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# Collaboration to Grow Philanthropy – Insights from the Australian Experience

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National Philanthropy Policy IMG Workshop

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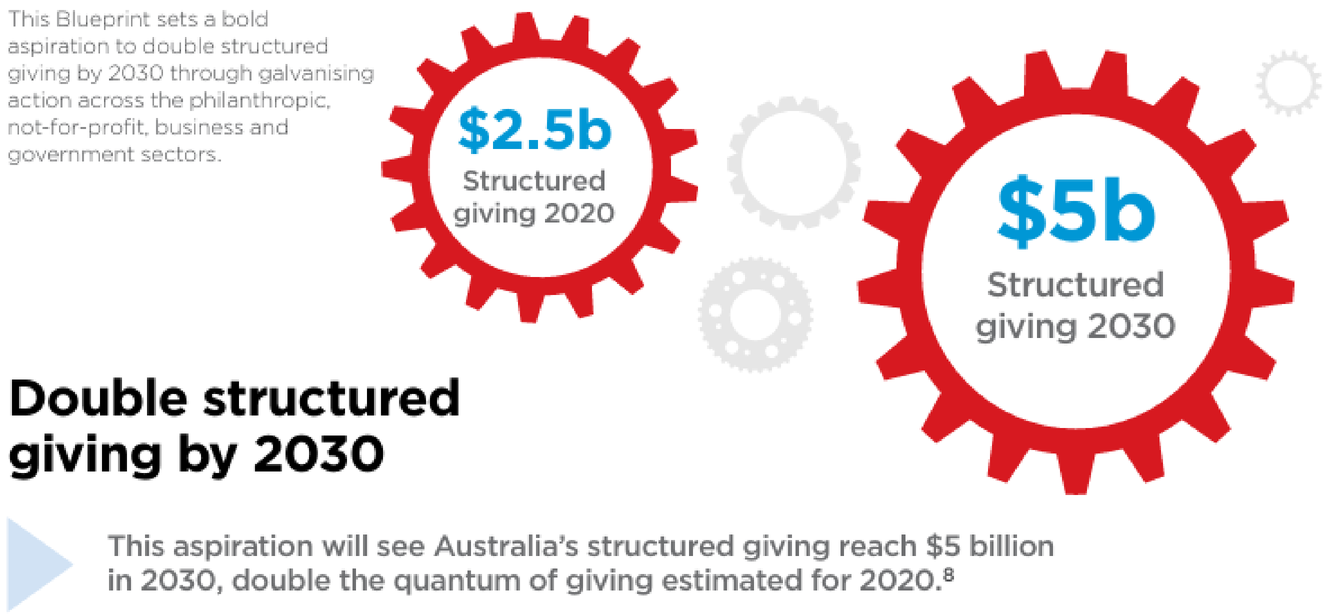
philanthropy.org.au

# Blueprint to Grow Structured Giving – April 2021

**A sector-led project initiated by Philanthropy Australia, working alongside our members and partners**

**Developing an ‘industry plan’ for growing structured philanthropy in Australia**





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## OUR STRATEGIC PRIORITIES

### Protect

Protect the foundations of philanthropy that work well today

**Priority 1:** Protect existing frameworks which work effectively and support giving

**Priority 2:** Support public trust and confidence in charities

### Enhance

Enhance the building blocks of giving in Australia

**Priority 3:** Introduce new structures and incentives

**Priority 4:** Increase awareness and education about philanthropy

**Priority 5:** Continue to build the evidence base

### Target

Target specific opportunities with high potential to grow giving

**Priority 6:** Capture a share of the intergenerational wealth transfer

**Priority 7:** Engage more of Australia's well-resourced and HNW individuals

**Priority 8:** Grow giving from UHNW individuals

**Priority 9:** Build a pipeline of next generation and new givers across wealth levels

**Priority 10:** Increase community and place-based giving

## OUR INITIATIVES

**The first stage of the Blueprint has identified ten initiatives which will play a key role delivering these priorities. There are a further ten potential initiatives that may be further developed in the next stage of the Blueprint.**

1. Remove barriers to donating excess superannuation
2. Reform the DGR framework
3. Introduce a Living Legacy Trust structure
4. Champion stories of diverse philanthropic giving
5. Develop a research agenda to extend the evidence base
6. Support professional advisors to engage with clients about philanthropy
7. Introduce a bi-annual report on HNW giving
8. Support UHNW philanthropists to engage peers in giving
9. Cut red tape to enable more place-based philanthropy
10. Facilitate community and place-based philanthropy

