



AUSTRALIAN GOVERNMENT PRODUCTIVITY COMMISSION

# REVIEW OF PHILANTHROPY

Response to the Productivity Commission Draft Report

Final submission by the **Australian Sports Foundation**

09 February 2024

## ABOUT THE AUSTRALIAN SPORTS FOUNDATION

The Australian Sports Foundation (ASF) is a Federal Government entity, whose role is to raise philanthropic money for the development of sport in Australia. It is Australia's national non-profit sports fundraising organisation and charity, and the only organisation in Australia to which donations for sport are tax-deductible.

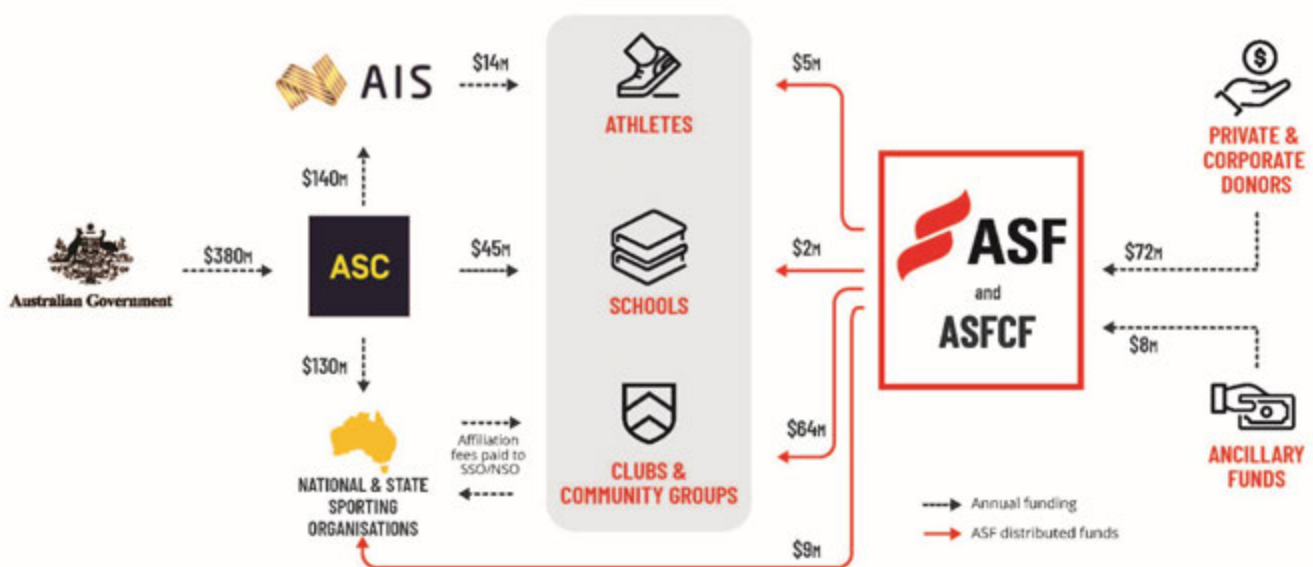
The ASF was established in 1986 to facilitate greater investment in sport from non-government sources via philanthropic donations. It is an 'Item 1' Deductible Gift Recipient (DGR) and is the only organisation in Australia that allows a donor to claim a tax deduction for philanthropic donations to sport. This is because sport is not currently a purpose eligible for either DGR or charitable status under Australian law.

The ASF operates on a "donor advised" basis, and in practice therefore acts as an 'umbrella DGR' for the whole of Australian sport, enabling and facilitating tax-deductible donations to support any club, organisation or athlete anywhere in Australia in accordance with donor preferences expressed.

This is a vital role, as tens of thousands of volunteer-run community sports clubs would not have the administrative capacity to manage and sustain their own DGR status. It is also a highly efficient model for the Australian Taxation Office (ATO), greatly reducing the compliance resources required by having a single point of contact for all tax-deductible donations to Australian sport.

Philanthropic funds raised through the ASF have increased significantly in recent years from around \$17m in FY2014 to a record of nearly \$80M in FY2023, raised from some 50,000 donations to more than 3,000 fundraising projects. Current source and distribution of these funds is summarised in the graphic below:

**\$80M:** Current philanthropic contribution to Australian sport through ASF and ASFCF



There is an opportunity to **dramatically increase this to \$300m a year by 2030, generating significant benefits to community health and cohesion**, if the proposal outlined in this submission is adopted.

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ASF acknowledges the Traditional Custodians of the land we are gathered on and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

## EXECUTIVE SUMMARY

### ENHANCING PHILANTHROPIC SUPPORT FOR AMATEUR SPORT IN AUSTRALIA

Australia's vibrant sporting culture, integral to community health and cohesion, as well as national identity, faces significant barriers to philanthropic support. Despite its pivotal role, sport currently receives disproportionately low philanthropic funding compared to comparable sectors like arts and culture. The current legislative and regulatory framework restricts the flexibility of donors, particularly Ancillary Funds, in supporting amateur sports organisations.

The ASF proposes a crucial amendment to the Charities Act, advocating for the inclusion of '*advancing amateur sport*' as a charitable purpose. This amendment would enable Ancillary Funds to distribute funds to the ASF Charitable Fund (ASF CF) to support amateur sports clubs and athletes, addressing critical funding shortages and fostering community participation. This is particularly important in the lead-up to the 2032 Brisbane Olympic and Paralympic Games and to ensure an enduring legacy through increased community participation.

Ancillary Funds, forecast to grow substantially in the coming years, represent a significant source of potential funding for amateur sport. **Economic modelling commissioned by ASF shows that removing existing barriers could unlock over \$100 million annually in new funding by 2030, benefiting community health and cohesion.**

Recent research underscores the urgent need for increased philanthropic support in amateur sport. Findings reveal alarming trends, including rising costs, declining revenue, and a shortage of volunteers, threatening the viability of many community sporting clubs. Representative amateur athletes from most Olympic and Paralympic sports face immense financial strain and instability and are also at risk, with a significant percentage considering leaving their sport due to the financial challenges.

Addressing the financial challenges faced by amateur sports clubs and athletes is therefore crucial not only for promoting community well-being and improving physical and mental health, but for sustaining Australia's proud sporting heritage and promoting national unity.

Importantly, the proposed amendment outlined in this submission enjoys widespread support among sporting clubs, with **79% of clubs surveyed expressing support for granting amateur sport charitable status**, based on recent research.<sup>1</sup>

**With community sporting clubs already under significant strain, and the runway to the Brisbane 2032 Olympic and Paralympic Games underway, the time to grant charitable status to amateur sport is upon us.**

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<sup>1</sup> Australian Sports Foundation, *Clubs Under Pressure*, May 2023.

## SUMMARY OF MATTERS COVERED IN THIS SUBMISSION

This submission addresses critical points regarding the Productivity Commission's Draft Report<sup>2</sup> on Philanthropy. It provides insights into the benefits of recognising amateur sports as charitable in Australia and substantiates the benefit of the proposed change through independent economic modelling.

In this submission ASF:

- **Corrects a critical misinterpretation:**
  - The ASF clarifies its position, highlighting that it is advocating for amending the Charities Act to include '*advancing amateur sport*' as a charitable purpose rather than calling for the expansion of DGR status to community or amateur sport as was incorrectly referenced in the Draft Report.<sup>3</sup>
  - We respectfully request that this error is rectified in the final report.
- **Provides feedback on the recommendations in the Draft Report:**
  - The ASF responds to the Draft Report's stance on the charitable nature of sports, asserting that amateur sports contribute significantly to public health and community welfare and should be recognised as a charitable purpose in its own right, and not merely as a means to achieving other charitable ends.
  - It also addresses concerns about the appropriateness of allowing deductible donations to benefit the amateur sports sector and emphasises the important role of education in mitigating risks and promoting compliance within sporting organisations.
- **Substantiates the financial and economic benefit of its proposal:**
  - If amateur sport was designated a charitable purpose under the Charities Act as ASF proposes, economic modelling commissioned by the ASF conservatively estimates that philanthropic giving from Ancillary Funds to amateur sport via the ASFCF will grow **from \$8 million in FY23 to \$103 million a year by FY30.**<sup>4</sup>
  - This additional philanthropic funding is expected to translate to almost **\$370 million in savings in healthcare expenditure for the Federal Budget between 2024-25 and 2027-28 alone** (see Appendix A). Furthermore, the proposal involves no revenue cost for the Government, as funds contributed into Ancillary Funds are already tax deductible.
  - **With the benefit of this change, ASF projects that overall philanthropic support for sport will grow to \$300m by 2030**, as illustrated below:

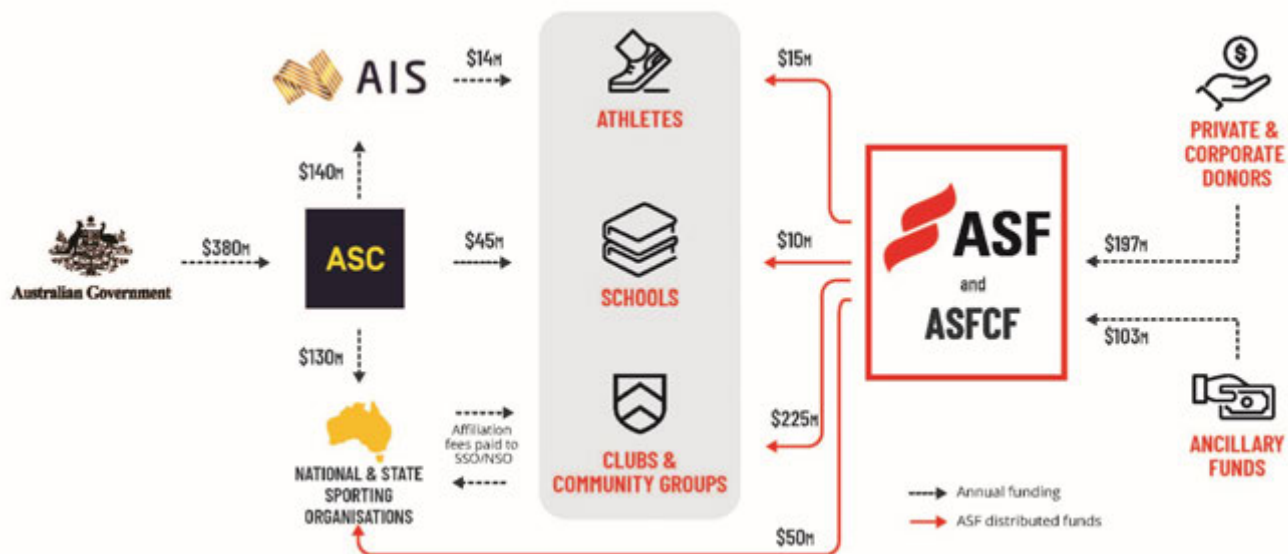
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<sup>2</sup> Productivity Commission, '*Future foundations for giving – Draft report*', (30 November 2023)

<sup>3</sup> Productivity Commission, '*Future foundations for giving – Draft report*', (30 November 2023) p. 194.

