasury's 2021 intergenerational report projects the ageing of the population will contribute to widening structural deficits in the decades ahead. In this world, philanthropy can help, providing smart, cost-effective solutions to support Australians in greatest need.

Unfortunately, Australia has a \$21 billion gap to best practice and there are signs we are falling further behind

Giving in Australia is around 0.81 per cent of GDP (2016), compared with 1.84 per cent in New Zealand (2018) and 2.1 per cent in the United States (2019). 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.

In addition, 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 earning \$1 million or more are giving and claiming a tax deduction.

In addition, there has been no significant reform to encourage philanthropic giving since the introduction of PAFs in 2001.

Australia has an unprecedented opportunity to draw on our rising wealth to increase giving to our most important causes in the coming decades

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. Only 7 per cent of Australians are leaving a bequest in their wills at present, so the opportunity for growth is enormous.

Together, we can create new possibilities for Australian society

To capitalise on this opportunity, Philanthropy Australia proposes a grand national effort, with the Australian Government, the philanthropic sector, Australia's leading charities and the business sector coming together to develop a National Action Plan to Double Philanthropic Giving by 2030.

2. Reforms to Deliver Billions for Charity

1. Expanding Charity in Regional and Local Communities

The Reform

Strengthen Australia's regions and local communities by creating an Item 1 DGR category for Community Foundations, which would mean:

- **Cutting the red tape that prevents them investing in many charitable activities:** Community Foundations are supported and run by people who are passionate about their local communities, which makes them uniquely placed to provide effective support where it is needed most. Unfortunately, they can only fund Item 1 DGR charities. There can be a lack of organisations with this status in regional areas, and it means that Community Foundations cannot fund many grassroots community groups and initiatives. Creating a new DGR category for Community Foundations would allow them to fund any charitable activities, provided those activities are covered by the 51 existing DGR endorsement categories. This would enable a more rapid response to bushfires, floods or drought, or higher impact support in areas like health and education – all at negligible cost to government.
- **Enabling them to accept donations from PAFs and other ancillary funds:** PAFs, which mostly operate in cities, invested \$565 million in 2018-19 to support important causes. Unfortunately, red tape prevents them from providing support to Community Foundations, which are often better placed to direct funds locally. There is ample anecdotal evidence that people and families would like to contribute from their PAF to Community Foundations to support local priorities and especially disaster response and recovery but are not able to do so. Removing this restriction would boost funds for regional and local communities at zero cost to government.
- **Historic reform to create a lasting legacy:** By supporting foundations that operate in perpetuity, and empowering grassroots community activities right across our nation, this reform would deliver a lasting legacy, particularly in regional Australia.

The Case for Change

1. **Community Foundations allow local people to donate to a permanent endowment – and lead and participate in activities – focused on improving the lives of people in their region.**
 - Many Australians develop strong ties with their local region, understand what makes it tick, care about its people and want to see it thrive.
 - Most forms of structured giving such as PAFs are only suited to people with high net worth. Community Foundations are a great way for people from all walks of life to get involved in donating, volunteering and participating in projects to help their region thrive. Where regulations allow, Community Foundations offer important support for smaller community-based organisations, the lifeblood of rural and regional communities. This work builds social capital and confidence, galvanising local communities to drive change through high-impact grassroots initiatives such as ensuring young people participate in education or work, developing the local economy, or responding to crises like the 2019-20 bushfires or the COVID-19 pandemic. Critically, this gives local people voice and agency in decisions that matter to them.

2. Community Foundations are particularly crucial in regional Australia, where around 80% of Australia's Community Foundations operate. The regional foundations include:

