

Founding Members

The Australian Government
The Sidney Myer Fund

Patron in Chief

Her Excellency the Honourable
Ms Sam Mostyn AC
Governor-General of the Commonwealth
of Australia

Patrons

Hon. John Anderson AC
The Rt Hon Ian Sinclair AC
Mr Bill Kelty AC

Chairman

Mr Tim Fairfax AC

3 December 2024

Not-for-profits Unit via email charitiesconsultation@treasury.gov.au

Treasury
Langton Cres
Parkes ACT 2600

Response to Treasury on Community Charity DGR Reform

Introduction

This document is in response to the Taxation Administration (Community Charity) Guidelines 2024, and Community Charity Deductible Gift Recipient Framework Q&A Fact Sheet, released by Treasury for comment. FRRR is grateful for the opportunity to provide feedback on the draft Guidelines and commends Treasury on progressing this important reform.

The Foundation for Rural & Regional Renewal – FRRR – (phonetically F-triple-R) is the only national foundation specifically focused on ensuring the social and economic wellbeing of remote, rural and regional communities. FRRR connects common purposes and funding from government, business and philanthropy with the genuine local needs of rural people and places. FRRR provides funding and capacity building support at the hyper-local level; aligning funding, big and small, to community-led solutions that build resilience and long-term viability and vitality of smaller remote, rural, and regional communities across Australia.

FRRR was established in 2000 by the Australian Government and the Sidney Myer Fund to stimulate rural and regional renewal in Australia, by working in partnership with philanthropy, government and business. It exists 'to promote for the public benefit rural and regional renewal, regeneration and development in Australia in social, economic, environmental and cultural areas.' Since FRRR's establishment in 2000, FRRR has delivered in excess of \$177 million to more than 14,000 local projects which includes those granted via Community Foundation Accounts.

In the 2006-07 Budget, the Government broadened the objectives of the FRRR to allow it to receive tax deductible donations from regional community foundations and other donors, and to use these funds exclusively for projects in those regions. The FRRR would continue to be responsible for ensuring that funded projects fall within the scope of the FRRR purposes, and for ensuring that all funded projects are assessed against the established FRRR criteria. This mechanism has enabled funds to reach projects that rural Community Foundations sought to support, with efficiency and an exceptional level of compliance.



Community Foundations have matured and grown significantly since then, and the creation of the new Community Charity DGR category is very encouraging. FRRR does however note some areas for further consideration which could improve and make clearer the parameters of the new category. We also note that the parameters as they are currently determined are likely to present ongoing restrictions on what rural Community Foundations can provide funding for. FRRR's role as an enabling mechanism with Community Foundations/Charities will therefore remain important, in addition to being an advocate and partner in our collective work to strengthen regional Australia.

In this submission, FRRR therefore makes three comments:

1. It is vitally important that funds flow to rural communities

It is vitally important that funds can flow through Community Foundations to rural communities.

Community Foundations address local issues through local action. They support local community-based organisations, charities, and individuals through fund raising, community asset management, scholarships, community leadership, being responsive to emerging community needs through local grant making, and play a vital role in community recovery and resilience in the face of recurring natural disasters.

Example 1

Foundation A encourages philanthropy within their local community to support people and causes specific to community needs, including educational scholarships and traineeships, community grants, wellbeing grants, a homelessness prevention fund, arts and education. They also provide practical support to families experiencing financial pressure through their target school student program which will support families with vouchers to purchase items needed at the start of the school year such as stationery, shoes, or uniforms.

Example 2

Foundation B is the community foundation of a rural Local Government Area, raising money to provide grants to community groups and not-for-profit organisations in their local community. In the summer of 2019/2020, the area was ravaged by bushfire. Foundation B was instrumental in directing external funding to where it was needed most, helping the community rebuild and strengthen their resilience. Foundation B played a critical part in supporting local services and community groups to recover, reconnect, and prepare for future emergencies.

2. Minimum distributions should only apply to investable assets

Minimum distributions should only apply to investable assets, and not be applied to other assets such as property or general operating funds.

Community Foundations often do more than build endowment and grant funds. This is especially important in rural areas where Community Foundations can play quite dynamic and



hybrid roles. For example, some Community Foundations own community assets such as social enterprises and community facilities, whilst others deliver leadership activities that strengthen a region's social capital.

Example 3

Foundation C works in formal partnership with the Neighbourhood Centre. The primary buildings and assets being utilised by the Neighbourhood Centre are owned by Foundation C. The Foundation established a social enterprise focused on providing sustainable, quality training and pathways to further employment through the purchase of an existing, but fading, business in a small remote, rural township, to ensure the continuation and expansion of an existing service-based businesses. The funds for the purchase were secured via grants and loans. This and other enterprises owned by the Foundation are now creating real jobs and real economic opportunities that is reducing disadvantage, and importantly, retaining essential services for the town.