<sup>4</sup> Pragmatic Policy Group, '*Levelling the Playing Field*', February 2024.

## \$300M BY 2030: Projected philanthropic contribution to Australian sport through ASF and ASFCF



Source: Australian Sports Foundation

- **Provides commentary on other submissions where relevant to this proposal:**

- The ASF provides commentary on relevant submissions from other stakeholders, such as the Law Council of Australia, Confederation of Australian Sport, Lord Mayor's Charitable Foundation, and Surf Life Saving Australia.
- It highlights areas of agreement and contention, particularly regarding DGR status, administrative costs, and the efficacy of philanthropic models.

The ASF's submission underscores the imperative of recognising amateur sports as a charitable purpose and advocates for legislative reforms to unlock new philanthropic support. It emphasises the sector's capacity for positive social impact, financial stewardship, and the importance of collaborative efforts to enhance community well-being through sports.

Awarding charitable status and elevating amateur sport as a philanthropic cause will not only remove current barriers for support from Ancillary Funds, but it will also elevate the value of community sport in society, including volunteering. Furthermore, realising this funding opportunity will both actively address the current funding crisis for amateur and community sport in Australia and reduce the burden on the Federal Government to meet the funding shortfall.

**Finally, granting amateur sport charitable status would contribute to the Government's goal of doubling philanthropic giving by 2030 and would help support a number of Government policy objectives across sports participation, high-performance sport, and preventative health.**

## SNAPSHOT OF THE SITUATION FACING CLUBS AND ATHLETES IN AUSTRALIA

### Sporting Clubs Research Findings (2023)



**1 in 4**

(24%) of small clubs have considered closing in the past 12 months



**1 in 2**

(52%) cited cost of living as the top cause for participation decreasing



**1 in 4**

(27%) of all clubs report a decline in participation of 15-19 year-olds



**3 in 5**

(61%) of all clubs report administration load as their greatest challenge

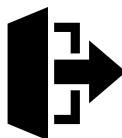
Almost 3,000 clubs were represented in the ASF Your Sport Your Say survey in February and March 2023.

### Elite athlete research findings (2023)



**2 in 5**

(43%) reported their financial position has worsened in the past 12 months



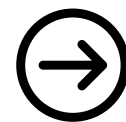
**2 in 3**

aged 18-34 have considered leaving their sport in the past 12 months



**\$23K-\$49K**

is the average annual income from all sources for elite athletes 18+



**43%**

**of Brisbane 2032 hopefuls** have considered leaving their sport in the past 12 months

Over 600 athletes, categorised as elite (national and international level), completed the ASF Your Sport Your Say survey in February and March 2023.

## INTRODUCTION

Australia is a sporting nation; community sport is at the heart of Australian life in both metro and rural settings, and we are a wealthy and prosperous country - yet thousands of amateur sports clubs are in crisis and almost half of our representative athletes are living below the poverty line.

It is impossible to imagine a healthy, happy and cohesive Australia without a strong sporting sector, and a strong sporting sector is only possible with the right resourcing and support. There will always be a gap between what Governments can afford to fund and the level of support the sector requires and philanthropy can play an essential role in helping community clubs and aspiring athletes thrive and prosper.

The ASF is pleased to have an opportunity to respond to the Draft Report of the Productivity Commission's Inquiry into Philanthropy and to build on our initial submission.

The inquiry is particularly well timed as amateur sports organisations navigate the fallout of broader cost of living pressures, particularly noting the impact this is having on participation and the burnout of volunteers.

Community-based, amateur sporting clubs are essential to building a healthy and cohesive society and will have a particularly important role in providing participation opportunities as our Australian love of sport is further enhanced by the excitement leading to the Brisbane 2032 Olympic and Paralympic Games.

We need to ensure these small clubs are well placed to take on the increased demand from this once-in-a-generation event, and also to nurture Australia's prospective representative talent. A prospering sporting sector at the community level is essential for community health and cohesion but is also the foundation for the strength and success of Australia's national teams in the future.

Recognising amateur sport as a charitable purpose will remove the unnecessary obstacle that currently limits sports philanthropy and undermines the sustainability of community clubs and the potential of talented athletes across Australia.

This is the simplest way forward and the only change the ASF is seeking. We are not proposing any change to or expansion of the DGR system.

This final submission recaps some of the key points made in our initial submission, identifies some strong findings in the Commission's Draft Report, corrects some misunderstandings and provides clear recommendations that can help unleash the potential of philanthropy to enable a thriving amateur sporting sector.



## PART 1: THE BARRIERS RESTRICTING GIVING TO AMATEUR SPORT

Sport is a cornerstone of Australian life, a vital part of our communities and our culture. Yet **sporting organisations receive only a tiny fraction of philanthropic giving in Australia**, and much lower than arts and cultural causes, which play a similarly important role in community and national life. The comparatively low share of philanthropic giving to sport is directly linked to obstacles in the existing legislative and regulatory framework for philanthropy in Australia which this submission is intended to address.

**Under the existing framework, the flexibility of donors to support sport via distributions from Ancillary Funds is explicitly limited.** This presents a problem not just today, but into the future, with private and public Ancillary Funds becoming an increasingly significant vehicle for philanthropic giving in Australia.

To remove these barriers, the ASF is proposing to give amateur sport charitable status with an amendment to the Charities Act to include *'advancing amateur sport'* as a charitable purpose.

The need for reform is urgent as community clubs and amateur athletes grapple with crippling funding shortages, while seeking to sustain and grow sports participation to ensure Australia can truly leverage the opportunities arising from the 2032 Brisbane Olympic and Paralympic Games and leave a true community legacy that will last long into the future.

Removing the barriers that exist for Ancillary Funds to invest in amateur sport **will generate more than \$100 million a year in new funding for the sector by 2030 and lead to improved health outcomes for more Australians.**

### 1.1 Ancillary funds are limited in how they can currently support sport

Ancillary Funds, both public and private, are an increasingly important mechanism for philanthropy in Australia. The Australian Charities and Not-for-profits Commission (ACNC) projects Private Ancillary Funds (PAFs) and Public Ancillary Funds (PUAFs) will grow their total distributions from \$1.367 billion in 2023-24 to \$2.299 billion in 2029-30, making them powerful philanthropic vehicles.

Yet under current legislation and regulation, these funds are limited in how they can support sporting organisations because the ATO Model Trust Deed for Ancillary Funds requires recipients to be both "charitable institutions" and a DGR. This places sport at a disadvantage compared with other philanthropic causes and is an unnecessary impediment to philanthropy in sport.

**The ASF believes the simplest and most effective solution to removing this barrier is to change the Charities Act legislation to recognise amateur sport as a charitable purpose.** This would enable the ASF Charitable Fund (ASFCF) – which is also a DGR - to source funding from Ancillary Funds and distribute to amateur sports clubs and athletes in need of support.

**ASF is not proposing any changes to the DGR framework or ATO's Model Trust Deed for Ancillary Funds.**

Of the \$1.253 billion in distributions by Ancillary Funds in 2022-23, amateur sport only received c\$8 million or 0.6 per cent via the ASFCF.<sup>5</sup> This does not reflect the important role sport plays in community health and cohesion. Furthermore, with the projected growth of Ancillary Funds in the period to 2030, it is clear this is an area of significant potential growth for philanthropy to sport if the current barrier could be removed.

Economic modelling forecasts there can be strong growth in philanthropic funding for amateur sport if the proposed legislative change goes ahead. Distributions from Ancillary Funds for the benefit of Amateur sport would be more than \$100 million per year by 2029-30, according to modelling undertaken by Pragmatic Policy Group (PPG). Section 2.4 outlines the forecasts in more detail and PPG's full *Levelling the Playing Field* report is included as an Appendix to this submission.

While the ASF acknowledges there are implications for both community sports clubs and regulators in this proposal, these can be managed and, to that end, the ASF has engaged in detailed and ongoing consultation with community sports clubs and athlete representatives. Section 2.2 details the outcomes of the consultation to date, with significant interest and a strong level of support registered from community clubs and other stakeholders.

## 1.2 National research confirms the dire need to provide greater philanthropic support to amateur sports clubs and athletes

The ASF commissioned research in early 2023 to identify the issues facing community sports clubs and athletes. Almost 3,000 clubs and more than 2,000 athletes from across Australia participated in the *Your Sport Your Say* online survey. This follows ASF research during the pandemic.

Worrying trends were uncovered in this research, which confirms the urgent need to maximise all opportunities to grow philanthropic funding for sport. The findings were released in the *Clubs Under Pressure* report in May 2023 and the *Running On Empty* report in September 2023.

### **Many community sporting clubs in Australia are in crisis**

Rising costs and falling revenues are pushing almost one in five (18 per cent) of community sporting clubs to the brink of collapse which increases to one in four (24 per cent) for small clubs, meaning even greater concern in rural and regional Australia where the bulk of smaller clubs are located. This equates to many thousands of sports clubs – and the loss of thousands of these vital building blocks of community life would have a devastating impact on social health and community cohesion.

- More than one in four (27 per cent) clubs reported a decline in registrations among 15-19 year-olds which could have future implications for the health of the nation and Australia's proud record as a sporting nation.
- One in two (52 per cent) of the clubs surveyed reported cost of living impacts as a growing barrier to member registrations.

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<sup>5</sup> Pragmatic Policy Group, *Levelling the Playing Field*, February 2024.

