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respect
change HOPE

**Submission to the Tax Deductible Gift
Recipient Reform Opportunities
Discussion Paper**

4 August 2017

www.anglicare.asn.au

About Anglicare Australia

Anglicare Australia is a network of 36 independent local, state, national and international organisations that are linked to the Anglican Church and are joined by values of service, innovation, leadership and the Christian faith that every individual has intrinsic value. Our services are delivered to one in 26 Australians, in partnership with them, the communities in which they live, and other like-minded organisations in those areas. In all, over 13,000 staff and 9,000 volunteers work with over 940,000 vulnerable Australians every year delivering diverse services, in every region of Australia.

Anglicare Australia has as its Mission “to engage with all Australians to create communities of resilience, hope and justice”. Our first strategic goal charges us with reaching this by “influencing social and economic policy across Australia...informed by research and the practical experience of the Anglicare Australia network”.

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Introduction

Anglicare Australia is pleased to respond to the *Tax Deductible Gift Recipient Reform Opportunities* discussion paper, released in June. We would welcome the opportunity to meet with Treasury staff and discuss the issues further.

The discussion paper traverses wide ground, starting with general issues of accountability, transparency and regulation of tax deductible gift recipient (DGR) arrangements and then shifting to a number of specific, though not unanimous, recommendations of the Parliamentary Inquiry into the Register of Environmental Organisations in 2016.

We note there have been many other thoughtful inquiries into the not-for-profit sector, tax deductible gift programs, advocacy and charities more generally. These have been conducted both within and independently of parliament, in Australia and in similar democratic societies, over the past few years. Between them all, they provide a complex insight into the value to the wider society of the Not-for-Profit sector and the donations that partially support it.

Anglicare Australia would welcome the opportunity to engage more closely with Treasury staff if there are specific outcomes it hopes to deliver in terms of improving DGR regulation, particularly given the special focus on DGR organisations on the environmental register.

Tax Expenditure and the ACNC

Anglicare Australia championed the establishment of a charities register and regulator for many years. We articulated that position in some detail in our various contributions to the Productivity Commission's Inquiry into the Contribution of the Not for Profit Sector, and on other occasions.

Anglicare Australia advocated for the retention of the Australian Charities and Not-for-profits Commission (ACNC) after the 2013 change in government, and our Executive Director has been an active member of the ACNC users group since it was established.

We welcome the proposals in the Paper to better align the operations and accountability of organisations with DGR status with ACNC oversight, regulation and support; and point to the well-argued position of the Australian Catholic Bishops' Conference in its response to the discussion paper on these matters. The use of a trusted agency – which the ACNC is – to deliver greater transparency and accountability for tax expenditures made to the Not-for-Profit sector would be welcome.

Unfortunately, when it comes to looking specifically at awarding and sustaining the DGR status of an organisation, the Paper seems to equate its purpose with its activities. We consider it important to keep the focus on the purpose of the organisation, as that provides the fundamental rationale for the public investment which DGR status delivers. It also points us to the outcomes against which that investment can be evaluated.

We certainly have strong views, on the public record, of testing the social value for all tax expenditures. These may be they capital gains tax exemptions; negative gearing; dividend imputation; asset depreciation; membership fees for unions, peak bodies and professional associations; or public giving. We would welcome the opportunity to revisit these topics with Treasury and with others in the public sphere, at any time.

Advocacy and policy development

The key issue underlying the Paper is on the place of community based advocacy: its social value, its fundamental role in the development of social policy in a democracy, and the particular benefit, or utility, of funding it through DGR.

While we might imagine the business of democracy is simply an exercise in voting for local members of political parties, that is less the case now than it has ever been. Social and environmental policies are set by governments that are both formed and continually influenced by politics and ideological debate. The hyper-connected world of government links policy decisions to rapidly changing circumstances and events, media pressure, and fast-moving, highly orchestrated public debate and opinion.

In this fraught context, the question must centre on the development of good social and environmental policy. We know that the best policy comes from diverse views, particularly from those otherwise feeling the impact of policy change. We know that the best policy comes from both broad and transparent consultation to ensure that a diverse range of views are taken into account, and from emphasising consultation and collaboration with those most affected by proposed policy change.

But the reality is that the greatest access to policy makers in the hyper-connected immediate world described above is gained by those with strong pre-existing relationships with people in government, a presence in the media, and deep pockets.

