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31 January 2020

The Hon Josh Frydenberg MP
Treasurer
Parliament House
Canberra ACT 2600

Submitted Online

Pre-Budget Submission

Dear Treasurer,

Philanthropy Australia welcomes the opportunity to make a submission to inform the preparation of 2020-21 Budget.

About Philanthropy Australia

As the peak body, Philanthropy Australia's purpose is to serve the philanthropic community to achieve more and better philanthropy.

The community we serve consists of funders, grant-makers, social investors and social change agents working to achieve positive social, cultural and environmental change by leveraging their financial assets and influence.

Informed, independent and with reach and credibility, Philanthropy Australia gives its Members a collective voice and ability to influence and shape the future of the sector and advance philanthropy.

We also serve the community to achieve more and better philanthropy through advocacy and leadership; networks and collaboration; professional learning and resources; and, information and data-sharing.

Our membership consists of approximately 700 trusts, foundations, organisations, families, individual donors, professional advisers, intermediaries and not-for-profit organisations.

A More Giving Australia – The Imperative to Act

Australians are a generous people, with Australia having been ranked the world's fourth most generous nation in the World Giving Index 2019. The bushfire crisis has demonstrated this, with Australians, philanthropic organisations, and businesses contributing hundreds of millions of dollars towards bushfire relief and recovery. Philanthropy is playing and will continue to play a vital role as part of the response to the bushfire crisis.

In 2017, total giving to charity in Australia was \$10 billion. In 2016, structured giving from philanthropic organisations provided \$1.5 billion to charities. There are many different ways in which giving takes place in Australia. Millions of Australians make small donations, and

Australians seeking to engage in more structured and larger scale giving can set up 'private ancillary funds' or 'sub-funds' within a 'public ancillary fund'.

Whilst there is certainly reason to celebrate Australia's culture of giving, we cannot be complacent. Whilst data indicates that giving in Australia is growing, and that the average amount given by Australians is also increasing, it is also showing that the proportion of Australians giving has declined compared with 15 years ago. This is a concerning trend, which we must work to reverse.

Over the coming decades \$2.4 trillion of intergenerational wealth transfer is expected in Australia, which provides a major opportunity to increase giving in Australia.

There is no 'silver bullet' when it comes to fostering a culture of giving and encouraging its growth. However, ensuring that the policy environment for giving, including the taxation and regulatory framework in particular, is fit for purpose is essential.

The Australian Government encourages philanthropy through various tax incentives and concessions, and by creating a supportive regulatory environment. And it does this for good reason.

Without philanthropy, charities would not be able to offer the range of services they provide – impacting those in need and advocating to the government on important community issues. Philanthropy provides essential funding which helps charities innovate and find new ways to increase their impact. This can also enhance the effectiveness of government programs, which can be shaped by 'on the ground' expertise of charities and the lived experience of those whom they serve.

Philanthropy Australia's advocacy focuses on promoting the development of effective policy frameworks which support and grow philanthropy. We believe that Australia does quite well in this regard, but there is still room for improvement.

Policy Priorities for a More Giving Australia

In advance of the 2019 Federal Election, Philanthropy Australia released our 'Policy Priorities for a More Giving Australia' document. The document is attached to this submission and sets out policy changes we believe need to be actioned in order to enhance the policy environment for giving in Australia. They include a set of shorter-term priorities, which have little or no impact on government revenue or expenditure, as well as some longer-term priorities, which may have impacts on government revenue or expenditure but which will also yield benefits for the Australian community.

We welcomed the opportunity to engage with the then Minister for Social Services, the Hon Paul Fletcher MP during the election campaign, hosting a roundtable with the Minister and representatives from the philanthropic to discuss our policy priorities. We now welcome the opportunity to put forward our policy priorities as part of the 2020-21 Budget process. Whilst the policy priorities are discussed in detail in the attached document, a summary of the priorities is below.

Short-Term Priorities

No Changes to Refundable Franking Credit Arrangements Which Would Harm Philanthropy

They are a vital source of income for philanthropic trusts and foundations, and enable them to provide more grant funding to charities. No changes should be made which would jeopardise this, as it would have major ramifications for charities and the broader community.

Protecting Advocacy by Charities

In recent years, a negative atmosphere has been created for charities undertaking advocacy. This needs to change.

An Effective and Responsive ACNC

The Australian Charities and Not-for-profits Commission (ACNC) is vital to Australia's not-for-profit sector, and it is essential that it delivers on its purpose.

#FixFundraising

Australia's framework for regulating fundraising by charities (and other not-for-profit organisations) is not fit-for-purpose. Fundraising regulation needs to be reformed to reduce red tape whilst maintaining protections for donors.

Allowing public ancillary funds to receive distributions from other ancillary funds

Currently red tape hampers the ability of philanthropy to fund organisations such as community foundations.

Supporting Better Collaboration Between Government and Philanthropy

This could facilitate more effective partnerships between the Australian Government, philanthropy and not-for-profits, to deliver initiatives and programs with more impact.

Medium to Long-Term Priorities

Reforming Our Deductible Gift Recipient (DGR) Framework

The current framework is a source of red tape, with many charities falling through the cracks, which means that accessing philanthropy is much harder.

Establishing the Living Legacy Trust Structure

With the right policy settings, Australia can take advantage of the record intergenerational wealth transfer in coming years, to benefit the community.

A National Giving Campaign

A national giving campaign co-funded by the Australian Government and philanthropy and supported by charities and peak bodies from across the not-for-profit sector, can enhance Australia's culture of giving, benefiting the community.

Growing Legacy Giving from Superannuation

Many retirees will leave substantial inheritances from their unspent superannuation. If a retiree decides to use these funds to leave a bequest to a charity, this is generally taxed at a minimum of 15% upon their death, which is a disincentive to giving.

We welcome the Australian Government's commitment in relation to retaining refundable franking credit arrangements for philanthropy, and we also acknowledge that a response to the 'Strengthening for Purpose: Australian Charities and Not-for-profits Commission Legislative Review 2018' is currently being developed.

In relation to the remaining priorities, we would welcome the opportunity to discuss these further with the Australian Government, and would encourage the Government to consider our recommendations as part of the 2020-21 Budget process.

Next Steps

Philanthropy Australia once again thanks the Australian Government for the opportunity to provide this submission. We of course appreciate that the timeline for preparing the Budget is very tight, but we would also very much appreciate discussing the proposals raised in this submission further. In this regard, the relevant contact within Philanthropy Australia is Sarah Wickham, Policy & Research Manager (swickham@philanthropy.org.au or 03 9662 9299).

Yours Sincerely



Sarah Davies
Chief Executive Officer