- More than two in three (68 per cent) clubs have experienced increased running costs, which is a substantial increase from 47 per cent in 2021.
- Almost two in three clubs (63 per cent) highlighted their main challenge in the last 12 months was not having enough volunteers.
- 61 per cent of clubs reported administration load as their major challenge.

The survey also asked sporting clubs across Australia for their views on awarding charitable status to amateur sport, with support being high:

- Four in five (79 per cent) sporting clubs were supportive of amateur sport being granted charitable status, 17 per cent were unsure and only 4 per cent were against the proposal.

### **Elite athletes (national and international level) suffer serious financial strain**

More than 2,300 athletes responded to the survey, with 605 of these representing their discipline at either a national or international level. For the data analysis and reporting this group was categorised as 'elite'.

- Almost half of elite athletes (46 per cent) over the age of 18 were earning incomes from all sources of less than \$23,000 per annum, placing them below the poverty line.<sup>6</sup>
- Against a backdrop of rising costs of living, the financial situation of two in five (43 per cent) elite athletes aged 18+ had worsened over the past 12 months.
- Costs and financial insecurity were the biggest challenges for athletes across all competitive levels and elite athletes reported they were spending more each year on competition travel and accommodation than they did on food.
- More than half (52 per cent) of the elite athletes surveyed were considering leaving their sport because of the financial challenges faced.

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<sup>6</sup> ACOSS: 'Poverty in Australia 2022: A Snapshot' defines the poverty line (based on 50% of median household after-tax income) as single Australians earning less than \$489 a week

## PART 2: THE OPPORTUNITY TO REMOVE THE BARRIER BY MAKING AMATEUR SPORT A CHARITABLE PURPOSE

Granting charitable status to amateur sport represents a tremendous opportunity to **unlock tens of millions of dollars in additional philanthropic funding each year** for community sports clubs and amateur athletes. In addition, this change would:

- elevate the role of sport in communities and assist in attracting more volunteers
- increase participation in sport, delivering clear health and community benefits
- generate significant savings in healthcare expenditure for the Federal Government.

Since the ASF's initial submission to the Productivity Commission's Review of Philanthropy in May 2023, consultation with representatives from across the sport and philanthropic sectors and government has further underlined both the **scale of the opportunity and the broad base of support** for the proposed legislative change.

Australia's sporting community is missing out on vital support each year because Ancillary Funds cannot easily distribute funds to the sector as amateur sport is not classified as a charitable purpose. With the growing significance of Ancillary Funds and ASF research showing sporting organisations and amateur athletes are under significant and increasing financial pressure<sup>7</sup> - there is a pressing need for reform.

The ASF is advocating for a legislative change to classify amateur sport as a charitable purpose to help unlock new streams of philanthropic support for community clubs and amateur athletes. This increased support will deliver significant health and community benefits commensurate with increased participation in sport. Economic modelling completed for the ASF shows **removing the barrier for donations from Ancillary Funds would deliver a saving of \$370m in healthcare expenditure by 2028 alone.**<sup>8</sup>

From the ASF's extensive research with clubs, we understand the financial pressures they are under and the critical need to assist with new sources of funding. However, the research also shows that administration burden, generally on volunteers, is a growing issue for many community clubs.<sup>9</sup> Consequently, a significant part of the ASF's focus to date, including consultation with the Australian Taxation Office (ATO), Australian Charities and Not for profits Commission (ACNC), Government and the sport sector, has been assessing how the benefits of the proposed change would compare with any incremental administrative burden of eligible clubs registering as charities.

It is worth noting that from 1 July 2023, there is a change in reporting for non-charitable not-for-profit organisations with an active ABN, such as sports clubs. For FY24 onwards, such clubs will be required to lodge an annual self-review return to access income tax exemption with the ATO, submitting the information they ordinarily use to self-assess their eligibility for income tax exemption.

Accordingly, while the regulatory environment for clubs will change once they register as a charity with the ACNC, the administrative burden will be broadly neutral, as they would no longer be required to complete the annual ATO self-assessment once registered with the ACNC.

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<sup>7</sup> Australian Sports Foundation, *Running on Empty*, August 2023.

<sup>8</sup> Pragmatic Policy Group, *Levelling the Playing Field*, February 2024.

<sup>9</sup> Australian Sports Foundation, *Clubs Under Pressure*, May 2023.

Administration and compliance will continue to be a key focus of future engagement and consultation with the sector over the coming months, and the ASF will be gearing up to support the sector through the transition.

## 2.1 The legislative change the ASF is proposing to grow philanthropic funding for amateur sport

The ASF believes the legislative change to support the charitable status of amateur sport is the clear path forward to enabling distributions from the growing ancillary fund sector.

The ASF proposes that the Federal Government amends Section 12 of the Charities Act (C'th) 2013 by including '*advancing amateur sport*' in its definition of charitable purpose. This amendment would clear the path for ASF, through its charitable fund ASFCF, to receive donations directly from PAFs and PuAFs to redistribute to:

- **Amateur community sports clubs** for any sporting purpose;
- **Emerging and representative amateur athletes** (excluding those whose income exceeds 'Amateur' thresholds).

To be eligible to receive this funding, sports clubs would need to be registered with the ACNC as charities, and amateur athletes would be required to prove they qualify for charitable support.

**ASF research shows that the scale of the opportunity and potential benefits for clubs and athletes would far outweigh any administrative requirements.**

### **Definition of 'amateur sport'**

While the distinction between professional and amateur sport is usually very clear, with respect to clubs and athletes ASF acknowledges that there are some grey areas.

As part of any legislative change, ASF is proposing that the Federal Government would be able to implement regulations for determining the definition and any applicable thresholds for 'amateur sport' (for example, on deminimis income thresholds below which clubs and athletes would be classed as amateur) depending on its Policy position at the time.

Note that while Amateur Sports clubs would be required to register as charities with the ACNC to benefit from funding distributed by Ancillary Funds via ASFCF, Amateur athletes would be able to benefit from distributions from Ancillary Funds via ASFC without incurring any ACNC obligations (as these would be the responsibility of ASFCF as the grantor of funds to the athletes).

**The ASF is conducting ongoing research, including into models used overseas, and will continue to liaise with the ACNC, Government stakeholders and the sports sector as proposals are refined.**

## 2.2 The work and consultation to date

The ASF has been engaging with government and the sporting sector for more than four years to investigate the options and work through the details required to deliver the proposed legislative change. This includes the ASF leading the consultation and engagement process and commissioning research and economic modelling.

A submission to recognise amateur sport as a charitable purpose in Australia was first presented by ASF to the federal government in 2019, and again in 2021, and re-submitted to the new government in mid-2022. The proposal has been discussed with a broad cross-party range of Ministers, MPs and Senators in the federal parliament.

The proposal has also been presented to state and territory governments and work is ongoing with relevant Ministers and departments in all jurisdictions to assess the likely impacts, benefits and burdens of the proposed legislative change.

**The responses from governments to the proposal have been overwhelmingly positive and there is a desire to explore this change as an important way to facilitate additional philanthropic support to the sector.**

As part of this process of education and information-gathering, meetings have been held by ASF with key Commonwealth entities, including the ACNC, Treasury, the ATO, the Office for Sport and the Department of Health and Aged Care.

In recent months, following the ASF's first submission to the Productivity Commission inquiry, the ASF has:

- Conducted targeted consultation with representatives from the sporting sector, philanthropy and government agencies to further examine the potential benefits and impacts of the proposed change
- Established a steering group to bring together representatives from community clubs of various sizes, athletes, state and national sporting organisations and peak bodies to progress this work
- Conducted in-depth interviews with more than 30 representatives from the sporting, government and philanthropic sectors in late 2023.

This ongoing engagement has confirmed support to continue progressing consultation for the proposed legislative change. The sporting sector views the concept of unlocking more philanthropic support as a major opportunity:

- *"All clubs know that they need some funding, they need help. So, from my point of view, I'm very happy to do what is necessary to have access to that funding."* - Community sport representative.
- *"We've got to try whatever we can to progress, to get ahead. We're constantly hearing from government that we have to find new ways. We have to diversify our revenue streams. If this is going to be another opportunity for us to open up people's minds and wallets."* - National Sporting Organisation representative.

- “We talk a lot about the value of sport and how we increase understanding about the value of sport and the role that sport plays in bringing communities together mental health, physical health, belonging, bringing different cultures together? I wonder whether charitable status lends itself to people thinking about sport differently in a positive way.” - Government Agency representative.

Extensive engagement with the philanthropic sector has also contributed to the ASF’s ongoing work and has included donor research and interviews.

### 2.3 Next steps for proposed legislative change

The ASF will continue to progress discussions and activities to support ongoing engagement and consultation about the proposed change in 2024. This will include additional consultation with a broad representation of the sports sector, preparation and distribution of education materials shared via ASF and partner channels, as well as feedback mechanisms.

A series of online information sessions will then be held, along with further engagement and research to quantify support across amateur clubs and athletes before a final proposal is submitted to the Government in the second half of 2024.

### 2.4 Economic modelling confirms the philanthropic growth opportunity for amateur sport

Securing the charitable status of amateur sport would secure tens of millions of dollars a year in additional philanthropic support for grassroots sport in Australia. The increasingly prominent role of Ancillary Funds in charitable giving in Australia means sporting organisations are missing out on much-needed funding now and risk being excluded from this growing philanthropic segment into the future.

