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Philanthropy and Resource Tax Division  
The Treasury  
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RE; Consultation Paper on tax concessions for the NFP sector.

I am a Director of a Community Foundation Stand Like Stone Foundation, and through this a Trustee of three capital invested trusts. I make my submission here but cannot find time to address every question. Many are beyond my real understanding of the complicated tax and other implications particularly the latter pages and details of FBT and GST.

I am passionate about my region and rural Australia and their communities, but am wary and worried about the long term future and how rural communities can not only stay alive but also thrive. We are in an era of big capital cities and centralized government becoming more distant to regional needs, we see centralisation of all services. We see centralisation of charitable bodies and these seem distant and become less relevant to regions as they provide no services or little or reducing services and support.

There is a growing belief that the big charities just regard regions a place to pluck the golden goose of its donations without any return to regions in charitable services and support. In many cases, there is absolutely no local presence nor intention to provide so other than hordes of collectors in their blue tops collecting funds and clipping their 30% commissions as payment.

**I do want to address some key points particularly the real value of the capital invested charitable trust model compared with the typical collect and spend model of most charities.**

One must understand the ethos and principles of capital invested charitable trusts often known as the philanthropic sector, much of which has been funded by past estates or by wealthy but immensely generous people. The funds invested have grown over time as their investments grow with natural economic growth and inflation. And with the growth in capital to invest, is a growing income put to worthwhile philanthropic, charitable and community support as donations or grants.

One must compare a donation to say a 'doing charity' which effectively spends this and all donations quickly. Annually they must fund raise, or seek support funding from Governments in all continuing years. The donation disappears and with most major national charities being totally opaque in their financial situation, one cannot know how funds are allocated. From recent, often very critical press and media coverage, allocation of funds in many Charities and DGR's is about 30% administrative costs, 30% marketing costs and at most 40% going into service on the ground. Many recently in the press are many reports of charities providing less than 10% of their income in real service on the ground and in benefits to the recipients, either in financial support, or real contact and support.

There are reports of great benefits to staff eg through fringe tax exemptions, use of vehicles, phones and other personal benefits and one wonders if this produces sinecures for staff rather than benefit in charitable works. High administrative and marketing costs are well argued to cause less than satisfactory outcomes for charitable purposes.

One prominent Adelaide Charity was reported to having all staff and founding directors driving leased Mercedes. Other charities have had principals taking a fixed percentage of income from donations and other sources and thus, large personal benefit.

In the case of a capital invested fund, in simple description, it might receive a donation of \$1,000 and invests this receiving an annual income of say 5% over time and after costs, gives 4% annually to charitable works and benefits. It may only give \$40 from this away each year, but over 25 years, the \$1,000 has been used in a good way. But invested capital bodies still have the \$1,000 and over 100 years gives away say \$4,000.

If the invested capital is also invested in a proportion of growth investments so that invested capital grows at the rate of inflation or higher, the returns to the community are in a real value of today's money eg say growing at say 2 ½% a year compounded, the capital is doubled on about 30 years and so is the income given away. It must be noted that every dollar of donations is placed into the capital to be invested without one dollar of leakage in commissions, administration or other charges.

One major feature of capital invested funds is that they are not under the perpetual 'albatross around the neck' of expensive marketing and fund raising costs without this expense other than a token amount. Compared to the 'receive today spend today' charitable sector, this minimal take to run the charitable trust maximises income after expenses, which can be devoted to charitable works rather than endless staff costs.

Another side effect of capital invested charitable funds is a generally stable income which can be budgeted and provides stable and guaranteed benefits to the community. Being perpetual nature, such trusts can do proper research on giving programs to determine if good outcomes are gained and to ensure all programs have real outcomes and real results at all times and not 'feel good' programs.

