



14th July 2023

Personal & Indirect Tax and Charities Division
Treasury
Langton Crescent
Parkes ACT 2600

charitiesconsultation@treasury.gov.au

Dear Sir/Madam

RE: NEW CLASS OF DEDUCTIBLE GIFT RECIPIENT STATUS FOR COMMUNITY FOUNDATIONS

The Buderim Foundation is one of the 28 community foundations affiliated with Community Foundations Australia. We note you have called for submissions in response to the consultation.

ABOUT US

The Buderim Foundation was established almost 20 years ago with the clear object to provide grants in favour of community organisations and community activities to benefit the Buderim community. We provide grants via two charitable trusts. One of the trusts, known as our Public Trust, is a Public Ancillary Fund (PuAF) with DGR 2 status. The other trust, known as our Open Trust, is not a DGR. All donations to both trusts are invested and the income which is generated is used to fund our annual grants.

As a DGR, the Public Trust receives far greater donations than the Open Trust. Due to the restrictions under the PuAF Guidelines, the Public Trust is only allowed to make grants in favour of DGR 1 organisations. Consequently, grants from the Open Trust are made to community organisations which do not have DGR status.

The number of community organisations with DGR 1 status and which undertake activities which benefit the Buderim Community is quite small. Therefore, over the years we have found that grants from the Public Trust are made in favour of the same organisations on multiple occasions. As the Open Trust has no such restriction, we can make grants in favour of a broader range of community organisations benefiting Buderim compared to the Public Trust. The problem is that the Open Trust has far less funds under investment than the Public Trust.

We undertake a stringent process to qualify the eligible recipients of our grants, and a subsequent acquittal process, to ensure that the Buderim community will benefit.

Clearly, having to operate two trusts is more complicated and expensive to administer than having only one trust to operate. However, without the two-trust structure, our ability to benefit the Buderim community would be seriously curtailed.

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SUBMISSION

In the Exposure Draft Explanatory Materials under Part 1 – Two new classes of deductible gift recipients at para. 1.22 it is stated that, “An entity which receives money, property or benefits from either type of community charity fund must itself be a DGR”. This requirement is completely contrary to what we expected the Treasury reforms would produce. Currently, our Public Trust as a PuAF has tax deductibility and is subject to the restriction of only being able to make grants in favour of a DGR 1. In practice, there seems to be little difference between the current situation and what is contained in the draft legislation.

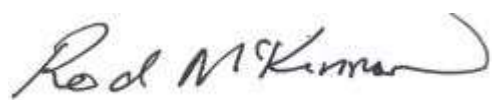
Within the community there are numerous organisations which do tremendous work for their local communities but do not have DGR status for various reasons. At present, our Public Trust cannot make grants to those organisations and, under the draft legislation, will not be able to do so. Consequently, it appears that, under the proposed legislation, we will have to continue with our two trust structure.

Accordingly, we ask that Treasury reconsider the requirement in para 1.22 and instead permit grants in favour of non-DGR entities having principal purposes or activities consistent with the principal purposes and activities of DGR entities.

Assuming the DGR issue is resolved, we would seek to have the draft legislation provide a simple procedure whereby one of our existing trusts could receive endorsement as a community charity fund (CCF). We also seek the inclusion in the draft legislation of a seamless procedure for the transfer of funds to the trust endorsed as a CCF from the other trust. We are aware that the existing PuAF Guidelines have restrictions on the transfer of funds to another organisation. Further, having to establish a new trust as the CCF would incur additional expense, plus the cost of winding up the two existing trusts.

Thank you for considering our submission.

Yours faithfully

A handwritten signature in black ink that reads "Rod McKinnon". The signature is written in a cursive, flowing style.

Rod McKinnon
Chair