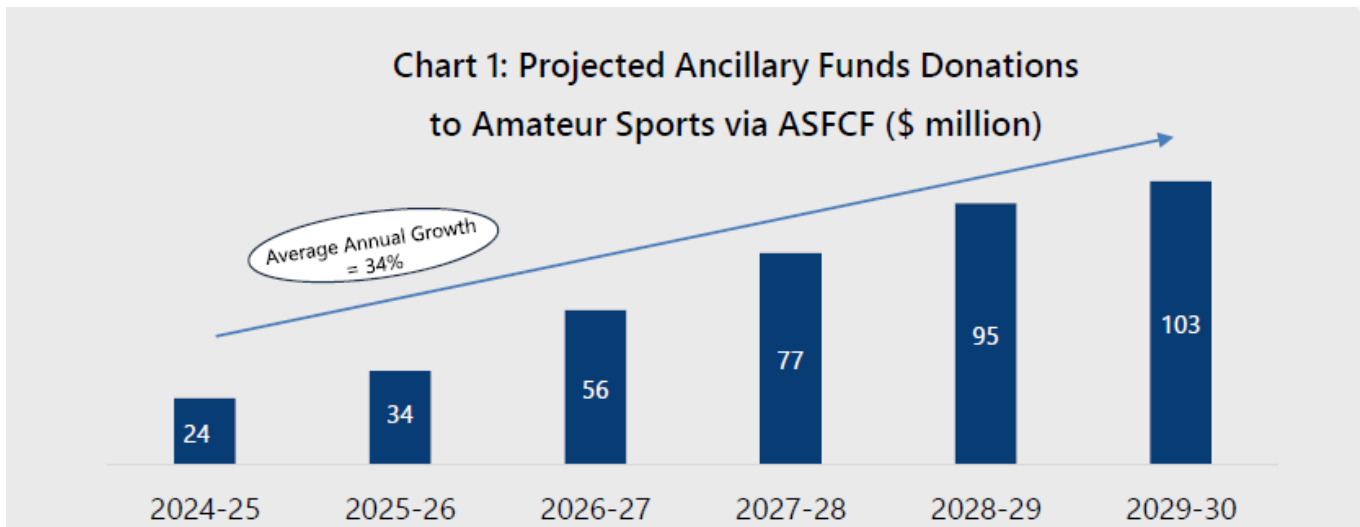
The ACNC projects that total distributions made by Public and Private Ancillary Funds (‘Ancillary Funds’) will grow from \$1.4 billion in 2023-24 to \$2.3 billion by 2029-30.<sup>10</sup> **In 2023-24, the ASF estimates distribution from Ancillary Funds to sport will be only \$11 million or 0.8 per cent of Ancillary Fund distributions, highlighting a clear missed opportunity.** In comparison, Arts and Culture charities are projected to receive 7.1 per cent or c\$97 million of Ancillary Fund distributions in 2023-24.

The ASF commissioned independent modelling from the Pragmatic Policy Group to further quantify the potential funding opportunity from Ancillary Funds if the legislative change is achieved. The *Levelling the Playing Field* report considered the financial, health and budgetary impacts of legislating the charitable status of amateur sports clubs, which would enable donations from both public and private Ancillary Funds.

It estimated that nearly **\$24 million in donations from Ancillary Funds could be unlocked in 2024-25 to support amateur sport.** This philanthropic pool is **projected to grow to \$103 million in 2029-30 totalling an estimated \$390 million combined over the next six financial years.**

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<sup>10</sup> Pragmatic Policy Group, *Levelling the Playing Field*, February 2024.



Source: Pragmatic Policy Group, *Levelling the Playing Field*, February 2024, Chart 1, p2.

Further, the modelling forecast that after four years, amateur sports could expect to receive a 4.5 per cent share of annual distributions from Ancillary Funds. The modelling was predicated on a conservative assumption that sport could expect to receive approximately two-thirds of the average annual donation share that arts and culture charities currently enjoy from Ancillary Funds (7.1 per cent).

The modelling assumes that 91 per cent of Ancillary Fund donations available through the ASFCF will go to amateur sports clubs, with the remaining 9 per cent to support amateur athletes. In 2024-25, this estimate would see the ASFCF distribute \$21.7 million in donations from Ancillary Funds to support amateur sports clubs and \$2.1 million to amateur athletes. **By 2029-30, amateur clubs would receive \$94.1 million, and eligible athletes would receive \$9.3 million.**

Unlocking this additional financial support from Ancillary Funds would have a vast and powerful impact on grassroots sport in Australia. It is projected that **this new funding stream would empower those sports to attract more than 190,000 new participants between 2024-25 and 2027-28.** The corresponding improvements in physical and mental health outcomes for more Australians through engagement with sport is projected to translate to **nearly \$370 million in savings in healthcare expenditure for the Federal Budget** in the four-year period between 2024-25 and 2027-28.

For a full copy of the economic modelling conducted, see Appendix A.



## 2.5 Alignment with government objectives and strategies

Removing barriers that limit philanthropic giving to amateur sport will assist the Australian Government to realise a number of its strategic objectives in philanthropy, preventative health and sport.

These include:

- Doubling philanthropic giving by 2030 and building social capital and connectedness in Australian communities:
  - Amateur sport already plays a key role in connecting communities and the projected associated increase in sport participation would clearly serve to strengthen its influence and impact.
- The National Strategy for Volunteering 2023-2033:
  - This strategy emphasises creating the right conditions for volunteering to thrive. The **additional philanthropic funding directed to amateur sport would also serve to better support the estimated three million volunteers who are at the heart of community sport in Australia.**
- The National Preventative Health Strategy 2021-2030:
  - Priority physical activity goals include reducing the prevalence of insufficient physical activity amongst children, adolescents and adults by at least 15 per cent by 2030.
  - The ASF's modelling projected the likely **increased participation in amateur sport would correspond to improvements in physical and mental health outcomes for more Australians** and savings in healthcare expenditure for the Federal Budget.
- Australia's Sport Participation Strategy 2023
  - Key goals include developing the capability of community sport and investigating options to decrease the cost of sport participation, which is a barrier to achieving greater equality.

## PART 3: FEEDBACK ON THE PRODUCTIVITY COMMISSION'S DRAFT REPORT AND CONSIDERATIONS FOR THE FINAL REPORT

The ASF welcomes the opportunity to provide a final submission on the Productivity Commission's inquiry into Philanthropy. It is critical to correct previous misrepresentations about the ASF's position from the Productivity Commission's Draft Report and to provide feedback on relevant draft recommendations.

**The primary focus of this submission and the ASF's advocacy is to set out a clear case for the ASF's proposal to amend the Charities Act to include 'advancing amateur sport' as a charitable purpose.** We have also taken the opportunity to reflect and comment on the contents of a number of submissions from other stakeholders, both those who share the ASF's objective, and those who have an alternative view, and to respond where the ASF's work has been incorrectly referenced.

### 3.1 Correcting misinterpretation in the Productivity Commission's Draft Report

In the Productivity Commission's *'Future foundations for giving'* dated November 2023 (Draft Report), **the ASF was incorrectly associated with proposing a change to the DGR system for community sport** (p194, 1st paragraph).

The establishment of the ASF and its unique DGR status in the sport sector reflects the important role sport plays in Australian life and the valuable physical and mental health benefits of participating in sport. This is a vital role, as the tens of thousands of volunteer-run community sports clubs would not have the capacity to manage and sustain DGR status. We know from our 2023 research of clubs that administration burden is a prominent issue amongst clubs.

This is why the ASF is not calling for the expansion of DGR status to community sport, and we agree with the position of the Productivity Commission in the Draft Report:

*The Commission does not consider that there is a case for changing current arrangements and extending the scope of the DGR system to cover activities undertaken by non-government entities that are not currently registered as charities with the ACNC, including community sport.'*

While the inclusion of amateur sport as a charitable purpose would facilitate philanthropic giving through the Australian Sports Foundation Charitable Fund, which is a DGR, it is significant to note the difference.

### 3.2 Other feedback on the Draft Report

In its Draft Report the Productivity Commission has stated its view that *'sport for the purposes of amusement or competition not be considered charitable, but should be considered charitable where used to further another charitable purpose.'* (page 194 of Draft Report). In essence this maintains the status quo, where "mere sport" (Re Nottage, 1895) is not regarded as charitable, although it is recognised that sport can help achieve other charitable aims.

We would like to take this opportunity to comment further on matters raised in the Draft report:

First, the submission that ASF has been advocating for is that **amateur** sport be included as a charitable purpose in section 12 of the *Charities Act 2013* (Cth). Not only does this bring Australian law in line with the statutory regime in the United Kingdom (and other common law jurisdictions), but it corrects an outdated understanding of community sport as being for mere amusement; the evidence of the public benefit facilitated by community sport is widely acknowledged, including in the Productivity Commission's Draft Report.

Second, the Draft Report states that *'without status as registered charities, sports organisations are not subject to the same regulatory oversight'* (page 194 of Draft Report). ASF would observe both that the ATO is increasing its oversight of self-assessing income tax-exempt bodies to ensure that their governing documents enshrine their not-for-profit character, and that this argument acts in favour of advancing amateur sport being included as a charitable purpose, as this would improve the quality of regulation of community sporting clubs.

Third, the Draft Report queries whether extending DGR status to community sport would have *'a substantial effect on participation in sport'* (page 194 of Draft Report), on the basis that there are financial and time commitment barriers to participating in community sport.

ASF is of the view that community sport is deserving of recognition as a charitable purpose on the basis that:

- (a) community sport meets non-trivial needs created by the erosion of social capital and public health in contemporary society, and
- (b) the concept of what is charitable is a moving feast that comprehends the needs of modern society.

The economic modelling commissioned by ASF predicts that *'increased funding available to amateur sports as a charitable purpose will enable those sports to attract over 190,000 new participants cumulatively between 2024-25 and 2027-28.'* This is substantial and the modelling forecasts that this increased participation 'would mean a total saving of nearly \$370 million in healthcare expenditure for the Federal Budget between 2024-25 and 2027-28.'<sup>11</sup>

Fourth, the Draft Report has stated:

*"Lastly, organised sport undertaken for recreation or competition commonly involves fees for participants and in these instances DGR status is unlikely to be appropriate in situations where there is a material risk of*

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<sup>11</sup> Pragmatic Policy Group, *Levelling the Playing Field*, February 2024.

*converting tax-deductible donations into lower fees for the participants'* (p.194 of Productivity Commission draft report).

The Productivity Commission has called into question the eligibility for donations to support amateur sporting clubs to be characterised as a gift, on the basis that there is a material risk of converting tax-deductible donations into lower fees for participants.<sup>12</sup>

This is an inappropriate conclusion to draw for the following reasons:

### **1. Not-for-profit sporting clubs would be in breach of their existing obligations if they provided private benefits to their members**

In order for a sporting club to be entitled to income tax exemption under the existing regime,<sup>13</sup> the club's actions must be 'consistent with its not-for-profit clauses which prohibit distributions for the private benefits of its members.'<sup>14</sup> Communal membership benefits that are incidental to a sporting club's objects, such as use of its facilities, are permitted.<sup>15</sup>

The special conditions that apply to sporting clubs to assess their entitlement to income tax exemption are broadly similar to the equivalent special conditions for registered charities.<sup>16</sup> In particular, both self-assessing sporting clubs and registered charities must comply with all the substantive requirements in its governing rules and apply its income and assets solely for the purpose for which the entity is established.