QUEENSLAND	VICTORIA	NEW SOUTH WALES
Buderim Foundation	Ballarat Foundation	Ballina: NSW Northern Rivers Community Foundation
Durong: Red Earth Community Foundation	Benalla: Tomorrow Today Foundation	Bega: Mumbulla Foundation
Mackay Community Foundation	Broadford: Mitchell Community Resources and Advocacy Group	Bowral: Southern Highlands Foundation
Sunshine Coast: Sundale Community Foundation	Corryong: Upper Murray Innovation Foundation	Broken Hill: Foundation Broken Hill
SOUTH AUSTRALIA	Geelong Community Foundation; Give Where You Live Foundation	Tumut: Community Foundation for the Tumut Region
Mount Gambier: Stand Like Stone	Kinglake Ranges Foundation	
Nuriootpa: Foundation Barossa	Leongatha District Community Foundation	
Port Lincoln: Eyre Peninsula Community Foundation	Marysville: Foundation Murrindindi	
Victor Harbour: Fleurieu Community Foundation	Mirboo North & District Community Foundation	
TASMANIA	Mornington Peninsula Foundation	
Glenorchy Community Fund	Myrtleford: Into Our Hands Community Foundation	
WESTERN AUSTRALIA	Packenhams: Casey Cardinia Foundation	
Albany Community Foundation	Warrnambool: South-West Community Foundation	
Denmark Community Foundation	Wonthaggi: Bass Coast Community Foundation	
VICTORIA/NEW SOUTH WALES		
Albury-Wodonga: Border Trust (Community Foundation for Albury-Wodonga Region)		

3. Restrictive regulations are holding Australia's Community Foundations back.

- In Canada, there are 5 times as many Community Foundations and 7 times as many annual disbursements (\$31 million in Australia 2018 vs. \$210 million in Canada 2015).
- As Community Foundations generally operate using a PuAF structure, they are precluded by tax laws from receiving any grants from PAFs.
- In addition, as PuAFs, Community Foundations can only make a distribution to Item 1 DGRs. This restriction is particularly problematic in regional areas, where few organisations have such status, making it harder for Community Foundations to support them.

4. Reform would boost funding for Community Foundations and strengthen their capacity to fund for maximum impact in local communities.

- Allowing access to PAF distributions (\$565 million in 2018-19) would boost funding for Community Foundations. Through their deep local knowledge and networks, Community Foundations are well positioned to use this funding to deliver strong impact – but red tape cuts them and the people they serve off from this funding.
- Providing the freedom to fund charitable activities, including those undertaken by organisations that aren't Item 1 DGRs – would free up Community Foundations to invest in ways that deliver maximum impact in their communities and empower grassroots community groups and causes.
- It would create scope for more rapid response to local community need, particularly in times of crisis such as natural disasters or the global pandemic.

5. These big gains for regional and local communities could be achieved at negligible cost.

- Providing freedom to invest in charitable activities – rather than just Item 1 DGR organisations – has no cost to government, as it simply allows for more effective use of a given pool of money.
- Being able to receive support from PAFs involves no cost to government, as PAFs have already received tax deductions on the funds at the time they were donated.
- Community Foundations are a modest component of Australia's philanthropic sector. Item 1 DGR status is unlikely to lead to substantial growth in individual giving, so any impact on revenue across the forward estimates would be negligible.
- Establishing the category would also remove the need for foundations and government to go through the specific listings process, saving time and money for both – whilst preserving the integrity of the broader DGR framework.

6. Community Foundations provide a platform for local MPs and the Government more broadly to work together to strengthen local communities.

- Local MPs can work closely with Community Foundations to connect with local leaders, understand local needs, and consider ways to leverage Federal resources to co-fund local initiatives.
- In time, Government could collaborate with a growing network of Community Foundations at a system-wide level, working together to support regional and rural communities across Australia. In Canada, Government works closely with the sector peak organisation, Community Foundations of Canada, to strengthen regional communities, mobilising public and private resources, and drawing on the network of 191 Community Foundations to support place-based initiatives across the country. This means that the vast majority of Canadians have access to funding and community leadership from a local foundation in the place they call home.

7. These reforms would be well received by Community Foundations across Australia.

- Australian Community Philanthropy (ACP), the peak body for Community Foundations that represents 85 per cent of the sector, advises that ACP member foundations would readily agree to an Item 1 DGR category that allows funding to support activities that fall within the existing 51 DGR endorsement categories. ACP would work closely with its members and with the government to develop an appropriate self-assessment, compliance and reporting framework.

2. Giving Australians the choice to make a Bequest to Charity through their Superannuation

The Reform

1. **Give Australians the choice to make a bequest through super:** Allow Australians to bequest some of their unspent superannuation funds to a nominated charity. At present, legislation forbids people using what's termed a 'binding death nomination' to give a proportion of any unspent superannuation to charity.
2. **Remove the tax penalty:** 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.

