

17 December 2012



NFP Sector Tax Concession Working Group Secretariat
The Treasury
Langton Crescent
PARKES ACT 2600

By email: NFPReform@treasury.gov.au

Re: *Fairer, simpler and more effective tax concessions for the not-for-profit sector* discussion paper

Thank you for the opportunity to comment on this discussion paper. These responses represent the Australian Museum and the Australian Museum Foundation, both of which are ITEC and DGR-endorsed by the Australian Taxation Office. The Australian Museum is the country's oldest and has been at the forefront of Australian science, research, collection and education for more than 180 years. The Australian Museum Foundation is an independent organisation the sole purpose of which is to raise funds to support the Museum.

Q15 Would a fixed tax offset deliver fairer outcomes? Would a fixed tax offset be more complex than the current system? Would a fixed tax offset be as effective as the current system in terms of recognising giving?

Q16 Would having a two tiered tax offset encourage giving by higher income earners?

We do not support the introduction of a fixed tax offset. We believe that the current (deduction) system should be maintained, not least because of its simplicity in both accessing the deduction and communicating the deductibility message to donors and prospective donors. Donors to the cultural sector tend to be in higher income brackets, and adding complexity to the process – and, in doing so, effectively reducing the benefit of the deduction – may well result in a lower level of donations from this vital support group. As noted at points 86 and 87 in the paper, individuals with higher incomes make larger average donations, and higher percentages of this group donate (evidenced at Table C). While the concept of fairness is notionally addressed by this proposal, the reality is that increasing a tax deduction for lower income earners is unlikely to result in higher donations as it will not increase their capacity to give. Statistics from the ATO indicate that the largest donations are made by people with taxable incomes of more than \$1 million. Logic dictates that if Government wishes to promote philanthropic donations, it should not curtail the benefit available to those with the most capacity to give.

nature culture discover

Q19 Would a clearing house linked to the ACN Register be beneficial for the sector and the public?

Having a comprehensive website to access information on all registered charities, as outlined at points 104, 105 and 106, will not provide any great benefit to the not-for-profit sector. The discussion paper admits that it will have minimal information about each charity (a description of purpose, activities and high level financial information). For a number of reasons, we cannot see this encouraging anything more than one-off small donations.

Firstly, the sheer number of charities listed will work against any being selected, even if organisations are listed under different categories. Given that there are currently around 50,000 charities in Australia, the chances of a prospective donor working their way through thousands of potential recipient organisations to find one that matches their philanthropic intentions is fairly remote.

Secondly, organisations which undertake a range of projects or activities will be disadvantaged by such a scheme. When there is a single message (eg "We raise funds to support research into heart disease") it may work; however for an organisation such as the Museum, which has around 100 scientists working on almost as many different research projects, as well as significant cultural projects involving Indigenous Australian and Pacific communities, education outreach programs and acquisitions for natural science and Indigenous and Pacific cultural collections, it is almost impossible to sum up in a single paragraph.

That leads to the third point, which is that a personal relationship with a donor is the most successful way of generating donations. And those personal relationships are initiated and maintained by developing an understanding of their interests and what they are keen to support. This is simply not possible through a listing on a website.

Q20 Are there any barriers which could prohibit the wider adoption of workplace giving programs in Australia? Is there anything the Working Group could recommend to help increase workplace giving in Australia?

Although this is an area of philanthropy which certainly warrants further development, it is not a substitute for the donations discussed in the responses to Q15 and Q16 above, as very few high-level donors make donations through payroll giving. The most successful workplace-based programs involve staff in the decision-making process as to the organisations to be supported and these almost always show a strong preference for children's and medical charities, relief organisations such as Red Cross and Salvation Army, and social welfare organisations. While this is to be applauded, arts and cultural organisations are rarely supported in this way and payroll giving is unlikely to provide any significant increase in funding to the cultural sector.

Q21 Do valuation requirements and costs restrict the donation of property? What could be done to improve the requirements?

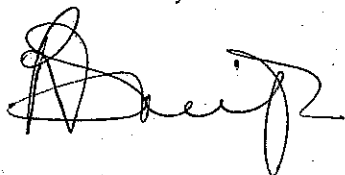
The Museum from time to time receives gifts of significant objects and artefacts for which the donor can claim a tax deduction under the Cultural Gifts Program (Subdivision 30-A of the Income Tax Assessment Act 1997). Although there are requirements to obtain independent

valuations for such gifts, we do not find the current framework onerous and it is our opinion that the arrangements do not hinder donations.

Q26 Should the threshold for deductible gifts be increased from \$2 to \$25 (or to some other amount)?

The deduction for gifts of \$2 or more has been in place for many years. It is likely that many donors at this level do not bother to claim a deduction for what is now a miniscule amount and the costs associated with receipting, processing and recording a \$2 donation would outweigh the value of the gift. We would therefore support increasing the threshold for deductible gifts to \$25.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rosemary Swift', with a stylized flourish at the end.

Rosemary Swift
Head of Development, Australian Museum and
Secretary, Australian Museum Foundation