A good example is one huge Philanthropic Body which provides funding for a program called 'Back to School' and vouchers are provided to students at all levels of schooling from primary and high school, who are on school card. This entity once gave such funds away at Xmas so that the poor might have Xmas cheer, but proper research as I understand, found all of this money was effectively spent without any long term benefit. The main beneficiaries were the donors of gifts who had feel-good feeling at Xmas, accepted that they had one their bit for the poor, and simply forgot about this huge welfare problem until Xmas next year. Whereas Back to School Vouchers received early in the school year are spent on school needs and real outcomes are substantive, both from a financial point of view, but also of personal, mentoring, uplifting effects on recipients and their family.

The Foundation that I am involved with is a recipient of Back to School vouchers to distribute locally and also another project, Stay at School and has a Scholarship Fund. Of about \$80,000 in value distributed, about \$67,500 is **direct into the hands of the recipient** without one dollar disappearing in costs typical of the big national charities. This face to face contact is quite an uplifting experience. In my case, I have personally presented cheques to 132 severely disadvantaged students whom I told that we believed in them and by shaking their hand, we trusted these young people, many living independently and desperately poor, to use this money wisely.

**To a core question about limiting the refund of franking credits such as income tax exempt charities and philanthropic bodies.**

- i) Franking credits being refunded is a core feature of the general investment scenario including superannuation, to self-funded retirees and to change the system for one sector such as charitable tax exempt bodies, in reality charitable businesses or philanthropic businesses, goes against the principle of a simple tax system over the whole gamut of business which adds to confusion, different rules for accounting and auditing and is an added complication overall.
- ii) Franking credits to reduce double taxation on dividends was key plank of the Keating reforms of business taxation some years ago. **One must be suspicious that the ideas being suggested here are the thin edge of removing franking credits** which would cause significant effects on superannuation funds performance and the reduced effect of superannuants to meet their needed income in retirement in the future putting more need upon the government in future welfare including pensions.
- iii) I have seen a survey of a small part of the philanthropic sector indicating that this small part distributes over \$250 million each year to charitable ends. A fuller survey of such capital invested entities I am sure would indicate that the annual distribution from all capital invested charitable and tax exempt entities would be well over a \$billion a year. Most are invested at say 2/3's in shares providing franking credits as income (adds about an extra 3/7ths or over 42% in income to each dividend) and a calculation of franking credits assuming cash component earns 4% pa is around 20% of the income or say \$200 million a year.
- iv) This is about \$200 million a year if refund of franking credit refunds is removed, and absorbed in taxation. These would become unavailable to be distributed by capital invested philanthropic entities, argued as above, as being efficiently distributed with good or better outcomes than from many DGR Charities.
- v) The implication of other ideas in the discussion paper seems for these credits earned by efficient philanthropic entities being absorbed or given to major DGR charities. This is simply 'taking from Peter to pay Paul', taking enormous distributions from a very efficient sector with real outcomes to people in need and effectively financing the sinecure of staff in arguably, very inefficient charitable sector with enormous overheads in administration and marketing. A detailed examination of distributions and outcomes would clearly show this a terribly wasteful proposition or idea.
- vi) I can outline an invested capital foundation administered by a Bank Custodial Service which in about 2001 had about \$45 million invested but which grew to about \$105 million by the end of 2006 and the Global Financial Crisis which saw assets under management fall to about \$85 million, being almost fully invested in growth assets. Assets under management have now started to grow according to long term trend line. In 2006 the fund paid had about \$4,000,000 in income and about \$1,500,000 in franking credits which was paid out to charitable concerns after fees of about \$950,000 (investment management, accounting and audit and all corporate and trustee fees, and running the grants or giving program).

To take away the franking credits would reduce the money available for philanthropic works and is a zero sum equation for the concept of taking the franking credits away from this Philanthropic Foundation to pass these onto other DGR's, eg why do it?

The preface of the consultation argues in lofty terms about tax foregone and specious argument which thus has no logic and seems to promote a case for such zero sum ideas.

The reality is that the long term growth of such Philanthropic Bodies as outlined here, demonstrates the real financial power of the invested capital model.

If this example Foundation relied on tax deductible donations to fund this \$5,500,000 from persons or bodies attracting a tax deduction say 25% average, the tax deductions would be about \$1,375,000 or almost equal to the franking credits.