The Case for Change

1. **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 to charity, as well as looking after their dependents.**
 - When people organise their wills and superannuation arrangements, their first thoughts are invariably about looking after their dependents. Expanding opportunity and financial security for those we leave behind is a critically important aspiration for many people.
 - At the same time, there is enormous untapped potential to encourage Australians, particularly those more fortunately placed, to leave some of their super to charity, as well as dependents.
 - Treasury's Retirement Income Review (July 2020) cited multiple studies showing retirees die on average with around 90 per cent of the assets they had at retirement.
 - 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.
2. **Many Australians will be positioned to provide for dependents, while also making a bequest to charity.**
 - 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.
 - For instance, over 2020-30, the average transfer per household will be \$4 million in Lindfield-Roseville in Sydney, and \$2.7 million in Toorak and \$1.1 million in South Melbourne in Victoria.
3. **Providing a small proportion for charity would mean billions for so many great causes – such as ensuring children get a great start in life, health and education, protecting our environment and so much more.**
 - Based on Treasury's modelling of super balances at death in 2059, 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.
4. **Passing some super funds to charity should be made as easy as possible, rather than bound in red tape and subject to a tax penalty.**

3. Creating an Incentive for Australians to make a ‘Living’ Bequest to Charity

The Reform

- **Establish an incentive for Australians to make a bequest to charity.** Unlike leading countries that give more of their income to charity, Australia does not provide an incentive for people to leave some money to charity in their wills. Despite being a wealthy country, only 7 per cent of Australians make a charitable bequest in their wills. If many more Australians bequeathed even a modest proportion of their wealth to charity, the result would be tens of billions of dollars in additional support for Australian charities.
- **A Living Legacy Trust** provides a way to do this, by allowing Australians to place assets (such as money, property and shares) in a trust for the benefit of charity in return for a tax deduction and being able to draw on the income stream from the assets until they pass. Philanthropy Australia and a small group of our leading members would welcome engaging with the Australian Government on the design of a Living Legacy Trust so we can achieve a reform that spurs billions for charity in a cost-effective way for the Australian Government.

The Case for Change

1. Australia has an unprecedented opportunity draw on our rising wealth to support 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.

2. Without an incentive to make a bequest to charity, the rate of bequests in Australia is very low.

- Leading philanthropic countries such as the United States, which gives more than double its income to charity (2.1 per cent of GDP compared to 0.8 per cent in Australia), have incentives to make bequests to charity, including:
 - The ability to reduce inheritance taxes by donating money to charity; and
 - A Charitable Remainder Trust (CRT), similar to the Living Legacy Trust idea outlined here.
- In Australia in 2016, only 7.4 percent of final wills had a direct charitable bequest.

3. The Living Legacy Trust would address the key issues that make people hesitant about making a bequest, encouraging many more people to ‘take the plunge.’

- Even relatively wealthy Australians – such as those with an investment property – can be hesitant to pledge assets to charity. Their ‘nest egg’ provides vital financial security for them in retirement, or should life take a turn for the worse and they or their dependents need extra support.
- The Living Legacy Trust would grow legacy giving by making it safe for people to pledge to charity:
 - Crucially, donors would be able to retain the income stream – such as the rent on their investment property – maintaining some financial security while they are alive; and
 - Donors would also receive a tax incentive for placing the asset in a trust for the benefit of a charity upon their passing, but it would not be for the full value of the asset, given that they will benefit from income from the asset during their lifetime. Donors would be subject to appropriate regulatory oversight.
- The scheme would also encourage additional giving over simply relying on traditional bequests through:
 - Prompting and bringing forward the decision to give during a donor’s lifetime; and
 - The ability of the donor to see and be recognised for the good works during their lifetime.

4. A National Campaign to Build a Culture of Giving in Australia, Co-Funded by The Australian Government and The Philanthropic Sector