This means that recognising community or amateur sport as a charitable purpose does not increase the material risk of providing private benefits to members, because self-assessing sporting clubs are already prohibited from providing private benefit to their members.

### **2. Education of the sector is an effective means of mitigating against risk of private benefit**

The Draft Report sets out two situations where The Productivity Commission considers there is a material risk that tax-deductible donations could be converted into private benefits:

- where recipients of a good or service are charged (other than nominal) fees by the charity to access the goods or services it provides; and
- where benefits are excludable and restricted only to members (effectively akin to a private 'club').<sup>17</sup>

If donations were to be converted into private benefits, not only would the existing obligations of not-for-profit sporting clubs be breached, but the donations would cease to meet the legal definition of a gift. The Australian Taxation Office (ATO) has summarised the common law requirements of a gift as follows in Taxation Ruling TR 2005/13 (**emphasis added**):

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<sup>12</sup> Productivity Commission, *'Future foundations for giving – Draft report'* (30 November 2023) p. 194.

<sup>13</sup> *Income Tax Assessment Act 1997* (Cth) ss 50-45, 50-70 ('ITAA97').

<sup>14</sup> Australian Taxation Office, *Income tax: the games and sports exemption* (TR 2022/2, 14 September 2022) [16].

<sup>15</sup> *Ibid* [12].

<sup>16</sup> ITAA97 (n 2) ss 50-50, 50-70.

<sup>17</sup> Productivity Commission (n 1) 183.

- there is a transfer of the beneficial interest in property;
- the transfer is made voluntarily;
- the transfer arises by way of benefaction; and
- **no material benefit or advantage is received by the giver by way of return.**<sup>18</sup>

TR 2005/13 does not provide a generic indication of a benefit that would be material, but states that it is 'a question of fact in each case whether any benefit or advantage is considered material.'<sup>19</sup> This means that the more effective solution to the perceived risk of private benefit is to educate community sporting organisations of permitted applications of deductible gift funds.

By educating sporting clubs that are providing private benefits to members in return for donations (for example, by reducing annual registration fees) means that the donations cannot be characterised as a gift<sup>20</sup> and therefore are not tax deductible, we have found sporting clubs have been able to ensure compliance.

ASF contests the notion that there is something more inherent to the structure or activities of sporting clubs that makes them more susceptible to converting donations into private member benefits. Any entity with a large and active membership must navigate the same terrain. The risk may be real, but it is avoidable: in our experience the sector has been responsive to education on what is and is not permitted under the tax laws.

In the absence of the Productivity Commission providing evidence to support its view that there is a material (and unavoidable) risk of donations to sporting clubs being turned into private benefits, we consider that it would be appropriate to continue efforts to educate the sector rather than rule them out from receiving the benefit of deductible gifts in partnership with ASF and ASFCF.

### **3. Charitable status would mitigate against the 'material risk' of private benefits**

It is our view that granting charitable status to amateur or community sporting clubs would reduce the risk of private benefit for the following reasons:

- Amateur or community sporting clubs would be subject to the ACNC Governance Standards;
- Amateur or community sporting clubs would be required to publicly demonstrate that they are not-for-profit (as opposed to the existing arrangements where not-for-profit sporting clubs must confirm to the ATO that they are not-for-profit); and
- The ACNC would have oversight to ensure that there are safeguards to mitigate the risk of private benefit and that any instances of private benefit are appropriately investigated.

<sup>18</sup> Australian Taxation Office, *Income tax: tax deductible gifts – what is a gift* (TR 2005/13, 20 July 2005) [13].

<sup>19</sup> *Ibid* [42].

<sup>20</sup> See *Federal Commissioner of Taxation v McPhail* (1968) 117 CLR 111, 117.

### 3.3 Comments on other submissions to the Productivity Commission that specifically relate to the ASF proposal

The ASF is pleased to see a large number of submissions for this important inquiry into philanthropy. In this section we comment on aspects of submissions from four other organisations insofar as they are relevant to our own proposal.

#### **The Law Council of Australia**

The Law Council of Australia continues to be supportive of extending the categories of charitable purposes in the Charities Act to include *'advancing amateur sport'*. The Law Council's submission in May 2023, prepared by the Charities and Not-for-Profits Committee of the Legal Practice Section, says:

*'The Committee endorses the submission made in December 2021 on this matter by the Australian Sports Foundation to the former Treasurer and several relevant Ministers, noting that this change would significantly increase philanthropic giving to amateur sport from its current levels to a level equivalent to philanthropy in the arts and cultural sector, which will help meet funding demands and ease the funding pressures on Government.'*<sup>21</sup>

Another of the Law Council's recommendations in their submission is for the alignment of DGR with charitable status. This may simplify DGR for some sectors, however as outlined in this submission and our initial submission, the ASF does not believe this proposal is suitable or effective for amateur sport which is largely volunteer-run. The vast majority of community sport clubs do not have the capacity or expertise to apply for DGR endorsement and handle ongoing DGR compliance, and ASF/ASFCE will continue to provide this facility for the sector. This will also mean fewer resources are required for the ATO in compliance terms (with ASF/ASFCE acting as a single point of contact for compliance purposes across the whole of Australian sport).

#### **Confederation of Australian Sport**

The Confederation of Australian Sport (CAS) submission and the ASF submission have many similarities. Both highlight that sport is missing out on millions of dollars each year in philanthropic funding due to the restrictions of the Charities Act, both stress the significant benefits of sport to the nation across health (physical and mental), social cohesion and the economy, they identify the health budget savings of having a strong sport sector, and both acknowledge the increasing challenges for the financial viability of community sport.

Where the submissions differ is that CAS is proposing that Australian sporting organisations meet the requirements under the Charities Act as 'health promotion charities'. This would provide these organisations with the highest level of Fringe Benefits Taxation (FBT) relief. Our concern with this approach is that the bigger organisations that employ staff will benefit, and this will make no difference to the volunteer-run community clubs. Our proposal to include *'advancing amateur sport'* as a charitable purpose focuses on increasing philanthropic funding where the greatest need is. Through our extensive consultation with organisations and clubs, inequity was a key concern that needed addressing.

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<sup>21</sup> Law Council of Australia, *Review of Philanthropy*, May 2023.

One of the issues the CAS submission presents for consideration is, *'Australia's current system of partial and restricted access to taxation benefits provided through the Australian Sports Foundation.'* They may be referring to FBT concessions as referenced above, however ASF ensures that the benefits of tax deductibility for gifts are available to donors wishing to support any club, athlete or sporting organisation.

CAS argues that *'sporting organisations are missing the opportunity for capacity building of their own staff through greater engagement with those who are supporting their sport.'*<sup>22</sup> We agree with CAS that organisations and clubs are closer to their members, which is why the ASF works closely with clubs to support, educate, and build their capacity to engage their members and communities. ASF does not approach club members directly.

The CAS submission does not recognise the likely inability of most sports clubs to have the capacity to apply for and manage DGR status but accepts that ASF could cover this, as we currently do. As highlighted in this submission we understand the administration burden that sports and clubs are already facing, which is why we consider extending DGR to sports clubs would be ineffective and inappropriate.

### **Lord Mayor's Charitable Foundation**

The ASF welcomes the alignment of view on community sport by the Lord Mayor's Charitable Foundation submission to the inquiry. The LMCF, from greater Melbourne, is Australia's largest and oldest independent community foundation. They write in their submission:

*'We support the establishment of a charitable purpose related to community sport. This would only be for grassroots community sport and not extend to elite or top league sports which are essentially commercial activities for private benefit. Community sport must be for public benefit. Community sport provides two essential elements to Australian society: it encourages healthy exercise and it grows social inclusion and connectedness which has positive mental health outcomes. Both have an impact on the wellbeing of our community and can be regarded as charitable purposes. Participation in community sport would also reduce the use of government and other services.'*<sup>23</sup>

### **Surf Life Saving Australia**

The ASF respects and admires the thousands of volunteers working tirelessly on beaches and in communities right across Australia - from the hundreds of surf lifesaving clubs. The ASF is pleased to have been able to support many surf lifesaving clubs with their fundraising, via the ASF online platform and our Fundraising Support Team. We do, however, need to contest the comments made about ASF in the Surf Life Saving Australia (SLSA) submission on 4 May 2023.

In the SLSA submission, in relation to their contribution on the DGR framework, they write *'The Australian Sports Foundation (ASF) is not working.'*<sup>24</sup>

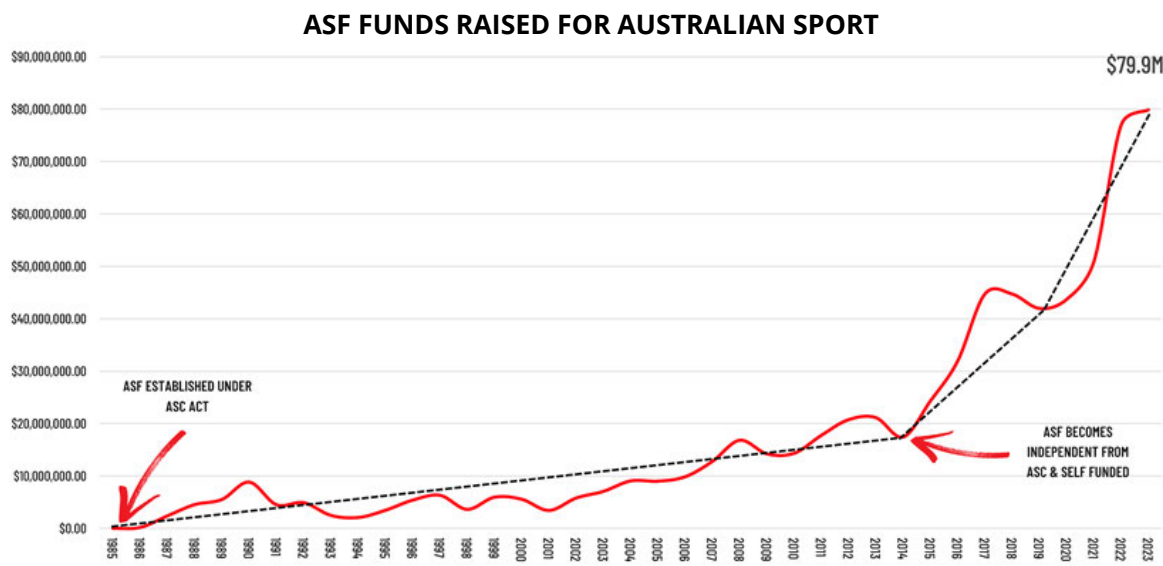
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<sup>22</sup> Confederation of Australian Sport, *Submission to the Productivity Commission Review of Philanthropy*, May 2023.

