



Productivity Commission – Future Foundations for Giving

February 2024



ABN: 17007263916

Jobs Australia



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Jobs Australia

Jobs Australia acknowledges the traditional owners of country throughout Australia and their continuing connection to land and community. We pay our respects to them and their cultures, and to the elders both past and present.

Please consider the environment before printing this mail

1. About Jobs Australia

Jobs Australia is a national organisation that supports the largest network of Not for Profit Members who provide diverse employment services and pathways, education, training and skills development, and community and social services.

We are the Peak Body for Not for Profit Employment Services Providers including those organisations providing employment pathway programs.

We are funded solely by our Members allowing us to represent them with real insight by activating and amplifying their collective and independent voice.

2. About the Submission

The views expressed in this submission are the views of Jobs Australia. While our views are informed by our consultations and meetings with our Members, they should not be taken to be the views of any individual Provider or group of Providers.

3. Scope of Submission

Jobs Australia welcomes proposed reforms that aim to make the Deductible Gift Recipient (DGR) system simpler, fairer, and more consistent. We also support the Australian Government's goal of doubling giving by 2030. In this submission Jobs Australia will focus on possible unintended consequences in changes to DGR eligibility.

4. Executive Summary

Jobs Australia supports:

- The Australian Government's goal of doubling giving by 2030.

The proposed three principles to assess whether a charitable organisation is in scope for DGR eligibility:

1. The activity generates net community-wide benefits and would otherwise likely be undersupplied in the market.
 2. There are net benefits from providing government support through subsidising philanthropy using a tax deduction for giving. The government should consider the alternative use of taxpayer's funds, which could be more (or less) valuable to the community as a whole.
 3. The activity is unlikely to be a material risk of converting tax-deductible donations to private benefits for donors.
- The broadening of DGR eligibility to better reflect the work done by modern charities in Australia.
 - Further work by the Commission as there is insufficient evidence referenced by the Commission to support the claim converting a tax-deductible donation into a private benefit is, in principle, a substantial risk for primary and secondary education, religious education, and other forms of informal education, including building funds.
 - The avoidance of unintended consequences by making any changes explicit in ensuring initiatives that support disadvantaged cohorts including people with a disability are not excluded.

5. DGR Eligibility

5.1 Impact on Tax Revenue

It is acknowledged donations that attract a tax deduction result in less revenue collected by the Australian Government through income tax. This revenue could otherwise be used to fund core government services or fund charities through grants. In practical terms all Australian taxpayers co-invest in charities through the DGR system.

5.2 Current Eligibility

There is currently no coherent rationale as to why some charitable activities are eligible and why some are not. Charities that relieve poverty or distress in the community are eligible for DGR but those that focus on prevention are not. Charities that provide a broad range of support to a group of people are not eligible e.g., LGBTIQ+, women, young people and Aboriginal and Torres Strait Islander people.

The current system is ad hoc and fails to adequately recognise the work performed by many charities with respect to public benefits. The reforms aim to broaden and simplify eligibility leading to more charities being eligible. The expectation is the number of charities with DGR status will increase from 25,000 to somewhere in the range 30,000 – 40,000.

Charities that are public benevolent institutions (PBI's) are DGR eligible. It is proposed PBI's will be unaffected by any changes. This is because activities conducted through PBI's provide services to groups of people that are in need. These services can include aged care, childcare, employment and education. Jobs Australia supports this position.

5.3 Proposal for Eligibility Reform

The Commission recommends three principles to determine which charities should be eligible in scope for DGR eligibility:

1. The activity generates net community-wide benefits and would otherwise likely be undersupplied in the market.
2. There are net benefits from providing government support through subsidising philanthropy using a tax deduction for giving. The government should consider the alternative use of taxpayers' funds, which could be more (or less) valuable to the community as a whole.
3. The activity is unlikely to be a material risk of converting tax-deductible donations to private benefits for donors.

A range of charities that are currently ineligible will become eligible - social welfare and human rights organisations, charities that support groups of people such as women, Aboriginal and Torres Strait Islander Peoples and LGBTIQ+ and charities focused on injury prevention and public interest journalism.

In reference to religious organisations the Commission has stated there is not a case for additional government support for the practice of religion through the DGR system based on the first principle above.

The Commission stated that converting a tax-deductible donation into a private benefit is, in principle, a substantial risk for primary and secondary education, religious education, and other forms of informal education, including building funds. The rationale is potential donors are most likely to be directly involved with the school and benefit directly from donations, such as students, their parents or alumni. There is little evidence provided by the Commission to support this view and further work is required before such a significant change can be properly considered.

5.4 Safeguard Against Unintended Consequences

Any change to eligibility must ensure initiatives that support disadvantaged cohorts are not excluded.

Government funding for provision of services and support to disadvantaged cohorts typically only includes recurrent funding. The provision of funds for things like capital expenditure, including on facilities and buildings, is not usually available. This requires charitable organisations to seek funding outside of government with philanthropy a necessary part of raising capital funds.

The disadvantaged cohorts serviced, and the net community-wide benefit should see these activities continue to be funded. Any changes should be explicit in this regard to avoid any unintended consequences.

5.5 The Disability Sector

Jobs Australia Members supporting people with a disability report a downturn in charitable donations and volunteering since the introduction of the NDIS. The NDIS has unquestionably improved the lives of people with a disability but has had an unintended consequence of the withdrawal of significant social capital inputs including volunteering and donations. The public perception is the NDIS now fully meets the needs of participants without the requirement to donate time or money. The NDIS does not fully fund many services and does not fund any necessary capital expenditure, including on facilities. Charitable organisations providing activities to people with a disability including employment programs, education, community participation and accommodation continue to require philanthropic support. As stated in 5.4 above the disadvantaged cohorts serviced and the net community-wide benefit should see these organisations and activities continue to be eligible for DGR status. Any changes should be explicit in this regard to again avoid any unintended consequences.