# Opposition Commitment to Double Giving – April 2022

*That's why today Labor is announcing that if we're elected, an Albanese Labor Government will work with the philanthropic sector to double charitable giving by 2030. It's a big task, but we believe as you do that it's an achievable one. If we get there, this will transform Australia's culture of giving. It will mean that Australia is a much more connected nation, and if we believe the research, will be a happier and healthier nation too* – **the Hon Andrew Leigh MP**



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# Productivity Commission Inquiry

- The Labor Party won the 2022 Federal Election
- In February 2023 it asked the Productivity Commission to undertake an inquiry focused on the motivations for philanthropic giving in Australia and opportunities to grow it further
- I was appointed as an Associate Commissioner for the inquiry, serving alongside Alex Robson (Deputy Chair of the PC) and Julie Abramson (Commissioner)

11 February 2023

## Harnessing generosity, boosting philanthropy

A once-in-a-generation review of Australian philanthropy has kicked off. Undertaken by the Productivity Commission, the goal of the review is to boost donations to charities and meet the Australian Government's goal of doubling philanthropic giving by 2030.

The Government has appointed Krystian Seibert, formerly an Industry Fellow at the Centre for Social Impact at Swinburne University of Technology, to join the review as an Associate Commissioner. Mr Seibert has extensive experience in the philanthropic and not for profit sectors.

The review comes at a time when the charity sector is under pressure. Over recent decades, Australians have become less likely to join community groups, less likely to volunteer, less likely to play organised sport, less likely to attend religious services, and less likely to know their neighbours. Declining social capital has broad implications for wellbeing, health and social connectedness.

Philanthropic giving underpins the crucial efforts of charities, not for profit organisations and community groups to support vulnerable Australians and build social capital and connectedness in Australian communities.

This has been highlighted by the challenges of recent years, with not-for-profits mobilising monetary donations, supplies, and volunteers to support those affected by the COVID-19 pandemic, natural disasters, and the rising cost of living. As we confront these and other challenges, not for profits will continue to play a vital role in strengthening and reconnecting our communities.

However, while deductible donations have increased as a share of total income, the percentage of taxpayers making donations has fallen.

The Australian Government is committed to collaborating with the philanthropic, not-for-profit, and business sectors to double philanthropic giving by 2030. The Productivity Commission review, starting today will provide a roadmap to achieving this objective.

The Hon Dr Andrew Leigh MP
Assistant Minister for Competition, Charities and Treasury, Assistant Minister for Employment

1 June 2022 – 13 May 2025

# About the Productivity Commission

- The Productivity Commission is the Australian Government's independent research and advisory body on economic, social and environmental issues affecting the welfare of Australians
- Its contribution to public debate and policy formulation is underpinned by three aspects:
  - Independence
  - Transparency
  - Community-wide perspective
- Its work is based in evidence, underpinned by analysis of qualitative and quantitative data, and informed by engagement with stakeholders


**Focuses on maximising the welfare and wellbeing of the community overall, rather than just the interests of particular sectors or groups**

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# About the Inquiry

- 15-month long inquiry, building on the work of previous inquiries in this space
- Over 120 consultations and 6 public hearings
- 1,611 public submissions and 1,593 brief comments
- Draft report – late November 2023
- Final report, *Future Foundations for Giving* – provided to the Government in May 2024 and released in July 2024

# Approaching the Task

**Community-wide perspective = Not every good idea can become a recommendation**

**Trade offs exist = Confront this rather than pretend we don't need to make policy choices**

*Subsidising philanthropy through tax deductions can encourage giving, but it also means the Government collects less revenue through income tax, which could otherwise be used to fund core government services or fund charities directly. Regulation can provide benefits, but it can impose compliance burdens and require additional resources for regulators. The bottom line is: there is no free lunch.*

*With this in mind, the Commission developed a framework to assess where there is a role for government to support philanthropy and where policy changes are needed.*

*This assessment was based on the expected benefits and costs to the community of different forms of government involvement in philanthropy. The Commission drew on the perspectives of donors, charities, philanthropic foundations, researchers and governments to analyse policy options to support giving, including their effect on equity and efficiency.*

(Page 3, *Future Foundations for Giving*)

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## Establish the role of government in philanthropy

