

8 January, 2009

The Hon Mr Chris Bowen MP
Assistant Treasurer
PO Box 602
Parliament House
CANBERRA 2600

Dear Mr Bowen,

Re: Treasury Discussion paper "Improving the Integrity of Prescribed Private Funds".

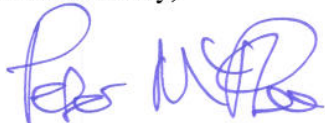
Successive Federal Governments have encouraged universities to broaden their sources of financial support. Most recently, there has been a sector-wide focus on developing proactive approaches to the philanthropic sector, based on US and UK models, with significant capital campaigns planned in coming years by a range of universities, including the University of Melbourne. Critically, the success of such campaigns will rely on the willingness of alumni and the broader community to make philanthropic investments in education. Unlike the US and UK, a culture of philanthropy is yet to be firmly entrenched in Australia.

Part of the incentive for philanthropic gifts is provided by the Government via the various tax-deduction initiatives. Prescribed Private Funds (PPFs) were established as an additional mechanism to promote philanthropy, and they have clearly had significant success, particularly on "new" giving. A full analysis has been provided by Philanthropy Australia, the peak body representing philanthropists and including NGO members such as universities, in a submission to the Treasury in response to the discussion paper.

In recent weeks, senior philanthropic supporters of the University of Melbourne have approached us, concerned that the mooted introduction of a compulsory distribution rate of 15% for PPFs will remove incentives for philanthropy in the community. This concern echoes the views expressed in the submission from Philanthropy Australia to the Treasury paper. Such a high compulsory distribution rate would effectively limit the lifespan of PPFs and reduce the incentive for individuals to create new PPFs. This will have a negative impact on the fundraising outcomes for the University of Melbourne and the higher education and not-for-profit sectors more widely. This would seem to run counter to the Government's intention of encouraging philanthropic support – a puzzling policy move therefore, particularly in the current challenging economic climate.

In the interests of further building a legacy of philanthropy in Australia, we would add our support to others seeking a reconsideration of the proposal concerning future mandated distribution rates as outlined in the discussion paper.

Yours sincerely,



Professor Peter McPhee
Acting Vice-Chancellor

cc. Manager, Philanthropy and Exemptions Unit, Personal and Retirement Income Division,
Department of the Treasury
Ms Jenny Stephens, Deputy Principal, Advancement

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