And taking this further to compare against a large DGR charity with typical overheads but I take a conservative 50%, one would have to rely on about \$11,000,000 in donations to achieve the same service on the ground and tax deductions of about \$2,750,000!

- vii) Another tack is that there may be no tax in imputation credits foregone in this capital invested example, as if donated to a typical Charitable DGR, there would be no imputation credits to even talk about. And these typical share investments would be in the hands of other investors receiving the benefit of these franking credits anyway, so there is in effect no tax forgone in reality, as franking credits.
- viii) Another way of extending the reality of the capital invested concept is examine a postulated comparison of a \$1,000,000 donation to a DGR Charity or a capital invested philanthropic body with the same tax exempt charitable status.

\$1,000,000 goes to the charitable DGR and tax exemptions are say claimed as above say \$250,000. This DGR with overheads of say 50% provides about \$500,000 in charitable benefit to the community in that or the next year and that is that.

The capital invested receives the \$1,000,000 which has attached a tax deduction of the same \$250,000 and does not take any of the funds but invests these say 40% in cash and term deposits earning a net 4% and 60% in fully imputed shares earning 5% dividend yield, eg an annual income of about \$16,000 interest, \$30,000 dividends and about \$12,500 franking credits, total \$58,500 or 5.85% income yield and after costs say \$8,500 a distribution to charitable outcomes of 5% or \$50,000 pa.

In 20 years total distributions (not allowing for growth of assets) of \$1,000,000 equal to every dollar of the original donation of \$1,000,000 has been distributed over 20 years, and will also be distributed every 20 years in perpetuity.

But the capital value of this portfolio should grow by at least the rate of inflation overtime and the real distributions in the future will be in today's dollars inflated by inflation.

Since 1900, inflation has averaged about 3%, real growth after inflation has averaged about 3% and annual income has averaged about 4.5% and adding in imputation credits (say 1% addition to income) for a tax free entity, a total long term performance of growth assets of about 10.5% plus 1% FC's. Inflation and growth will grow the capital value of this postulated \$1,000,000 portfolio or managed fund which should at least double or become \$2,000,000 in 20 years assuming trend and long term inflation and growth, and initial income of about 5% including franking credits will have also doubled to \$100,000 pa conservatively, now 10% return on the original capital.

The only tax cost implied is the value of the franking credits refunded but which is already argued as a totally specious argument but now distributions clearly exceed franking credits by a wide margin.

- ix) This very simple analysis surely shows the power of the capital invested model which returns to the community and to our people of Australia, over 100 years, at least 5 times the value of a donation today in inflated dollar value over the 100 years.

It is far superior to the 'donate and spend' model of typical charitable DGR's with high overhead costs, being continually under the treadmill of fund-raising, unable to work to a relatively sound and predictable income. And much less able to devote a reasonable per cent of funds raised to grants or donations or spending on the ground at the coalface of need or on long term projects with best or researched outcomes, and with many like charities competing against one another eg over 40 in childhood cancer alone.

I recommend that this consultation or the ACNC do a full and wide ranging economic analysis of this model to examine the real impact on outcomes to the community, and to measure the real benefit to the community in charitable works after any tax implications. But it must also reflecting on the real cost to donors by their generosity which is significantly well in excess of the implied but probably specious arguments of cost to the tax system in toto.

Why tamper with this model? Why change its income by taking away its hard earned franking credits to give to others? Why not embrace this model as the preferred model of giving, charity and philanthropy?

- x) What is totally ignored in the consultation which only concerns itself with the tax cost to the ATO or the Federal Government, **is the real cost to the individual donors**. By their generosity, aided by tax deductibility, their real cost is at least three times or perhaps 4 times any cost to the state not including their future income on donated funds. And without these donations to charities and the charitable or NFP sector would rely on government grants to make up the shortfall.
- xi) Another 'unintended consequence' of removing refund of franking credits is that Private and Public Ancillary Funds which have to distribute at least 5% and 4% of capital at the previous end of year according to recent ATO regulations, will be put under real pressure to earn enough annual income as interest rates fall and may be forced to use up some capital. But donors have donated to such capital invested entities on the core principle of charities and trust law that 'the donated funds will be used for the purposes intended' eg as capital to be invested.