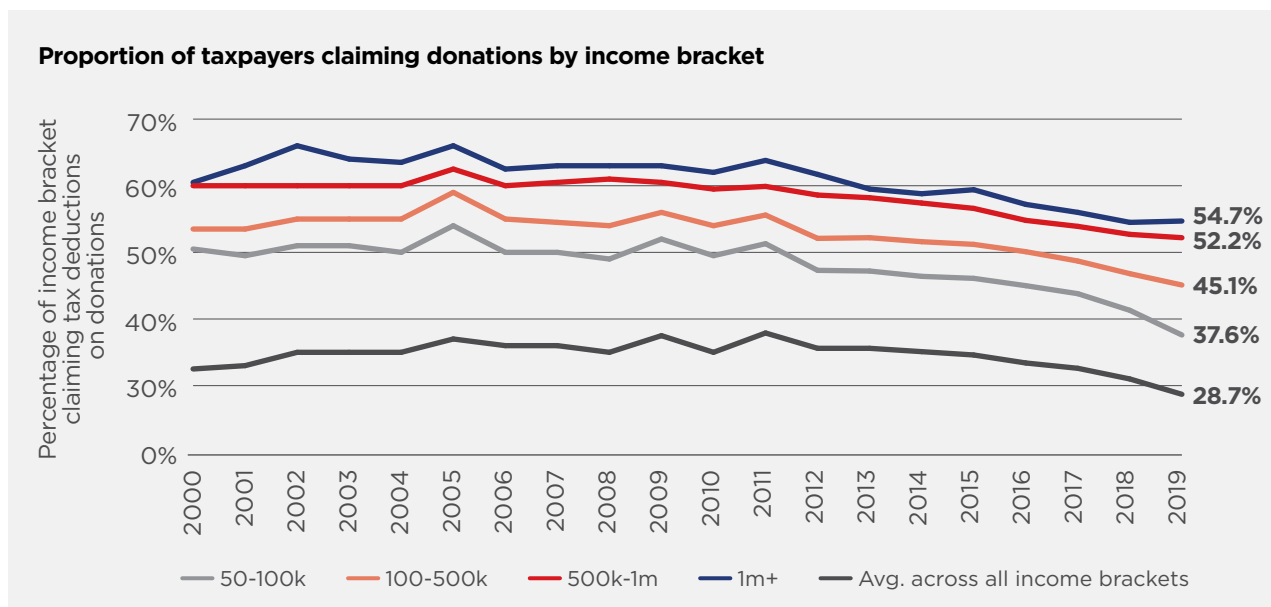
The Reform

- **Run a national campaign to encourage a culture of giving:** A campaign that tells stories Australians can relate to – stories of people who give and the impact it has in the community – can foster a culture where Australians from all walks of life give what they can to great causes, where they can afford to do so.
- **Maximise reach through a multi-channel strategy and widespread distribution through government, workplaces, philanthropic and for-purpose organisations:** Together, we can galvanise giving in the community through multiple channels (such as websites, search engines, social media, television, radio, email, mobile and promotional events), drawing on prominent Australians and distributing material across government, workplaces, philanthropic and for-purpose organisations.
- **Give Australians simple, practical information about how they can give:** For instance, regular giving to your favourite charity, workplace giving, establishing a community foundation, or for those with more wealth, establishing a PAF to leave a lasting legacy.
- **Target influential audiences:** from the broad Australian public to high-net-worth (HNW individuals), plus employers and financial advisors.

The Case for Change

1. 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.



2. Australians have shown time and again they can rise to the occasion.

- Across our history, Australians have repeatedly shown their generosity in response to crucial events, such as the community volunteering and financial support provided for the 2019-20 bushfires. Reminded again of the great causes they can support, Australians will rally.

3. The Australian Government can showcase and get behind the great cause of giving.

- Australian Government leadership – including through personal involvement in the campaign – can help create an Australia in which more of our private wealth is converted towards the public good.

5. Additional High Value Reform Options

An Australian Government process to engage the philanthropic, for-purpose and business sectors on how to create a more giving Australia will identify a suite of additional great ideas, including these three:

(i) Fix fundraising

The Australian Government work with State and Territory Governments to establish a single, national and consistent fundraising regulation regime.

- Australia's 7 different State and Territory fundraising regimes impose different requirements regarding when and if a fundraising licence is needed, how long a licence is valid, and what must be reported and when. Up to seven permissions may be needed to raise funds throughout Australia, including online.
- For charities operating nationally, this is particularly problematic.
- For all charities – and with a particular impact on smaller charities – this redirects scarce resources away from supporting the community to complying with unnecessarily complex and inconsistent red tape.
- Philanthropic organisations such as PuAFs and Community Foundations are similarly affected.
- It was pleasing to see the announcement in December 2021 that the Council on Federal Financial Relations has made reform of the charitable fundraising rules a priority for 2022. We hope to see this lead to the establishment of a single, consistent and simple national fundraising regulatory regime that protects donors, while minimising red tape on charities and philanthropy.