Arguments for a role of government in philanthropy include:

- Philanthropic giving can help deliver goods and services to more people in the community
- The act of philanthropic giving can have broader benefits (such as social cohesion from volunteering)
- There are inefficiencies or inequities in society that philanthropic giving can help overcome through funding goods and services

## Determine whether policy settings are meeting government objectives

| Financial incentives | Regulation | Structured giving vehicles | Information | Networks |
|---|---|---|---|---|
| Financial incentives (such as tax concessions to donors and charities) should be effective, efficient and equitable | Regulation should be periodically reviewed and, if necessary, reformed to ensure its efficiency and effectiveness | Institutions for giving (such as ancillary funds and charitable trusts) should be effective at delivering societal benefits | Public information available to donors and the wider community should be reliable, relevant and accessible | Access to philanthropic networks should enable charities to engage with donors, and facilitate information sharing about giving options |

## Assess levers to influence philanthropy

Identify policy options (informed by analysis of motivations for giving, responsiveness of giving to policy and outcomes underlying philanthropic giving)

| | | | | |
|---|---|---|---|---|
| **Financial incentives** (chapters 4–6) | **Regulation** (chapter 7) | **Structured giving vehicles** (chapter 8) | **Publicly available information** (chapter 9) | **Increasing participation in giving** (chapter 10) |

**Assess potential benefits, costs and outcomes relative to the status quo or other counterfactual**

**Make policy recommendations**

# Recommended Reforms

| Reform deductible gift recipient (DGR) system | Strengthen the regulatory system | Improve public information on charities and giving |
|---|---|---|
| • Reform policies that determine which charities can receive tax deductible donations<br>• Help donors direct support to where there is likely to be the greatest net benefits | • Enhance the ACNC's powers and creating regulatory architecture<br>• Improve coordination and information sharing among regulators | • Improve public information on charities and giving<br>• Support donor choice and accountability |

# Reform Benefits

| Reform deductible gift recipient system | Strengthen the regulatory system | Improve public information on charities and giving, going beyond dollars given |
|---|---|---|
| • Australians have greater diversity and choice for which organisations they can give to and receive a tax deduction<br>• Which organisations can access DGR status is fairer | • Australians can have greater confidence in the charity sector through a stronger, more transparent and consistent regulatory framework | • Aboriginal and Torres Strait Islander people and organisations can expect improved access to philanthropy – on their terms<br>• Volunteers will not be encumbered by unnecessary red tape |

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# Insight – Differences between Government and Philanthropy

Philanthropic funding has different benefits (and costs) to government funding – it can complement government funding + help governments with addressing policy challenges.

| Government funding | Philanthropic funding |
|---|---|
| • Accountable through democratic processes<br>• Scalable<br>• Transparent<br>• Might attract other funding | • Risk capital<br>• Patient capital<br>• Can be untied<br>• Flexible<br>• Responsive |
| • Inflexible<br>• Reporting burden | • Donors may be misaligned with a charity's values<br>• Reporting burden |

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# Insight – Government Policy Should Support Philanthropy

Philanthropy can **contribute to providing goods and services** for the community.

Philanthropy can **help people achieve their own vision of a more just and fair society** through a voluntary redistribution of wealth and income.

Philanthropy can **support the operation of NFP organisations,** which often have advantages over government as providers of goods and services.

Philanthropy **can contribute to social capital,** which can have public good characteristics.

**But need to apply the community-wide perspective to assessing *how* this support is provided…**

## A range of factors have likely affected giving

### Policies to encourage giving

- Private ancillary funds (2001)
- Expansion of DGR status (various years)

### Rising incomes

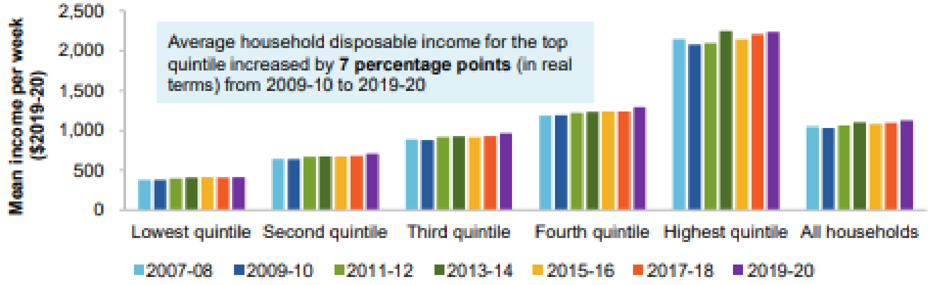
- Long term growth in average disposable income