<sup>23</sup> Lord Mayor's Charitable Foundation, *Productivity Commission 2023 Review of Philanthropy*, May 2023.

<sup>24</sup> Surf Life Saving Australia, *Letter to the Productivity Commission*, 4 May 2023.

The ASF strongly rejects this assertion. We are proud of our significant record in facilitating philanthropic giving to benefit thousands of community sports clubs through our DGR status. The statistics are clear as shown in the graph below. Not only has the ASF grown donations to sport from \$17 million in FY14 to \$80 million in FY23, we are now fundraising for more than 3000 projects for clubs and athletes compared to less than 500 over the same period.



Source: Australian Sports Foundation

The SLSA initial submission also states: *'its fees (i.e., it keeps a percentage of a donor's donation) is seen as a deterrent to donations through the ASF.'*

On average, **95 per cent of donated funds are distributed by ASF/ASFCF to nominated beneficiaries, with only five per cent retained to cover administration and overhead costs.** The five per cent retained is very low compared to most charities (average more than 20 per cent). This is a highly efficient model for the sports sector – as the vast majority of sports clubs would have neither the resources nor expertise to facilitate online donations, nor to handle the regulatory compliance required of a DGR. It is also a highly efficient model for regulatory bodies such as the ATO, which would otherwise have to manage compliance among many tens of thousands of individual sporting DGR's.



## CONCLUSION

Sport sits at the very heart of Australian culture. Community sport brings families, friends and Australians of all ages together every weekend across our nation and Australians are second to none when it comes to getting behind athletes wearing the green and gold.

As we approach the 2032 Olympic and Paralympic Games, Australian sport has a once-in-a-generation opportunity to create a powerful legacy of participation and excellence in our sporting sector. Considering the likelihood of increasing demands for Government funding for sport, the proposed legislative change could become a vital part of the Games' legacy. However, we are already at risk of this opportunity slipping away. Today, too many Australian sporting clubs and athletes are battling for their very financial survival. They rely on donations, grants and volunteers and the need is great.

Philanthropic giving provides an important lifeline for many in our sporting sector, but this critical pipeline is choked under the current legislative and regulatory arrangements. Granting amateur sport charitable status is a simple and highly effective way to unlock essential support for community sport and up-and-coming athletes in Australia. This reform would enable tens of millions of additional dollars a year to flow to amateur sport from Ancillary Funds, boosting participation and improving health and social outcomes for thousands of Australians and saving the Government hundreds of millions of dollars in healthcare costs. The ASF and ASFCF will play the important role of capacity building, support and matchmaking with donors through Ancillary Funds.

No matter whether we play, watch or volunteer, we all have a stake in ensuring our sporting sector continues to prosper and play its vital role in building healthy and cohesive communities.

# APPENDICES

## APPENDIX A: ECONOMIC MODELLING

PPG

PRAGMATIC  
POLICY  
GROUP



# Pragmatic Policy Group

Smart Reform. Strong Community.

February 2024

# Levelling the Playing Field

**How much funding could clubs and athletes raise if amateur sport was designated as a charitable purpose?**

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- Eligible Sports Clubs and Athletes
- Healthcare Savings for the Federal Budget

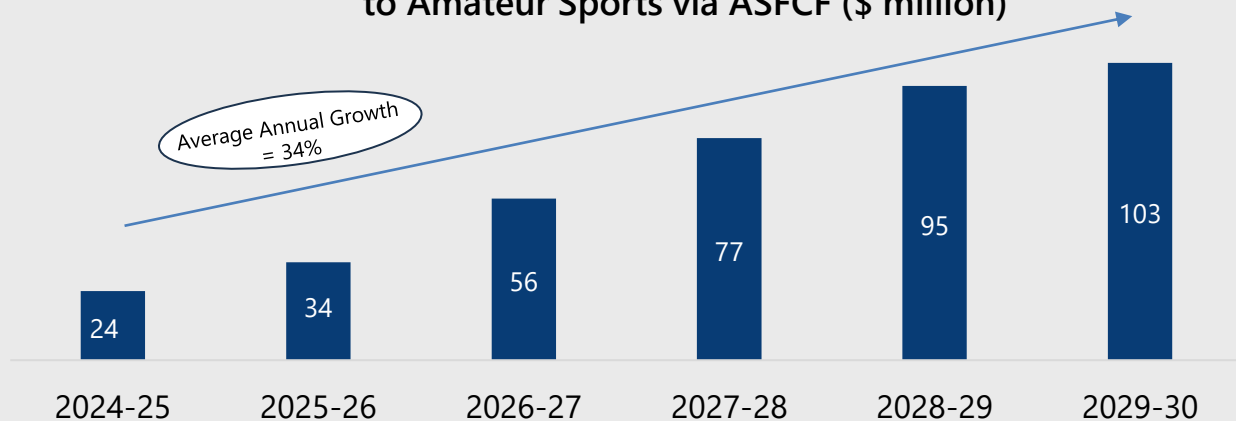
### 4. Technical appendix

- Detailed Methodology and Modelling Results
- References

## 01. Executive Summary

In this report, we estimate the financial, health, and budgetary impacts of designating Australian amateur sports clubs and athletes as having a charitable purpose. This would allow eligible sports & athletes to access significantly more funding from Public and Private Ancillary Funds (Ancillary Funds) through the Australian Sports Foundation Charitable Fund (ASFCF). We estimate that amateur sports – if they were considered a charitable purpose – could collectively raise nearly \$24 million in distributions from Ancillary Funds in 2024-25, growing to \$103 million in 2029-30.

**Chart 1: Projected Ancillary Fund Distributions to Amateur Sports via ASFCF (\$ million)**



### Distributions to Amateur Sports

- Arts & Culture charities receive around 7.1% of Ancillary Funds distributions.
- To be conservative, we assume that amateur sports will raise only 4.5% of Ancillary Fund distributions via the ASFCF and take four full years to ramp up to this level, not reaching 4.5% of Ancillary Fund distributions until 2028-29.
- The data suggests that there are currently around 37,000 amateur sports clubs<sup>1</sup> and 43,000 amateur athletes<sup>2</sup> in Australia. We assume the adoption of an eligibility model similar to that currently used in the United Kingdom, resulting in some 32,000 eligible sports clubs and 39,500 eligible athletes.
- We limit our definition of amateur athletes to either 'elite' or 'aspiring elite' athletes.

1. *Community Sports Clubs Market Analysis (2023)*, Kinlab  
 2. *National data tables, AusPlay – July 2022 to June 2023, Clearinghouse for Sport*



## Health Care Savings

- We estimate that the increased funding available to amateur sports as a charitable purpose will enable those sports to attract over 190,000 new participants cumulatively between 2024-25 and 2027-28
- We relied upon data from the Australian Institute of Health and Welfare (AIHW) to project that improved physical and mental health outcomes from playing sports could help reduce the average annual expenditure on healthcare for these new participants by some 40%<sup>3</sup>.
- Over the four years from 2024-25 to 2027-28, this would save average annual expenditure of around \$1,870 per new amateur sports participant.
- This would mean a **total saving of nearly \$370 million in healthcare expenditure for the Federal Budget between 2024-25 and 2027-28.**



## Ancillary Funds

Ancillary Funds connect people who are willing to donate with organisations that can receive tax-deductible distributions as Deductible Gift Recipients (DGRs) and which are also charities, such as the ASFCF. There are two types of Ancillary Funds: Private Ancillary Funds (PAF) and Public Ancillary Funds (PuAF). These funds are regulated by the Australian Charities and Not-for-profits Commission (ACNC) and are set up to provide money, property, or benefits to qualified organisations.<sup>4</sup>

Amateur sport cannot currently be the beneficiary of distributions from Ancillary Funds via the ASFCF, because Ancillary Funds are only able to support purposes that are designated as charitable.

3. Australian Institute of Health and Welfare. (2023). *Economics of sport and physical activity participation and injury.*

4. *Private And Public Ancillary Funds, Australian Charities and Not-for-profits Commission*



## 02. Introduction

### Scope and Objective

Pragmatic Policy Group (PPG) was commissioned by the Australian Sports Foundation (ASF) to independently estimate the value of distributions that the ASFCF could access from Private and Public Ancillary Funds for onward distribution to amateur sports clubs and athletes if amateur sport were designated a charitable purpose.

We further extend this analysis to project the total savings in healthcare expenditures that would be available to the Australian Government due to better physical and mental health outcomes in the community, because of higher participation in sports.

### Pragmatic Policy Group

Pragmatic Policy Group is an independent economic research agency, which models the impact on the economy of legislative and regulatory proposals.

PPG is particularly focused on the consequences of government policies for the most vulnerable members of the community.

We use advanced analytical techniques and industry experience to forecast the impact of policy changes, share evidence-based insights, and help drive informed strategic decisions.

#### About the Author

**Oliver Browne** is Lead Economist at PPG. He previously served as Chief Policy Adviser to the Australian Federal Treasurer. During his tenure in that role, he designed national economic policy and helped deliver four Federal Budgets.

Oliver has also worked for nearly a decade in economics, finance and law at BlackRock in New York, J.P. Morgan in Sydney and at global law firm Ashurst.