(ii) Reforming the DGR framework

Broaden and simplify access to DGR status for charities, so they are better positioned to gain access to philanthropic support and invest in important causes in the community.

- Australia has around 58,000 charities, but only around 30,000 have DGR status. This deters the public from donating to those without DGR status as they cannot receive a tax deduction. Despite doing charitable work, it also means they are forbidden by law from accepting grants from PAFs (which distributed \$565 million in 2017-18) or PuAFs (which distributed \$402 million in 2018-19).
- DGR tax law is highly complicated. There are 51 endorsement categories, each with its own specific criteria. So many charities doing great work simply fall through the cracks:
 - For instance, charities working to prevent injuries in children miss out, as this is not a designated purpose, while charities seeking to prevent diseases are covered;
 - Charities with multiple purposes often need to get endorsement under multiple DGR categories; and
 - Where the work of charities falls outside the endorsement categories, they must seek a specific listing in the tax laws, a long and complicated process, requiring a legislative amendment and with only some possibility of success.
- Too many great charities are missing out. We need a simplified DGR framework that gives DGR status to charities doing important charitable work in our community.

(iii) Supporting philanthropy by the public

Allow PuAFs to receive distributions from PAFs and other ancillary funds.

- 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.
- Unfortunately, regulations prevent PuAFs (which include most Community Foundations) from receiving support from PAFs.
- This red tape is unnecessary and prevents high value giving from occurring. For instance, Good2Give provides advice, technology and support to enable workplaces to give more easily and effectively to charity. They use a PuAF to accept donations from employees across numerous employers, which are then directed to the charities recommended by the employees. An employer approached Good2Give, expressing an interest in matching their employees' workplace giving donations, using funds from their corporate foundation. However, they soon found out that they were unable to do so, as their corporate foundation is a PAF. Workplace giving is a way all of us can support charity and there is so much potential to do more. This red tape that stops giving should be repealed.

3. Sector-Led Reform

Philanthropy Australia recognises the critical importance of this work being a genuine partnership, with the philanthropic sector and its peak body doing a significant part of the heavy lifting to double philanthropic giving by 2030. Among the initiatives the sector could bring to the table include:

1. An awareness agenda to build a stronger philanthropic culture and grow giving.

A multi-pronged agenda could include:

- Co-funding a National Giving Campaign to grow giving;
- Introducing a bi-annual survey and report on HNW and UHNW giving, including giving levels, stories that promote and inspire giving, and identifying the motivations, triggers and behaviours that foster giving among wealthy Australians;
- Championing stories of giving across diverse settings – such as Community Foundations, young donors, well-resourced migrants and HNW individuals – to promote a culture in which giving for the public good becomes an expectation;
- Encouraging the take up of giving circles and volunteering in Australian workplaces; and
- Running programs in schools to engage young people about the potential of philanthropy to drive positive social change.

2. Supporting professional advisors to engage their clients about philanthropy

- Research shows advisors including lawyers, wealth advisors, financial planners and accountants are highly influential in how clients manage their money. While a majority view philanthropy positively, they generally don't discuss the option with their clients.
- A UK study with lawyers showed the enormous potential benefit – discussing the option of philanthropy with clients writing their first will led to a 40 per cent increase in legacy giving.
- There is scope to normalise discussions about philanthropy between advisers and clients through: embedding philanthropy training into advisors education programs, including through continuing professional development and mandatory education standards; and using behavioural insights to improve the likelihood of advisors engaging clients about giving.

3. Supporting UHNW individuals to engage their peers to encourage giving.

- 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.
- Australia's 'Top 200' have an average wealth of \$2.3 billion or \$480 billion combined, so increasing the proportion giving could deliver significant funds for charity.
- Research shows donors are often motivated by gaining a reputation among their peers or for other personal reasons, so engagement by peers sharing their own giving journeys is likely to be a powerful means to increase giving.

4. A Research Agenda to grow giving.

- The sector would fund and facilitate practical, action-oriented research to grow giving. For instance, to uncover behavioural insights, trials could be run in areas such as increasing HNW giving, increasing donations in wills, and arresting the downward decline in the proportion of Australians giving to charity.



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