### Specific events

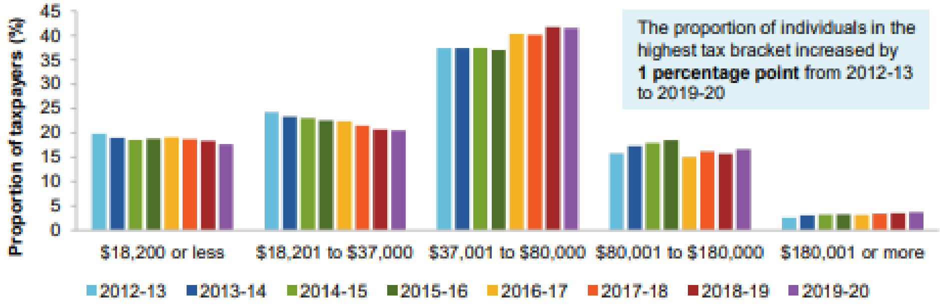
- COVID-19 pandemic (2019 to 2023)
- Global Financial Crisis (2007 to 2009)

## Rising incomes have increased people's capacity and incentives to make donations …

**Equivalised disposable household income**




**Taxpayers in each tax bracket**




## Policies seem to have affected tax-deductible giving to varying degrees

The introduction of various tax incentives in 2000 coincided with an uptick in the long run trend in tax-deductible giving

The growth in donations to private ancillary funds (it accounted for 27% of donations in 2020-21) suggest they played an important part in this result

The effects of workplace giving policies on giving is more modest (it accounted for 1% of individual tax-deductible donations in 2020-21)

Note: Equivalised disposable household income is disposable household income adjusted to facilitate comparison of income levels between households of differing size and composition.

Sources: ABS (2020c); ATO (2002, 2023a).

### 1999 Working Group report

Business and Community Partnership Working Group releases report on Taxation Reform to encourage philanthropy in Australia

### 2000-01 Tax concession changes

- Caps on exemption from fringe benefits tax introduced
- Tax deduction for gifts of property held by the donor and valued at more than $5,000 introduced
- Prescribed Private Funds introduced

### 2001 Charitable definition inquiry

Inquiry concludes, recommending a legislative definition of charity based on dominant purpose rather than activity

### 2002 Tax concessions expanded

Immediate tax benefits for workplace giving introduced. Health promotion added as a deductible gift recipient (DGR) category

### 2006 New DGR categories

Five new DGR categories added

### 2008 Senate inquiry

Senate inquiry into disclosure regimes for charities and NFP organisations calling for an independent regulator and minister for the sector

### 2009 Private ancillary funds introduced

Private ancillary funds introduced and endorsed as having DGR status

### 2010 Government commissioned reports

- Henry Tax Review Report released recommending increasing DGR threshold to $25
- PC review into the *Contribution of the NFP sector* released, recommending a national charity regulator and expansion of DGR

### 2012 ACNC established

National charity regulator established

### 2013 Reports

- Corporations and Markets Advisory Committee release report on administration of charitable trusts making recommendations on fees and costs charged
- NFP Tax Working Group report released recommending expansion of DGR status and changes to FBT and income tax exemptions

### 2014 Charities Act 2013

Came into effect on 1 Jan establishing definition of charity

### 2016 Reports/inquiry

- Government commissioned *Giving Australia* report on philanthropy, giving and volunteering is released
- House of Representatives Committee inquiry into the Register of Environmental Organisations makes recommendations around the DGR administration
- Updates made to the Public and Private Ancillary Fund Guidelines

### 2017 Tax DGR reform opportunities

Treasury discussion paper considering potential DGR reform opportunities released, drawing on recommendations from previous reviews

### 2018 ACNC Review

Final report of the *Strengthening for Purpose: Australian Charities and Not-for-profits Commission Legislative Review* tabled in Parliament making 30 recommendations

### 2021 Charity changes

Non-government entities with DGR status required to be registered charities

### 2023 Tax concession changes

Australian Parliament amended legislation to transfer four DGR categories to ATO oversight

Taxation or legislative change

Review / report / inquiry

# Insight – Enhanced Disclosure and Reporting of Corporate Giving

**Introducing enhanced disclosure and reporting of corporate giving would improve accountability and could encourage giving**

