

9 February 2024

Dr Alex Robson
Deputy Chair
Productivity Commission
Email: philanthropy@pc.gov.au

Dear Dr Robson,

Re: Universities Australia's response to the Productivity Commission's inquiry into philanthropy: draft report and findings

Universities Australia (UA) welcomes the opportunity to respond to the draft report and findings as part of the Productivity Commission's inquiry into philanthropy. Representing Australia's 39 comprehensive universities, UA believes that strengthening the settings for giving in Australia will benefit all corners of society. For universities, growing philanthropy will mean more flexibility and sources of funding, enabling our researchers to continue their groundbreaking research for the benefit, wellbeing and prosperity of the nation.

UA welcomes the draft report's proposed reforms to make the Deductible Gift Recipient (DGR¹) system fairer and more consistent, and notes that the changes as outlined in Recommendation 6.1 to the DGR will not adversely impact the higher education sector. However, it is important that the Productivity Commission ensures that any changes to the DGR system and other tax laws to promote philanthropy are revisited regularly, as wider tax arrangements (e.g. on superannuation) change often. This will be critical to doubling philanthropy by 2030, and will allow universities to continue maximise the benefits of the donations they receive to support their world leading research.

UA also welcomes the establishment of an Aboriginal and Torres Strait Islander philanthropic foundation which will support Indigenous organisations and communities to have better access to philanthropic funding and tailor these funds to their needs.

Universities can help meet Government's philanthropy targets

Philanthropy in Australia is not a new phenomenon, but it is not as significant in comparison to our international counterparts. In 2021, Australia's philanthropic giving was 0.81 per cent of its GDP, while in the United Kingdom, Canada, New Zealand, and the United States philanthropic giving was respectively 0.96 per cent, 1 per cent, 1.84 per cent, and 2.1 per cent of GDP.

UA supports the Government's commitment to double philanthropic giving by 2030, but also notes that increasing philanthropy as a share of GDP will take time. Universities are uniquely placed to help. The university sector and the communities it serves can play a critical role in supporting the Government's efforts to double philanthropic giving by 2030 by equipping people with the right skillset and educating them about the benefits of philanthropy.

¹ Universities are registered as charities and has DGR status, meaning that they do not pay income tax on gains, and that donors are eligible for tax deductions on gifts of more than \$2.

Increased philanthropic funding can play an important role in our research funding landscape

Philanthropy is a small yet important source of revenue for Australian universities to fund their research activities and noting the limited competitive funding available from government and industry, it has the potential to become more prominent.

Overall, Australia's expenditure on R&D as a share of GDP has been decreasing for more than a decade, sitting at 1.68 per cent for the period 2021-2022, significantly lower than the OECD average of 2.71 per cent. Australia's industry landscape is dominated by small businesses, with limited capacity, appetite and resources to invest in R&D and "risky" research projects.

Our research system is fragmented, and universities are constantly exploring alternative funding and revenue streams to fill the gaps to continue to deliver research at quality and scale. For a long time, the sector has relied heavily on international student fees to finance research. Donations and bequests have also featured as a small, alternative source of funding, making up only 3.3% of higher education expenditure R&D (HERD) in 2020.²

Philanthropic giving already has a place and role to play in our research funding landscape. Where funding from government may be tied to specific priorities and is often invested in low risks projects, philanthropic funding can provide untied and flexible funding. This funding can support long-term transformative and fundamental research and invest in early-stage research and/or "riskier" projects that lead to innovative ideas.

Additionally, philanthropic funding goes beyond research. Such donations help universities fund teaching activities, infrastructure and improving students' experiences. More importantly, philanthropy is a source to fund scholarships that help students from low SES backgrounds, Indigenous students, students with disability and health conditions and those from remote areas to have an equal chance to access university education.

The government is currently undertaking an independent review of the higher education system, the Australian Universities Accord. To create a more sustainable research funding system that supports and fosters Australia's sovereign research capability, UA has called for a whole-of-government commitment to fund the full cost of research.³ It is unknown whether the role of philanthropic funding will be considered as part of the Accord review and implementation phase but a holistic approach to reviewing our research system which includes strategies to grow philanthropy as a complementary source of funding will benefit the whole sector.

Addressing data gaps

Recommendation 9.1, encouraging the Australian Charities and Not-for-profits Commission (ACNC) and the Australian Taxation Office (ATO) to make more information on charities and giving available for donors and the public, is an important step to increase transparency and awareness. However, there is still a huge data gap regarding philanthropy in Australia more broadly and in universities more specifically, making it difficult to understand the full extent of philanthropic giving in the higher education sector. More information will provide the sector with important insights to make targeted decisions, provide informed advice to policymakers and collaborate more effectively to increase donations. Additionally, more work is needed to provide the public with more information on the positive impact philanthropy makes on society and the tax benefits donors may be entitled to.

The way forward

UA recommends the Productivity Commission to also look at the role of matching programs, how to enable international donations and potentially removing tax on bequeathing superannuation as part of its inquiry.

² [Higher education expenditure on R&D by higher education provider - Department of Education, Australian Government](#)

³ [Response to the Australian Universities Accord Interim Report - Submission 3 – Universities Australia](#)

Matching programs may be a way forward for Australia to grow philanthropic funding, and the Productivity Commission should explore how that may look like in an Australian context. Evidence from overseas shows that such programs can incentivise organisations and individuals to donate⁴, with public support for philanthropy increases when matched by the government.

UA members have raised additional areas for the Productivity Commission to explore which would simplify philanthropic giving to universities. As an example, simplifying the process of bequeathing superannuation by removing the tax of at least 15 per cent on superannuation donated to charities after death. This will be particularly helpful to increase philanthropic giving to universities, as bequests along with donations form the most common form of giving universities receive. Universities will also benefit from tax changes aimed at restructuring the tax treatment of giving to encourage sustained giving and facilitate intergenerational wealth transfer.

It is also important to ensure that the broader Government policies in other areas create the right environment to encourage philanthropy, not hinder it. Moreover, supporting charities to be equipped with the proper due diligence processes to receive international philanthropy and offering tax incentives for overseas donors would attract more international philanthropy. UA looks forward to reading the final report later in the year, and we stand ready to work with the Government, non-profit sector and community to encourage more giving for the benefit of country.

Yours sincerely

Luke Sheehy
Chief Executive

⁴ Tsui, B. (2021). [Share the Mission: Philanthropy and Engagement for Universities in *International Experience in Developing the Financial Resources of Universities*](#).