It would not be feasible for these assets to be applied to the MAD requirement. However, as a sustainable and innovative financial model, the profits from these assets could be invested in the Foundation's corpus, which could then be included in the MAD requirement. Enabling Community Foundations to own and grow the value of assets within their charitable purposes would support the growth and sustainability of those Foundations and contribute greater value to their communities.

Sub-point to the issue of transferability of funds or assets between Community Charities

Further, FRRR encourages Treasury to reconsider the limitations on the flow of funds between Community Charities. Many rural Community Foundations require time (often years) to establish before achieving a scale that can be supported with the resources required for an independent and standalone Foundation. It would be beneficial for Community Foundations hosting sub-funds for the purposes of supporting resources to effectively reach regions within their existing footprint, to be able to transfer the funds held in a sub-fund to a new entity should the sub-fund become viable and sustainable as a Community Foundation in its own right. Limiting this kind of transfer of assets would affect the growth and sustainability of emerging Community Foundations (Community Charities) and limit the model and its impact.

The issue of non-transferability of funds between Community Charities also applies in the context of natural disaster appeals, where one Community Charity may wish to give to another Community Charity for the purpose of supporting the relief and recovery of a neighbouring community, or a community in a distant region. Limiting this kind of transfer would likely lead to missed opportunities to capture generosity from within one region toward another, which is at odds with the philosophy and intent of community philanthropy and the overall aspiration to grow giving in Australia.



It is important to note that these examples differ from the concept of portability as it is commonly contemplated in the PAF and PuAF settings.

3. Funding categories require clearer explanations

The categories that will not be eligible (charitable but not a DGR-like activity) need to be very clearly spelled out with examples and guidance notes. The current fact sheet does not provide sufficient clarity regarding what is required when conducting activities or grant-making.

Many rural foundations support projects and programs such as community halls, community gardens, emergency preparedness, local disaster relief, and general welfare or education. Some of these could fall within the DGR categories such as health promotion or emergency relief, depending on their use.

For example, when a natural disaster occurs, the recovery process often involves preparedness and mitigation activities as impacted communities turn their attention to taking the lessons of the current disaster to prevent or reduce harm in future disasters. It may be difficult for Community Foundations to ascertain whether or on what conditions these preparedness activities would be eligible.

A further example is that of community halls. In rural areas, community halls serve many purposes, some of which would clearly fit in the DGR-like category, and others that may not. This might include activities such as events that bring members of an isolated community together over food and entertainment. In an isolated rural setting, this could be defined as an important wellbeing and health promotion activity, however by the DGR or DGR-like categories, it may not be eligible without specific expenditure or objectives that link to those purposes. Ensuring compliance with such a requirement would burden both the Community Foundation and the community hall (which is likely to be volunteer run and seeking a small amount of funds).

Community Foundations will need to be able to clearly understand the nuances of the categories and their requirements when granting to non-DGR's for DGR activities, or when conducting their normal DGR activities.

We recommend a set of detailed guidance notes to support Community Foundations as they adopt the new Community Charity category. We also recommend that Treasury seek feedback on and potentially review the ways that the DGR and DGR-like treatment translates into practice within a reasonable period of time.

Example 4

Foundation D awarded funding to the local Memorial Hall Incorporated Committee to upgrade the water supply, which is currently unreliable and unsafe, limiting the hall's full potential. Funds will be used to install a new water tank, pump, filtration and hot water system, and upgrade the plumbing, guaranteeing a safe and reliable water source for the community. This will enable the hall to host a wider range of events, including those that require cooking or food preparation, and provide an option to support community in the case of an emergency or



disaster event (e.g. staging site for emergency services). It will also mean that they can dispense with bottled water, reducing their environmental impact. The Memorial Hall committee does not have DGR. The hall is located on land donated by the community and the hall itself was built by and is owned by the community.

The provision of funding for equipment that will be used for many purposes, some DGR-like and others not, could present the Community Foundation with significant compliance burden, may result in important community-building initiatives not being supported, or needing to comply with overly burdensome due diligence and reporting.

Conclusion

FRRR has always been, and continues to be, supportive of the Community Foundation sector which is ready to cement its future as enablers of a more equitable future for the communities they work in. It is a network built from trust with, by and for communities where most are in regional, rural and some remote areas. Should you require additional detail regarding our submission we would welcome the opportunity for further discussion. Please contact Natalie Egleton, CEO, FRRR at (03) 5430 2399 or ceo@frrr.org.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'N. Egleton', with a stylized flourish at the end.

Natalie Egleton
Chief Executive Officer