

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

8 June 2026

Dear Chair,

Treasury Laws Amendment (Tax Reform No. 1) Bill 2026 and Income Tax Rates Amendment (Tax Reform No. 1) Bill 2026

Philanthropy Australia thanks the Committee for the opportunity to make a submission in relation to the *Treasury Laws Amendment (Tax Reform No. 1) Bill 2026 and Income Tax Rates Amendment (Tax Reform No. 1) Bill 2026*.

At the outset, we acknowledge that significant taxation reform is a challenging undertaking. Governments must grapple with complex trade-offs and balance the need for a taxation framework that supports productivity and promotes equity, alongside the importance of raising adequate revenue to support the provision of services for the community.

Within this context, Australia's taxation framework includes incentives to encourage philanthropy for the benefit of the community, most notably the gift deduction. The contribution of these incentives was recognised in the final report of the Productivity Commission's philanthropy inquiry, *Future Foundations for Giving*.

In relation to the Bills being examined by the Committee, Philanthropy Australia is concerned about unintended consequences arising from the introduction of a minimum rate of tax on capital gains. As currently proposed, the change could have a detrimental impact on philanthropic support for Australian charities.

The stated rationale for the minimum rate of tax is to¹:

- Reduce the benefit of taxpayers deferring capital gains realisation to years where their marginal tax rates are low, and
- Ensure that gains are subject to a tax rate closer to the rate they faced during their working life.

According to the Budget documents, the 30 per cent rate has been selected because it is commensurate with the tax rate paid by most workers.

Philanthropy Australia does not have an overall view on whether a minimum rate of tax should be introduced. However, the current design of the measure would have the effect of reducing

¹ Budget 2026-27 Fact Sheet, Negative Gearing and Capital Gains Tax Reform.

incentives for engaging in philanthropy for the benefit of the community. This would be counter to the Australian Government's stated objective to double giving by 2030.

So-called 'liquidity events', including the sale of an asset such as shares in a listed company or a private business, are commonly a prompt for people to consider whether they wish to adopt a more structured approach to philanthropy.

Such liquidity events usually result in a capital gain. Where the income from this capital gain is donated to a charity or a giving fund endorsed as a deductible gift recipient (DGR), the value of the gift is deductible from taxable income. Although tax incentives are not the primary reason that people give, they do encourage people to give and to give more.

The introduction of a minimum rate of tax creates a floor under this incentive – even if a person donates all of the income from a capital gain, it will still be subject to a minimum 30 per cent rate of tax.

This contradicts the principle that income gifted to an entity endorsed as a DGR is not taxable. It also creates a new and problematic inconsistency in the treatment of different sources of income for the purposes of the gift deduction, with no such minimum rate of tax applying to income from wages that is donated.

In effect, the minimum rate of tax could function along the lines of a new 'donation tax', with a particularly detrimental impact on the number of Australians who consider making a longer-term commitment to benefiting the community through structured philanthropy.

Therefore, Philanthropy Australia recommends that targeted amendments are made to the design of the minimum rate of tax on capital gains to address this significant risk, ensuring that it does not reduce philanthropic support for Australian charities and the work they do in the community.

We would welcome the opportunity to work with the Australian Government and the Treasury to develop these amendments.

Recommendation

That targeted amendments are made to the design of the minimum rate of tax on capital gains to ensure it does not reduce philanthropic support for Australian charities and the work they do in the community.

Conclusion

Thank you to the Committee for considering the issues raised in the submission. Should the Committee wish to discuss the matters raised in this submission further, please do not hesitate to contact our Executive Director, Policy and Sector Development, Krystian Seibert (kseibert@philanthropy.org.au).

Yours sincerely,



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Chief Executive Officer