*The cost of undertaking this research was covered by ASF. The conclusions that PPG presents are entirely our own, based on our independent analysis of the data.*



## Methodology

- In this report, we determine how many amateur sports clubs and athletes would be eligible for charitable funding and, if they were, how much funding they could expect to raise from Ancillary Funds via ASFCF.
- We then estimate the likely savings to the Federal Budget from lower healthcare expenditure, driven better health outcomes from improved participation in amateur sports.



- **Eligibility Criteria for Sports Clubs and Athletes:**
  - We based our eligibility criteria on the model currently adopted in the UK.
  - We assume eligibility will be limited to sports clubs that only pay up to \$50,000 annually to their players (in aggregate) and to athletes earning up to \$50,000 in income.
- **We Benchmark Sports' Fundraising Capacity against Arts and Culture:**
  - Arts and cultural activities are already designated as a charitable purpose, and so arts and cultural organisations and individual artists are eligible to receive charitable funding sourced from Ancillary Funds.
  - The sector thus offers a reasonable benchmark for the amounts that amateur sports could raise from Ancillary Funds, if amateur sports were also designated as a charitable purpose.

## Data Sources

We have relied on broad range of data sources to conduct our own economic modelling:

01

**Clearinghouse for Sport<sup>5</sup>** offers public data on sports participation and expenditure.

02

**Australian Charities and Not-for-profits Commission (ACNC)<sup>6</sup>** provides insights into charity distributions, including those made by Ancillary Funds.

03

**Australian Taxation Office (ATO)<sup>7</sup>** supplies information on the value of distributions made by Ancillary Funds to sports, and arts and cultural organisations.

04

**Australian Government Federal Budget<sup>8</sup>** provides historical data on healthcare expenditure that we use to model savings from the physical and mental health benefits of higher sports participation.

05

**Australian Institute of Health and Welfare (AIHW)<sup>9</sup>** provides information on the expected reduction in health costs for active amateur sports participants.

06

**AusPlay<sup>10</sup>** provides information on the number of amateur athletes.

5. <https://www.clearinghouseforsport.gov.au/>

6. <https://www.acnc.gov.au/tools/reports>

7. <https://www.ato.gov.au/about-ato/research-and-statistics/in-detail/taxation-statistics/taxation-statistics-2020-21/statistics/charity-statistics?anchor=Charities>

8. <https://budget.gov.au/>

9. <https://www.aihw.gov.au/>

10. <https://www.clearinghouseforsport.gov.au/research/ausplay/results>

## 03. New funding available for amateur sports

### Sports Fundraising Projections

- We assume that total donations received by all charitable organisations in Australia will grow in line with the Australian Government’s objective to double charitable giving by 2030.<sup>11</sup>
- Based on historical data,<sup>12</sup> we estimate that by 2024-25, total charity received through donations and bequests could reach around \$17 billion, with some \$2.8 billion of that amount raised by Ancillary Funds.
- Total charity receipts are projected to reach nearly \$27 billion by 2029-30, with Ancillary Funds expected to raise over \$4.4 billion by then.

E: Estimated P: Projected

All values in \$ million unless otherwise stated

Table 1: Projected Distribution of Donations							
Particulars	2023-24E	2024-25P	2025-26P	2026-27P	2027-28P	2028-29P	2029-30P
Total charity received from donations and bequests	15,888	17,326	18,894	20,604	22,469	24,502	26,720
Total donations received by Ancillary Funds	2,645	2,884	3,145	3,430	3,740	4,079	4,448
Total distributions made by Ancillary Funds	1,367	1,491	1,626	1,773	1,933	2,108	2,299
<b>Distributions to Sports via ASFCF</b>							
Ancillary Fund distributions to amateur sports	11	24	34	57	77	95	103
Share of Ancillary Fund distributions going to amateur sports	0.8%	1.6%	2.1%	3.2%	4.0%	4.5%	4.5%
<b>Distributions to Arts &amp; Culture</b>							
Ancillary Fund distributions to arts & culture	97	105	115	125	137	149	162
Share of Ancillary Fund distributions going to arts & culture	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%

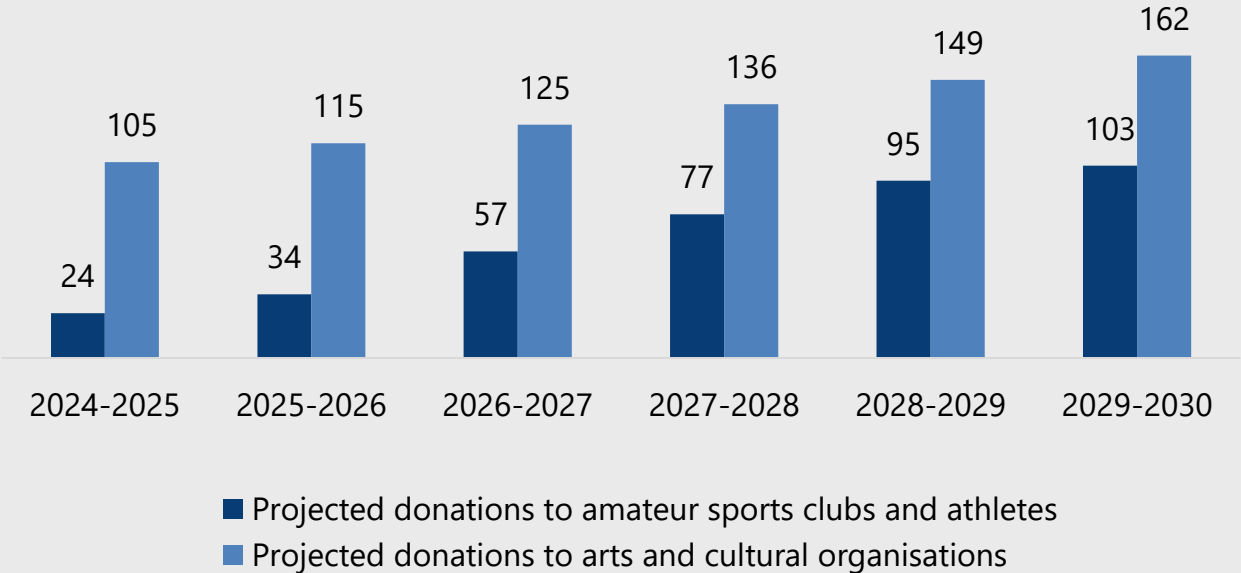
Note: Sports received \$7.7 million from PAFs in 2022-23

11. Australian Charities and Not-for-profits Commission. (2023). Australian Charities Report 9th edition. Australian Government.

12. Australian Charities and Not-for-profits Commission. Australian Charities Report.

- Our modelling suggests that amateur sports could receive around \$24 million from Ancillary Funds in 2024-25 via ASFCF, rising to \$103 million in 2029-30.
  - We assume that giving to amateur sports via ASFCF will reach a maximum of 4.5% of Ancillary Fund distributions after four years.
  - **We are conservatively assuming amateur sports would receive only around two-thirds of the distributions that arts and culture receives from Ancillary Funds.**
- Arts and cultural recipients raise an average of around 7.1% of annual distributions from Ancillary Funds.<sup>13</sup>

**Chart 2: Ancillary Fund distributions to Sports (via ASFCF) and Arts/Culture (\$ million)**



13. *Charities Statistics (2023), ATO*

## Eligible Sports Clubs and Athletes

Australia is home to around 37,000 amateur sports clubs<sup>14</sup> and 43,000<sup>15</sup> elite and aspiring elite athletes.

In defining an ‘amateur’ sports club for the purposes of this proposal, there is clearly a scale between amateur (those who do not pay their players) and professional (those with players whose job is being a professional sportsperson).

But at the grassroots level, there are many community clubs who participate higher up the ladder and where players may be paid a small amount for their sport but hold down outside jobs to live and pay the bills.

To get the balance right in determining eligibility, we have adopted the approach used in the UK<sup>16</sup> <sup>17</sup>, where ‘Community Amateur Sports Clubs’ are defined as those that collectively pay their players below a certain de minimis level.

In Australia, this level could reasonably be \$50,000 per annum paid by a club to all players, in aggregate. Using this assumption, we estimate that of the 37,000 affiliated sports clubs, some 32,364 clubs would be defined as ‘amateur’.

Given the need to support Australia’s elite and aspiring elite athletes, and the fact that most athletes earn below reasonable levels, we have proposed that those who earn \$50,000 or less per annum in income would be eligible for charitable funding.

We estimate that of the 43,000 elite and aspiring elite athletes, some 39,500 would qualify for charitable funding.

**We estimate that Ancillary Fund distributions will be available via ASFCF for:**



32,364 sports clubs



39,500 Athletes

<sup>14</sup>. *Community Sports Clubs Market Analysis (2023)*, Kinlab

<sup>15</sup>. *National data tables, AusPlay– July 2022 to June 2023, Clearinghouse for sport*

<sup>16</sup>. *UK sports funding for individuals, organisations and teams (2023)*, House of Commons Library