This ATO regulation might put Directors and trustees at risk of breaching laws, or being forced into much riskier investing which is against principles of prudent investing.

- xii) The general principles of this consultation are maximising the social good, fairness and simplicity, and the long term budget advantage. Removing the refund of franking credits is as argued here, as against all these principles.

And passing these refunds to other DGR's is also against all these core principles as well. **Question 5** is a definite NO.

- xiii) **Similarly Question 6**, limiting entities to be refunded their franking credits is also not agreed and is tarred with the same brush of concern. A definite and big NO.
- xiv) Rather we should be encouraging capital invested charitable trusts and philanthropic bodies with tax exempt status.

I read recently that the RSPCA was lamenting being well down on donations particularly from estates. An estate is the accumulated capital of someone's good life. Over the past say 50 years, the RSPCA has received countless bequests, and if they had invested such bequests over the years in capital invested funds, today they would probably be self-sufficient and taken off the treadmill of fund raising and need for government funding. I also attended a presentation by Guide Dogs for the Blind and similarly have received many bequests and simply spent these.

How many charitable entities might be in much better financial position with stronger balance sheets and less of a burden on the public purse either in donations or public funding, and with greatly reduced costs and overheads such as fund raising and marketing?

**This lengthy discussion of mine so far is to really ask the consultation to fully understand the real economic sustainability of the capital invested philanthropic trust model and that this philanthropic which compared to the usual charitable DGR is a relative power house of the invested capital model in the long term, its much better long term outcomes in providing charitable funds to our community and citizens of Australia.**

**And thus the consultation might to recognise that this sector would that sector almost in entirety bearing the brunt of any decision to change the ability to receive back its hard earned franking credits at its cost and loss of income for charitable works.**

**And that taking away franking credits is a null and void concept bearing in mind the 'taking from Peter to pay Paul' is actually a real and major loss to charitable funds over the long term. And it asks donors not to give to their community but to invest in it over the long term and in perpetuity. And capital invested philanthropic charitable trusts are akin to a community pension fund, financed by their donors, giving long term security to communities and charitable uses.**

**And overheads and running costs are minimal and increase the real financial outcomes to those in need at the coalface of welfare in this country and increase effectiveness of giving and this model does achieve more sustainable giving, and longer term outcomes in addressing long term need.**

**Because this sector is not continually on the treadmill of fund raising (taking most of management effort as are major charities), this sector can thus concentrate on quality giving with real and measurable outcomes, which tries to reduce long term welfare and the enshrinement of a benefits culture and a community, and in the long term does address the question of how to reduce reliance on welfare which can otherwise can only come from the governments of this country.**

**Question 7**, re ATO endorsement of other entities seeking taxation endorsement.

I wonder which entity is the endorsing appropriate entity? The prefaces and the consultation do cover the function of the ACNC.

I saw in a recent NSW Accountants Conference papers addressing the new PAF and PuAF regulations that the view was expressed that the ATO is only interested in reducing short term imposts on the budget rather than a long term assessment of the benefits of a thriving charitable sector and the long term benefits of the capital invested model.

A good question is, should the ATO be the responsible entity, why not the ACNC taking a detailed focus over the long term.

If some entity in the Federal Government should be the responsible entity to endorse income tax free status, then the ACNC should be that body for all NFP entities and one bringing all levels of government together, addressing the costs to the tax system but also acknowledging the real costs to donors and the real and long term benefits arising from their generosity overall whether high income donor or not, which far outweigh any imposts on the tax system.

**Question 8**, re consolidating income tax exemptions for State, Territory and Local Government entities and simplification and clarity is endorsed.