More transparent reporting on corporate giving would enable the public to assess corporates' giving for themselves. It would foster more meaningful engagement with shareholders and stakeholders including employees, customers and the wider community (Minderoo, sub. DR505, p. 16). As expressed by Workplace Giving Australia:

> There is a need to ensure that the trust in charities that inspire the general public is not inadvertently eroded. The way corporates communicate to the broader public and how they understand the information, including the terms used, should be tightened to avoid unintentionally misleading statements. (sub. DR618, p. 4)

Increased transparency should also help maintain and build public trust in corporate giving, reducing the impact of instances of misconduct on consumer confidence when supporting businesses that genuinely contribute to charitable causes.

Public information on corporate giving would also 'place a spotlight on giving by business and encourage the sector to lift its philanthropic contribution' (Philanthropy Australia, sub. DR595, p. 18). The ability to compare corporate giving more easily and accurately may encourage competition between businesses (Centre for Corporate Public Affairs, trans., p. 44). This includes encouraging employers to support philanthropic efforts within the workplace as part of their employee value proposition, including facilitating volunteering (Workplace Giving Australia, sub. DR618, p. 3). Volunteering Australia commented that 'improved data on corporate volunteering would be greatly beneficial to the development of employee volunteering programs in the future.' (sub. DR686, p. 5)

Having publicly available information on corporate giving in aggregate form would also allow policy makers to analyse trends in corporate giving and understand the effects of policies to increase giving. It could also

**Recommendation 9.2**
**Introduce enhanced disclosure and reporting of corporate giving**

The Australian Government should introduce a requirement for listed companies to publicly report itemised information on their donations of money, goods and time (volunteering) to entities with deductible gift recipient status. This would enhance accountability to shareholders, consumers, employees and other stakeholders within the community.

The Australian Taxation Office (ATO) should amend the company tax return to require listed companies to report donations of money and assets to entities with deductible gift recipient status as a distinct line item in deductions, similar to what is required for individuals.

The ATO should regularly publish aggregate information on corporate giving in Australia (for example, in the Australian Taxation Statistics) including, at a minimum, donations by company size, taxable status and industry.

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# Insight – Giving Vehicles to Facilitate Structured Philanthropy

Australia has specific vehicles to facilitate structured giving – *private* and *public ancillary funds*.

Donors get a tax deduction for donating into them, and then those funds are invested and distributed as grants to eligible charities.

A 'minimum distribution' applies to these funds, requiring them to distribute 5% and 4% of their net assets to eligible charities every year.

Extensive analysis was undertaken of this regulatory framework, to develop a principled basis for determining the minimum distribution.

**The report also recommended they are renamed as private and public 'giving funds'.**

| | Donations to ancillary funds are cumulatively worth … | … and have been invested to create net assets worth … | … which have been distributed at an average rate of … | … that means charities have received distributions valued at … |
|---|---|---|---|---|
| **Private ancillary funds[a]** | **$11.4 bn** | **$11.6 bn** | **8%** | **$5.2 bn** |
| **Public ancillary funds[b]** | **$7.5 bn** | **$4.8 bn** | **15.3%** | **$4.5 bn** |

**a.** Total donations and net assets for private ancillary funds are the cumulative totals from 2000-01 to 2020-21. The distribution rate is the average rate for 2011-12 to 2020-21. **b.** Total donations and net assets for public ancillary funds are the cumulative totals from 2011-12 to 2020-21 due to data availability. The distribution rate is the average rate over the same period.

Source: Commission analysis of ATO Taxation Statistics (2023).

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# Further Reflections

## Adopting a determined approach to prioritisation

Resources (money, people, time etc) are limited, and coordination is not easy

If we try and do too much, we can end up not getting anything done

## Framing actions that are specific and tangible

Sometimes we frame something as an 'action', but it lacks the necessary specificity or isn't sufficiently tangible

In a resource constrained environment, this can impede progress

## Being clear on roles and accountabilities

An action or initiative needs an individual or organisation to drive it

'We all responsible for this' can, in practice, mean that nobody is responsible

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# More Resources

Inquiry website – includes the report and a recording of a webinar

Philanthropy Australia summary of the report

Building the foundations for future giving in Australia – speech I gave about the report last year

Blueprint to Grow Structured Giving

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# Thank you and questions