



## **Draft Taxation Administration (Community Charity) Guidelines 2024**

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Thank you for the opportunity to provide input on the Draft Taxation Administration (Community Charity) Guidelines 2024.

As one of the 28 Community Foundations under consideration for this new DGR1 category, Sydney Community Foundation (SCF) welcomes the opportunity to share our perspective.

SCF has served as the independent community foundation for Greater Sydney since 2004, connecting and granting more than \$25 million to address local community needs. We serve as a platform for civic participation, philanthropic giving, and advocacy on issues vital to Sydneysiders. Our Key Impact Funds—including Sydney Women's Fund, the Keeping Women Out of Prison Coalition (KWOOP), Impact100 Sydney, The Maybanke Fund, and The Dorothy Hoddinott Refugee Scholarship Fund—demonstrate strong support from local donors and changemakers.

### **Current Operations and Impact**

Our annual distributions consistently exceed the mandated 4% of net assets from our Public Ancillary Fund (PuAF). For the past three years, we have distributed approximately \$2 million annually via our PuAF and our subsidiary DGR1 Public Benevolent Institution; Sydney Community Foundation Gives (SCF Gives).

The establishment of SCF Gives in 2017 enabled investment from Sydney-based Private Ancillary Funds (PAFs), leveraging SCF's local knowledge to benefit Sydney's most vulnerable communities. Previously, our Public Ancillary Fund status significantly limited our impact by preventing us from receiving PAF funds—the predominant form of private philanthropy in Sydney—or supporting non-DGR1 entities doing vital community work in Sydney's most disadvantaged areas.

We look forward to operating under the new community charity category as it will enhance our ability to support DGR1 causes beyond SCF Gives' current scope while potentially reducing administrative complexity and costs. This is particularly important given the resource constraints of maintaining and auditing multiple entities with a small team.

While we welcome the introduction of the community charity category and its potential to streamline our operations, we have identified several areas in the Draft Guidelines that warrant further consideration. Our recommendations focus on four critical aspects that directly impact our ability to serve the Greater Sydney community effectively: staffing benefits, asset portability, distribution requirements, and disaster response capabilities. We believe addressing these concerns will strengthen the framework's ability to support

Community Foundations in delivering their charitable missions while maintaining appropriate governance and oversight. Each of these areas has been detailed below

## **Key Concerns and Recommendations**

### **Staffing and FBT Benefits**

While the PBI's FBT benefits have helped us attract and retain high-calibre staff crucial to our recent growth, their omission from the community charity framework is concerning. Staff who are highly skilled at compliance, donor stewardship, and community engagement are hard to attract and keep without offering benchmarked and competitive salaries. We recommend reviewing this aspect, as competitive compensation packages are essential for recruiting and retaining skilled professionals.

### **Portability**

Clause 25 restricts transfers between community charities to *all* net assets and requires the Commissioner's approval. This differs from the Public Ancillary Fund guidelines, which allows for sub-fund transfers only.

SCF manages around 50 sub-funds established by local families, companies and changemakers. The inability to transfer sub-fund assets to another community charity or PuAF under Clause 25 limits Sydney Community Foundation's work in inspiring and facilitating local community philanthropy. For example, our "Blue Mountains Fund or Parramatta Fund" established by their respective local councils may, in future, seek independence as a new community charity to better serve their local communities.

Similarly, a family relocating to new region may wish to transfer their sub-fund to a community charity or PuAF closer to their new home. These transfers would continue to encourage individual and family investment – keeping the sub-fund relevant – and help those sub-fund holders to learn about issues and programs in their communities. Not enabling this, may negatively impact the Government's goal to double giving by 2030.

We recommend revising Clause 25 to enable the portability of sub-fund assets. Provided that a transfer adheres to the framework, we believe that Commissioner's approval adds unnecessary complexity and delays. Removing this requirement would support more timely transfers.

### **Minimum Annual Distribution**

We seek confirmation that expenses incurred in delivering a community charity's charitable activities be counted as part of its minimum annual distribution.

We suggest that the minimum annual distribution included in the guidelines, i.e. 4% of the market value of net assets (excluding land) at the end of the previous financial year be reviewed. We request that this be limited to the net value of investment assets only and that assets such as office spaces, shopfronts or community hubs operated by the community charity be excluded.

Additionally, where a community charity owns non-liquid assets that are not income producing, these assets also be excluded. For example, in Sydney, we may soon receive a very valuable real estate requiring repair, as the asset will not be able to be rented immediately including it in the calculation would likely exceed the value of our entire corpus. We suggest that an opportunity for exemptions in such circumstances be included in these guidelines.

**DGR Categories: Disaster Relief**

With the increasing frequency of natural disasters across Australia and recent fires and floods affecting parts of Greater Sydney, we suggest that the requirement for a Commonwealth Government disaster declaration before a community charity can provide support in emergencies be removed. The ability to rapidly respond is critical in such situations.

**Application and review**

Finally, to ensure a smooth transition to the new framework, we would appreciate detailed guidance on the implementation process, including specific timelines, requirements, and key milestones. This information will be essential for our board and management team to plan effectively and maintain our high standards of governance throughout the transition.

Thank you for considering our submission. We look forward to working with you to strengthen the Community Foundation sector and enhance its impact across Australia.

Yours sincerely,



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Chair, Sydney Community Foundation



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