

# Enhancing Charity Law for Improved Philanthropic Effectiveness

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Contemporary charity legislation is increasingly failing to resonate with the younger generation of Australians. The absence of philanthropic organisations catering to the interests of young people and possessing DGR status discourages tax-deductible donations and hampers support for addressing critical issues in animal welfare and mitigating catastrophic risks. It is therefore essential to broaden the DGR status to encompass the high-impact cause areas that young Australians care about and encourage their participation in philanthropic causes and community organisations.

In my submission, I highlight two pressing issues that require attention:

1. The unavailability of DGR status for high-impact cause areas as outlined in the Terms of Reference 2.ii, 3.ii, 5, and 6, and its adverse impact on the engagement of younger Australians with charitable organisations.
2. The potential good that could be achieved by Australian based charity evaluation (Terms of reference 3.ii, 6.iii)

## **ISSUE 1: Animal welfare and global catastrophic risk reduction should be granted DGR status.**

As a member of the community, I recognise that my perspectives are representative of a significant number of my peers. I believe it is essential for the Productivity Commission to consider the opinions of community members as they are not bound by specific constitutional constraints and are more reflective of the general public's sentiments. Ultimately, it is individuals like us who the government aims to inspire to contribute to philanthropic causes and actively participate in community organisations. As I see it, the most important issue is that DGR status needs to be broadened to include objectives that young people today care about – specifically reducing global catastrophic risks and supporting the well-being of animals.

I am eager to engage with my community to address catastrophic disaster risks, but I am finding that the local volunteer SES, disaster recovery organisations, and fire brigades, which focus on reactive efforts after a disaster has occurred, do not align with my interests and skills, although I do support their work. It would be more beneficial if organisations that focus on reducing the risk of catastrophic disasters were eligible for DGR status, as this would enable me to better connect with like-minded individuals and provide opportunities to volunteer for a cause that aligns with my values. However, despite the current global situation with COVID-19, ongoing conflict in Ukraine, development of AI, and increasing climate-change related disasters, DGR regulations have not kept pace.

In addition to my concerns about catastrophic disaster risks, I and many of my peers share a deep concern for animal welfare. While I support animal charities that are classified as "charities" under the Charities Act, they are not eligible for DGR status under the Tax Act. This is because DGR status is only granted to organisations involved in short-term direct care and rehabilitation of lost or mistreated animals. I believe that granting DGR status to charities that focus on preventing animal suffering in the first place would be more effective.

The absence of DGR status for these two areas impedes our capacity to create a positive impact and interact with our community. These causes have been acknowledged by knowledgeable charity evaluators as having high impact and are allowed to receive tax-deductible contributions worldwide, yet they are excluded in Australia. If the Government wishes to enhance charitable donations and augment the capacity of charities to foster social connections, it must grant DGR status to these high-impact causes that Australians today are deeply passionate about.

## **Issue 2- Charity evaluation is a practical change that could make a big difference**

Achieving the appropriate balance between marketing and fundraising expenses, operational costs, and charitable initiatives is crucial for charities. As a donor, I want to support charities that strike this balance effectively. Unfortunately, I currently have limited information about the impact of most Australian charities, which makes it difficult to determine the best way to allocate my donations. I am concerned that some reputable charities may allocate a significant proportion of their contributions to building their brand, but may ultimately have little positive impact on the issues they claim to prioritise. Unlike when I procure a service for myself, I cannot evaluate the quality of a service I obtain for someone in need, so I do not receive feedback on the impact of my donations.

Implementing a strong charity evaluation system would enable donors to distinguish between charities that are truly making a positive impact and those that are not. This would reduce skepticism around charitable giving and increase overall trust and support for charities within the community. When discussing charitable giving with friends and family, I often mention organisations like GiveWell, Animals Charity Evaluators, Giving Green, and Founders Pledge, as they provide evidence-based assessments of the actual impact of charities and their initiatives. However, many people are unfamiliar with these evaluators, and they have not evaluated a large number of Australian charities.