



3 December 2024

Not-for-profits Unit  
Treasury  
Langton Cres  
Parkes ACT 2600

### **Submission on the Taxation Administration (Community Charity) Guidelines 2024 Exposure Draft**

Dear Not-for-profits Unit,

Thank you for the opportunity to provide feedback on the Taxation Administration (Community Charity) Guidelines 2024 exposure draft.

The future of community foundations in Australia holds immense potential to reshape local philanthropy and empower communities to take control of their own development. With recent regulatory reforms, such as this extension of Deductible Gift Recipient (DGR) status, community foundations are uniquely positioned to unlock new streams of funding and attract greater support from private ancillary funds (PAFs) and other philanthropic vehicles. This creates opportunities for increased place-based giving, fostering innovative, locally-led solutions to social challenges.

While the guidelines under the community charity categories are largely positive, we believe that they could be further refined further to better reflect a community-centric approach. As community charities must adhere to these guidelines to receive and maintain Deductible Gift Recipient (DGR) endorsement, it is essential that these new regulations support the infrastructure to empower local communities effectively.

A significant challenge facing community philanthropy in Australia is the lack of access to community-directed capital. This absence stems from a combination of economic forces and philanthropic regulations that favour private structures over community-driven ones.

The lack of community-governed capital:

- Inhibits local agency
- Crowds in harmful substitutes (e.g., gambling revenues and funding support from fossil fuel companies)
- Limits place-based policy and philanthropy
- Reduces the role of local knowledge
- Creates inequity

We applaud the work of the Government to date to shine a light on, provide further insight and make suggestions of how philanthropy can empower community decision-making to break cycles of disadvantage and to chart a new trajectory of progress for our society.

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Minderoo Foundation is a proudly Australian philanthropy, working to forge a fair future by courageously challenging inequalities and campaigning for meaningful change. We seek to uplift communities, support gender equality, protect natural ecosystems and respond to emerging threats and challenges.

As Australia faces complex issues like climate resilience, economic inequality and regional development, community foundations can play a critical role in bridging gaps between donors, businesses, government, and grassroots organisations. By leveraging their deep understanding of local needs and priorities, community foundations can catalyse lasting impact, build social capital and strengthen the culture of generosity across the nation. Moving forward, a collaborative approach between the philanthropic sector, government and civil society will be essential to ensure that community foundations continue to thrive and drive equitable and sustainable change in their regions.

Minderoo has been working within this evolving philanthropic space for more than two decades, and over this time we have come to understand that communities should be cohesive, collaborative and thriving places with the power to make decisions and direct resources toward solutions that best address their needs.

Minderoo has learned that thriving communities are cohesive, collaborative and capable of directing resources toward locally-driven solutions. We are committed to filling gaps in the philanthropic ecosystem where we are uniquely positioned to act, and we hope that the final guideline to be put to the Minister will help us and the broader sector unlock greater impact.

## **Recommendations for DGR Framework Reform**

To maximise the growth and effectiveness of Community Foundations in Australia under this new DGR category, we believe the following changes should be considered ahead of the final guidelines being approved:

### **1. Enhance Ancillary Fund Flexibility**

- a) To ensure sustainability, we also advocate for a lower minimum distribution for smaller community charities in their early years, allowing them the time and flexibility to build their endowments and scale their impact. This is critical as it is to fulfil its mission and that of the Government for it to be 'philanthropic in nature'.
- b) We recommend allowing ancillary funds to distribute to other ancillary funds (in this case community foundations moving capital from one foundation to another). This reform would be revenue-neutral, as ancillary funds already receive tax-deductible gifts, and would improve the efficiency and impact of giving. Ancillary funds are already highly regulated, with robust governance and oversight by the Australian Taxation Office. Allowing this flexibility would enhance their ability to address entrenched social issues, particularly in disaster response and resilience-building. The transferring entity in this case should be the one still adhering to the minimum distributions should the recipient foundation need to sit on those funds for extenuating circumstances such as moving from crisis response to community rebuild).

### **2. Portability of Funds and Assets**

- a) Community foundations manage multiple trusts and sub-funds. Transitioning these seamlessly into the new DGR category is essential to avoid confusion among donors and ensure continuity of support. Revisiting donor agreements for technical adjustments could erode trust and complicate relationships with key supporters. This will not be an issue for new entities, but would be a big oversight for those named in the act who would be inadvertently disadvantaged by it.
- b) There needs to be a provision where sub-funds are permitted to spin out of the new community charity into new entities, for example regional funds. This will help empower community foundations to

incubate and scale innovative initiatives, grow the sector, fostering greater flexibility and impact in addressing evolving community needs.

### 3. Clear Disbursement Guidelines

- a) The current guidelines around disbursements remain ambiguous. Clarifying how costs associated with activities will be calculated—beyond direct donations—will help charities plan more effectively and ensure compliance without stifling innovation or civil discourse. We recommend that the minimum annual distribution be calculated based on investment assets only, with all expenses - such as technology, governance, fundraising, and staff training - included in meeting this requirement. This aligns with the sector’s push for ‘pay what it takes’ funding, recognising that overheads are essential for charities to deliver impact.

## Conclusion

Minderoo Foundation welcomes the Government’s commitment to grant DGR1 status to community foundations affiliated with Community Foundations Australia. This is a long-overdue recognition of their critical role in mobilising local giving for local causes, particularly in regional areas affected by natural disasters.

Community foundations such as the Northern Rivers Community Foundation (NRCF) have faced multiple crises, from droughts to floods, and this reform will enable them to receive support from PAFs. Emily Berry, NRCF Chief Executive, highlighted how current rules have frustrated potential donors eager to contribute to disaster resilience.

Similarly, the Foundation for Rural & Regional Renewal (FRRR) has facilitated access to DGR1 donations for rural communities. CEO, Natalie Egleton, emphasised the potential for increased giving to support locally-led change.

We have a once-in-a-generation opportunity to reshape the regulatory environment for philanthropy in Australia. By enabling community foundations, ancillary funds and local giving structures to thrive, we can build a more equitable and resilient society. This shift will empower communities to govern their resources, harness local knowledge and drive sustainable change.

We are committed to filling gaps in the ecosystem where we are uniquely positioned to act and extend our support. Just this month the Minderoo Board approved investments into the Community Foundation space which will now be further enhanced by fit for purpose guidelines that will need to be strong to underpin the next couple of decades of growth in this space.

We look forward to continued collaboration with the Government and sector partners to advance these reforms and create a philanthropic ecosystem that reflects the best of Australia’s spirit of generosity and fairness.

Yours sincerely,



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Executive Director, Effective Philanthropy  
Minderoo Foundation