**Question 9.** Tax thresholds on NFP's. These need to be increased. \$415 was probably set many years ago and does not recognise inflation. A small NFP such as a non-professional sporting club without poker machines etc, eg not a big business of a town progress association or a service club might often have say \$25,000-\$50,000 in cash in the bank earning say at 4% \$1,000 – \$2,000 pa. Maybe a threshold of at least \$2,000 in annual earnings increased by inflation in tranches eg every five years.

**Question 11 page 25.** Should all charities be DGR's etc?

I have seen in the press that such a question will get a big NO from the federal government and thus

**I limit my recommendation to basically one type of charitable entity, Community Foundations.**

This sector is based on the invested capital model (but also accepting and giving pass through donations, is one of the fastest growing sectors of charitable and philanthropic giving in the world.

The concentration of DGR's and national charities is in capital cities, most taking significant donations from regions but providing in many cases little charitable support in regions particularly isolated and small communities.

These communities over time have lost and are losing traditional community support and charitable local bodies. Many RSL Halls have closed and RSL and Legacy services have been lost. Bodies like the CWA, Royal Nursing Mother's Association, Churches and their extended care and charitable services have closed. Communities also age with time.

Even the Flying Doctor has been subsumed in States as an ambulance service taking hospital patients from one hospital to another mainly in the capital city and there are few local airports or landing strips able to be used by modern planes. Red Cross Services also decrease. Local Service Clubs age or close or amalgamate as do sporting clubs. There is no Salvation Army, no Lifeline, no Meals on Wheels, no mental health and depression support on a permanent nature. Masonic Lodges close. Many community halls and churches are sold.

Small country schools close and infant and young students are forced to travel further and further for basic education. Disadvantage compared to cities is amplified. State Governments are capital city centric and modern partisan politics is driven by votes and the power of being in government and without voting clout, small communities are forgotten by the political system, once being much more statesman like and more reflective of the whole population, now polls driven.

But the DGR and other tax rules make it most difficult for any charitable entity unless there on the ground, to be able to provide and charitable financial support to these isolated places. And some of these places are not isolated in real terms but communities needing real help. Simply sending a cheque or coming one day but not the next day, is not good enough. Everything in communities is about relationships, and in regions and small towns this matter of relationships is more pronounced.

Deductible Gift Recipient charities in the main based in capital cities have no regional and isolated community presence and do not have staff or finances to do so.

Community Foundations are usually of the structure of a Company limited by guarantee with associated capital invested trusts eg a Public Ancillary Fund or what is called the Public Fund and is a DGR, an Open Fund being charitable and income tax exempt, and a Scholarship Fund (DGR, income tax exempt etc) but where funds can be used are very limited by tax and other charitable rules etc.

In many small towns the only entities with any corporate structure are the football club or town progress association. Using such entities for charitable works is either impossible (eg from the PuAF) or very difficult. The local public school has limited DGR status eg the School Building Fund of Library Fund but may need help to fund special programs for disadvantaged students but this can be surmised to be teaching function and not legible but clearly charitable. The local Hospital being a publicly funded entity which would be charitable except it is owned by the Government is also doubtful for assistance from the PuAF but may be a problem in SA because of State legislations?

How do we support such entities and real needs for charitable support when entities are not there?

The Foundation for Rural and Regional Renewal in Bendigo has a special DGR and Charitable status which allows it to access funding support from partners eg the big Workplace Giving Foundations associated with big banks and from PAF's etc and is able to by its special tax and charitable a status to provide charitable support in rural regions in a much less fettered way. It is able to gather and manage support in disasters such as the Victorian Bushfires and the Eyre Peninsula bushfires by bringing in support collectively from the big philanthropic bodies after the disaster charities have gone. It is able to manage projects such as Stay at School and Back to School where any funds go direct into the hands of disadvantaged students. It has bought many giving projects to regions like mine which are so valued by our schools for their support.



Extending the DGR model at FRRR to all and future Community Foundations is recommended.

It is generally felt in regions that if our 35 or so Community Foundations (and growing in numbers in Australia) had the same status as FRRR, it would make or jobs much easier, it would allow very effective giving to community foundations and their trusts by local communities who very much like the ability to invest in their community and leave a permanent legacy.