Outside of that, it seems that governments are relying on think tanks and research consultancies for ideas and policy advice; a pressured and diminished public service; and in the best circumstances, not-for-profit community funded advocacy.

Distrust and participation

It is clear now that the growing distrust in government, business and institutions such as mainstream media has become a divisive reality. We can find that in the writing of contemporary philosophers and sociologists¹ as well as informed commentary of the mainstream media itself.² It is the inevitable outcome of global business, digital culture, and a growing fragmentation of our societies and culture.

Part of that distrust has arisen from the weakening of civil society. With that comes the perception that despite the rhetoric of public consultation and engagement from governments, people feel less empowered and heard. There have been limitations placed on the ability of community organisations that receive government grants to advocate and

¹ Touraine, A. (2001) 'Beyond neoliberalism.' *Polity*.

² Friedman, U. (2017) 'Why Trump Is Thriving in an Age of Distrust.' *The Atlantic*.

engage with the public discourse, despite the formulation of public policy being fundamentally a contest of ideas in vibrant democracies. The chilling effect of these measures is well documented. At the same time, there have been no such limitations placed on the private sector and those with sufficient funds to directly access decision-makers, nor a shortage of evidence that shows how that influence has played out.

We can also see the emergence of an integration agenda across the world that suggests a civic and community responsibility for citizens to work together. In Australia we can see it particularly directed at new citizens and 'welfare recipients', although it is assumed apply to us all.

We would suggest that such a broad engagement across Australian society is very hard to sustain, despite the rhetoric, if the interests that have the potential to influence and even shape government policy are only the ones with power and access. The present distrust of government and the notion of democracy itself is well founded.

This is in essence a simple argument. Given the loss of trust in the larger institutions of our society, including those of democratic government, it makes sense to invest in the voices and the values of the population as a whole. Our society as a whole needs to look for ways to give everyone within it a stake in its development. It is clear that an election every two or three years is not a sufficient engagement.

Tax expenditures and the social contract

Anglicare Australia questions the rationale for investing tax expenditures and encouraging private donations to support the provision of essential services - such as basic environmental remediation, the provision of emergency relief, supplementing inadequate homelessness services, providing access to arts and culture, education and fundamental research. Surely one of the purposes of the settlement of our social democracy, our social contract, is to fund activities such as these?

There is a deep value in using charitable giving as a way to scaffold engagement in community development. In doing so, we grow our understanding of social and environmental needs and challenges. We can see in the arts, for example, the opportunities in innovation and risk taking that philanthropy and private giving can deliver.

Indeed, that's why organisations awarded DGR status must be governed by purposes that make a positive contribution to our society and the world.

The social value of advocacy

Anglicare Australia's argument rests on the importance of a shared commitment to a vital and engaged democracy. Public support for advocacy on key decisions and policy - particularly in areas of human services and the environment - is one of the most valuable ways we can strengthen the communal and democratic nature of our society.

These areas of policy are fundamentally about the broad public good, and frequently involve social needs. That is what makes the advocacy of groups and entities that everyone needs but no-one can directly speak for so important.

Businesses have a clear self-interest in their advocacy. Shareholders would mark down the stock of any company which did not pursue a self-interested approach. In fact, their expenditure on advocacy and lobbying is viewed as a legitimate business cost. As are any membership fees companies pay to organisations whose sole purpose is to advocate and lobby on their behalf.

Similarly, individuals can claim the cost of union membership against their income for taxation purposes. Without a doubt, one of the primary purposes of unions is advocacy. Even contributions to political parties, from both businesses and individuals, can be taken from pre-tax income. Political parties would seem to be the ultimate advocacy bodies.

Anglicare Australia would argue that in the interest of an equitable and inclusive democracy, the recognition and support that comes with awarding DGR benefit to advocacy for the public good is essential.

The return on investment in terms of engagement and participation and trust, as well as the improved policy outcomes, is enormous. Having the less powerful and the less self-serving members of society, and those advocating for people or interests that have no voice themselves, contributing to the debate and contest of goals and ideas is essential. It is perhaps the best way to ensure there is a balance to the coordinated, self-interested, and privileged forces at work on the decision making and policy implementation in Australia.

Next steps

Anglicare Australia believes that the best use of tax deductible donations is the support of advocacy by charities and community sector organisations. For donors who want to support charities' work for a better and fairer world, it's one of the best ways they can make a difference. Tax deductibility is about people supporting advocacy as a vital part of our democracy.

We would be interested to engage more closely on this matter, as it goes to the heart of public support for open discourse.