Community Foundations have many challenges and opportunities;

It takes a long to grow corpus funds, to effectively invest these and set up secure income Streams and for the community to really understand what CF's are all about but where community foundations do exist, their presence eventually is felt

It may take up to ten years for corpus capital to grow sufficiently.

It takes time for communities to realise when a community asset like the local Hall is sold that investing proceeds in a CF trust fund brings perpetual recognition of those early ones that established the hall and that its proceeds can fund perpetual benefit.

There are many local 'trust funds' that might be looking for a trustee with local identity and presence maybe in the hands of a lawyer or accountant and CF's have the structure to act as Trustee and manage future giving from income. There seem to be many deposits of collected funds in regions collected for a particular purpose over time and many may not have any corporate structure, may be poorly invested and are moribund and Community Foundations seem to offer the optimum structure to hold and invest such funds and to work with the funding communities to best bring these back to life with funds flowing to their communities. This worthwhile idea would be enhanced by a better and more flexible DGR situation would enhance this opportunity at no cost to ATO revenue, to bring these moribund funds back into life and continuing benefit to, often isolated, rural communities.

Estates may be are looking to a long term investment in their Community.

What are the main stalwarts of rural communities? Their school, the hospital, their community. Being able to have a fund or charity that such funds can go to in small communities where the use of 'their' funds is unfettered by unreasonable tax rules or which do not appreciate the real problems of rural isolation.

How can Community Foundations get charitable works into the three icons or regions, their hospital, school and community?

Rural communities serviced by a Community Foundation are quickly recognising the role as a community pension fund to some extent.

Rural communities want to maintain their identity and communities.

It addresses the torrent of charitable funds leaving rural regions to big capital city charities, which regions cannot afford bearing in current rural economic situations, need in their region, lower educational attainment levels in general, less support to mental health, reduction in services at local hospitals requiring attention in capital city hospitals, and in general disadvantage. In recent ATO data, Mount Gambier had claimed donations of over \$4,000,000 pa, most of drained to capital city charities, often supported by government funding grants to advertise on local TV, and by offering a trusted local alternative. This is a serious issue of equity and increasing divide between the 'haves' of cities and the 'have-nots' of rural regions. Public transport is essentially non-existent.

Large philanthropic foundations wish to also bring support to rural Australia and Community Foundations are steadily being recognised and used as their partners. CF's have knowledge of need and priorities in their communities and best connect with volunteers and service clubs and with worthy, active and positive community bodies doing charitable works with good outcomes eg mixing funding and strength of the face to face contact and mentoring.

One special need that is expressed in rural communities is support during disasters such as bush fires and serious storms and the need for local emergency support additional to the usual charitable response funding, a need to have funds kept in hand and not expended until needed and Community Foundations can offer a well-managed accumulation of funds until needed and the ability to accumulate such funds needs to be allowed for in tax and other regulations. Apart from disasters, fires in homes of community buildings and assets and single event problems also means that funds are available for a tailored response to these calamities and is a real need.

Being provided with a simplified more flexible DGR status recognising rural disadvantage, recognising the lack of DGR's able to provide charitable services taken for granted in cities, is a serious issue of equity and social justice and fairness.

The strong corporate structure of the usual Community Foundation legal setup and trustee status gives assurance to the Federal Government that effective service in the long term in perpetuity, is able to be proven, that corporate governance will be of an extremely high standard, high standard directors will be on the board, and by growing, and encouraged to grow with a better DGR/Charitable status will help these to achieve critical financial mass and in quicker time. Community Foundations also have the lowest trustee costs of any trustee.

Community Foundations are supported by a strong network and have annual forums or conferences. Networks include Philanthropy Australia, Australian Community Philanthropy, the FRRR in Bendigo, access to pro-bono legal support, and support from large philanthropic foundations.

This proposition or idea of special DGR status for Community Foundations and either the Foundation itself, or all Trusts is limited in scale and scope. I may be that in the whole of Australia, the total number of Community Foundations that might be formed is maybe no more than a hundred. There are four so far in South Australia and maybe four more would cover the whole of regional SA and say four in Adelaide, north, east, south and west. But this is offset by the potential reduction in hundreds of small funds or trusts alluded to above.

This proposition is minuscule to granting DGR or charitable status to a wider range of NFP's as discussed and in many cases, negates the need for many small such bodies in regions to need this status, if Community Foundations had enhanced DGR Status.

I hope this proposition and idea is accepted. I hope that the consultation will recognise the real potential of Community Foundations to provide charitable outcomes at lower cost, with better and real outcomes. In doing so, and if implemented, this proposition gives greater certainty to the government. There are better outcomes and win-win situation at all levels. And any costs actually realised or imagined to tax income are at best minimal or well offset by the benefit to the community, and because of the charitable works done reduce pressure on the public purse.

#### **Questions 12-14, Page 25.**

In the context of my main submission about Community Foundations above,;

There is a myth that public schools are funded to do everything asked of them as we ask students to stay at school longer, and to address non educative issues that impinge on disadvantaged students. Donations to building funds and appeals and to Library funds and appeals do attract a tax deduction, simply functional matters.

But the real charitable works in schools are now assisting disadvantaged students to stay at school eg young mothers (no facilities to care for children), support to young mothers and fathers in parenting, breakfasts and meals, programs to deal with personal self-esteem, assistance to young students living independently eg budgeting, food preparation, healthy life styles, drug and alcohol awareness, transmission of sexually transmitted diseases, dealing with issues of abuse (emotional, sexual, physical, bullying ), victims of violence, transition from school to work, work experience, transport issues, health issues, mentoring, dislocation from learning and from non-attendance at school, need for remedial English and numeracy classes, issues of personal hygiene, young offenders programs etc.

One could go on. I have been intimately involved with financial assistance to such students and it can take enormous effort to get such students back into education and dealing with these issues needs to be done before learning can be done.

These are critical charitable issues of enormous effect on the community and cost eg the cost of young offenders is enormous. The cost of such students not getting a decent education, not having life and work skills to get a job, and long term welfare dependence and homelessness are compelling arguments that charitable assistance to the marginalised has become essential.

**In this context Q11, Q12**, such charitable efforts at schools should be DGR's but not all education paid by the public purse, and charitable child care services.

The basic advancement of religion is a topic I have also commented on to another consultation and the problem of what is a religion or a sect eg Scientology. I have already said no previously. Religious care bodies such as Anglicare, Lutheran Care, Centacare etc would already have their DGR status.

**Re Q13, Q14**, I find it hard to comment but I fear that there would be many unintended consequences, eg marginal charitable works being accepted, huge costs on the public purse in tax deductions for all sorts of activities under the guise of being charitable, bodies like Scientology slipping through the net, entitlements for seriously disadvantaged becoming the norm for those with minimum disadvantage and fostering a welfare entitlement mentality. A process of gradual change over much time is needed, small change, monitor and measure outcomes and worth, and, make sure the outcomes for either the public (tax or otherwise) or private purse are worth the funding.

**Consultation Questions, 15-18, page 28.**

I am lukewarm on all the arguments eg a high income person gets a better tax deduction, all the outcomes of envy, petty stuff. It is all inputs. Nothing relates to outcomes. It is all tax and money. When a seriously wealthy person starts a philanthropic foundation, maybe a PAF probably based on the invested capital model, one must consider the personal effort, time and commitment, and the use of their skills and experience that also comes with the donation which has un-measured value.

Bill Gates is celebrated. In Australia we whine and whinge and bring the hatred and envy of the tall poppy syndrome. Sidney Myer was celebrated. Today's wealthy are treated with suspicion, envy and disdain. No wonder many wealthy do their charitable works privately and anonymously.

I am quite sure that most wealthy persons setting up a charitable trust are driven by doing good, driven by once providing for one's family, to help ones community and importantly, concentrating on real outcomes bringing every resource they have to this end. Tax is simply only a part of the issue as any tax offset allows these people to actually increase their financial input.

Tax offsets might be a satisfactory political panacea.

I wonder why we perpetuate such agonising examinations. Maybe the top tax level should be reduced and have a one level income tax eg everyone earning above \$15,000 pays 20% of income above this. All of most of this section and questions would then be rendered meaningless. Maybe the whole problem is a poor tax system in Australia? A fairer tax system might be needed. The top tax rate should be the same as the Company tax rate. Maybe increase the GST and its scope. Let us get past this whinging and moaning!

### **Consultation Questions 19 and 20, page 30.**

The concept of the ACNC as a clearing house is interesting but in regions, Community Foundations might have that role and thus keep it local driven by donors.

It seems much better to keep the ACNC as a cleaner policy body rather than a 'doing' body.

Work place giving is a difficult matter and more related to large organisations eg the Police (Police Blue Light), Armed Services eg Veteran's and families assistance. Small business seems to be left out of the equation and it is difficult to find some model but again, the Community Foundation movement has been considering ideas in regard to this sticky question.

### **Consultation Questions 21 to 23, page 31.**

I am aware donations of art to Art Galleries is a major part of this. Property might be given for the site of some charitable building. Making the system easier and cleaner is endorsed.

**Re Question 23**, a driver of any large corporation and big philanthropic bodies is doing good either in a strong charitable sense, or to the general community good.

A real dis-incentive is being forced to not be able to doing worthwhile programs by oneself directly. The requirement for instance of PAF's, and PuAF's, and I believe the big Workplace Giving Foundations, to distribute funds to DGR 1 entities is or may be a serious disincentive. Why cannot they simply do charitable works as they choose, which might be, still their choice, the use of a big national doing DGR 1 charity, or a smaller local charitable body depending on needs and outcomes. Small local charitable bodies also can involve the value of unpaid volunteers adding to effective use of scarce funds. Reduce red tape and bureaucracy.

The DGR 1 requirement as discussed in the context of isolated rural regions is to enshrine disadvantage in places not serviced by DGR 1 entities. And it often prevents community Foundations from being a partner in rural Australia with the big national foundations.

Restrictive restrictions on what giving can be used for may be an enormous disincentive for giving.

**Question 24 and 25, page 30.**

I do not consider that from my experience that the Public Fund requirements are that onerous apart from the restrictions placed on having to give to DGR 1 Charities which is a huge problem in regions. The 4% minimum distribution for PuAF's for a capital invested fund has been discussed previously and I think would be better as distributing at least 80% of income after costs.

**Consultation question 26, page 31. Minimum tax deductible donation.**

\$2 in say the early 60's in inflated value is now probably worth in today's money about \$40. Anecdotally only 40% of small donations are claimed. Many charities sell over the phone, raffle tickets ranging in cost from \$25-50. Much small change is spent on raffle tickets all over the country. Service Clubs collect all sorts on income in small cash amounts. \$2 is totally out of date. There is also the cost with one's accountant lodging the claim for donations. There is the cost of official receipts at real cost of over \$2.

The minimum donation should be at least \$25 and lifted every say five years to reflect real inflation. I would also endorse either \$50 or \$100 as more appropriate start levels.

**Consultation Questions 28 to 29, page 39.**

I am unqualified to comment here but different FBT treatments do add complexity and differences in the treatment of employee benefits. Extending DGR entitlements might see FBT claims skyrocket. But the examination in the consultation is evidence of a mish mash of differing rules and allowances and any simplification of the FBT regime, added clarity and fairness. I have mentioned earlier what could be rorts. I have also seen in the press claims by Medical research Foundations of enormous costs in overseas travel. The list is endless.

**I do not comment on the several pages to page 47.**

**Similarly I do not comment on pages to 52 re GST.**

**Similarly I do not comment on Mutual Clubs to page 58.**

**Similarly I do not comment on final pages to page 79.**

Thank you for the opportunity to submit my views to this consultation.

Sincerely



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