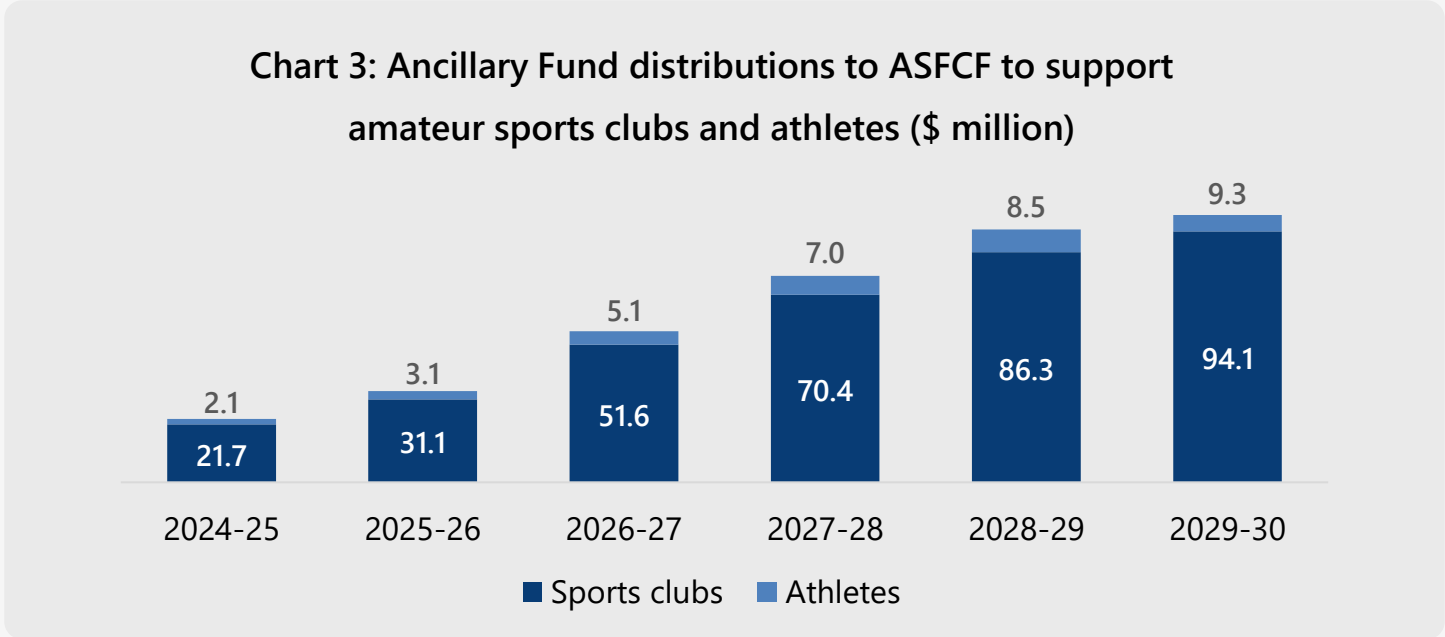
<sup>17</sup>. *About-Us, Sport England*

**Table 2: Eligible Sports Clubs And Athletes**

	UK Model
<b>Sports Clubs</b>	
Total number of sports clubs in Australia	37,364
Sports clubs paying over \$50,000 annually to players	5,000
<b>Athletes</b>	
Total number of athletes in Australia	43,000
Athletes earning annual income over \$50,000	3,500
<b>Eligible Sports Clubs and Athletes</b>	
Total number of eligible sports clubs	32,364
Total number of eligible athletes	39,500

We assume that 91% of Ancillary Fund distributions available through ASFCF will go to support amateur sports clubs, with the remaining 9% going to support amateur athletes<sup>18</sup>.

In 2024-25, we estimate that ASFCF would distribute \$21.7 million onwards from Ancillary Funds to support amateur sports clubs and \$2.1 million to amateur athletes. By 2029-30, sports clubs would receive \$94.1 million, and athletes would receive \$9.3 million.



*18. Assumption: Administrative costs are assumed to be 10% of total Ancillary Fund distributions to sports, which we deduct before we apportion funding between amateur sports clubs and amateur athletes.*

## Savings for the Federal Government Budget

- We assume no change in total value of tax receipts by the ATO. Sports will simply now comprise a share of the existing pool of tax deductions claimed for charitable purposes.
- However, there will be cost savings for the Federal Budget. Data from the Australian Institute of Health and Welfare (AIHW) suggests that engaging in physical activity can reduce average annual healthcare costs by 40%<sup>19</sup> per sports participant.
- This would generate healthcare cost savings for the Federal Budget of around \$1,760 per new sports participant in 2024-25, equal to nearly \$42 million, rising to \$225 million by 2029-30.

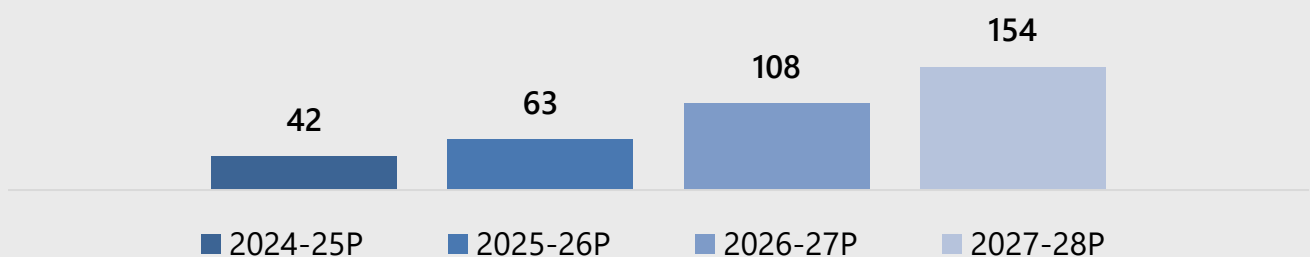
*All values in \$ million unless otherwise stated*

Table 3: Healthcare Budget Savings						
	2024-25P	2025-26P	2026-27P	2027-28P	2028-29P	2029-30P
Funding available for boosting sports participation (after admin. expenses)	22	31	51	70	85	93
New sports participants (by number)	23,849	34,135	56,724	77,322	94,861	103,446
Total reduction in health expenditures for Federal Budget	42	63	108	154	198	225

*P: Projected*

**We expect increased sports participation to contribute cumulative savings of approximately \$370 million to the Federal Budget over the four years from 2024-25 to 2027-28.**

Chart 4: Annual Savings to Federal Health Budget (\$ millions)



*P: Projected*

<sup>19</sup> *Economics of sport and physical activity participation and injury (2023), Australian Institute of Health and Welfare*

## 04. Technical Appendix

### Detailed Methodology and Modelling Results (1/5)

#### Ancillary Fund Distributions Available via ASFCF for Amateur Sports and Athletes

- In Table 4, we assume that total charity received by charitable organisations in Australia (donations and bequests)<sup>20</sup> will grow in line with the Australian Government’s objective to double charitable giving by 2030 – which implies a Compound Annual Growth Rate (CAGR) equal to 9.1%.
  - Total donations to Ancillary Funds are projected to grow as a constant share of total Australian charity received (around 8.5% share based on average of past six years).
  - Total charity distributions are forecast to grow as a constant share of total charity received (around 70% share based on average of past six years).
  - Ancillary Fund distributions are projected to grow as a constant share of total charity distributions (around 6% share based on average of past six years).
- The Arts/Culture sector – which can already raise distributions from Ancillary Funds due to its designation as having a charitable purpose – received an average of 7.1%<sup>21</sup> of total Ancillary Fund distributions between 2016 to 2022. We conservatively assume that amateur sports would only be able to raise around two-thirds of the share raised by the Arts/Culture sector.
  - We therefore assume amateur sports raise a maximum of 4.5% of Ancillary Fund distributions (via the ASFCF), compared to 7.1% for Arts/Culture.
  - We further expect it will take a full four years for ASFCF, working with amateur sports clubs and athletes to build capacity to reach this level of distributions; therefore, we model a four-year ramp-up period.

*20. Australian Charities Report – 8th and 9th edition (2022 and 2023), ACNC*

*21. Charities Statistics (2023), ATO*



## Detailed Methodology and Modelling Results (2/5)

*All values in \$ million unless otherwise stated*

<b>Table 4: Projected Ancillary Fund Distributions to ASFCF to support Amateur Sports and Athletes</b>									
	2021-22B	2022-23E	2023-24P	2024-25P	2025-26P	2026-27P	2027-28P	2028-29P	2029-30P
Total charity received from donations and bequests	13,360	14,569	15,888	17,326	18,894	20,604	22,469	24,502	26,720
Charity distribution of donations	9,700	10,169	11,089	12,093	13,187	14,381	15,682	17,102	18,650
Private Ancillary Fund (PAF) donations received	1,259	1,191	1,299	1,416	1,544	1,684	1,836	2,003	2,184
Public Ancillary Fund (PuAF) donations received	1,213	1,234	1,346	1,468	1,601	1,746	1,904	2,076	2,264
<b>Total donations to Ancillary Funds</b>	<b>2,472</b>	<b>2,425</b>	<b>2,645</b>	<b>2,884</b>	<b>3,145</b>	<b>3,430</b>	<b>3,740</b>	<b>4,079</b>	<b>4,448</b>
PAFs total distributions made	539	638	696	759	828	903	985	1,074	1,171
To: Arts & Culture	78	71	77	84	92	100	109	119	130
PuAF total distributions made	660	615	671	732	798	870	949	1,034	1,128
To: Arts & Culture	21	18	19	21	23	25	27	30	32
<b>Ancillary Fund distributions</b>	<b>1,199</b>	<b>1,253</b>	<b>1,367</b>	<b>1,491</b>	<b>1,626</b>	<b>1,773</b>	<b>1,933</b>	<b>2,108</b>	<b>2,299</b>
<b>Distributions to Sports Club &amp; Athletes</b>									
Ancillary Fund distributions to sports via ASFCF	3.9	7.7	10.9	23.8	34.1	56.7	77.3	94.9	103.4
Projected share of Ancillary Fund distributions (%)	0.3%	0.6%	0.8%	1.6%	2.1%	3.2%	4.0%	4.5%	4.5%
<b>Distributions to Arts &amp; Culture</b>									
Ancillary Fund distributions to arts & culture	99.1	88.5	96.5	105.3	114.8	125.2	136.5	148.9	162.3
Share of Ancillary fund distributions received by arts & cultural (%)	8.3%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%

Base value: B, Estimated value: E, Projected value: P

## Detailed Methodology and Modelling Results (3/5)

### Eligible Sports Clubs and Athletes

- Currently, there are 37,364 sports clubs<sup>22</sup> and 43,000 athletes<sup>23</sup>
- 32,364 clubs and 39,500 athletes would be eligible for designation as ‘amateur’ under our assumed equivalent to the UK Model, which we estimate would exclude:
  - 5,000 sports clubs that we estimate pay more than \$50,000 annually to their players (in aggregate)
  - 3,500 athletes with annual income over \$50,000.

*All values in \$ million unless otherwise stated*

Table 5: Eligible Sports Clubs and Athletes	
	UK Model
<b>Sports Clubs</b>	
Total number of sports clubs in Australia	37,364
Clubs exceeding payment threshold (>\$50,000 annual payments to players, in aggregate)	5,000
<b>Athletes</b>	
Total number of athletes in Australia	43,000
Athletes exceeding income threshold (>\$50,000 annual income)	3,500
Total number of eligible sports clubs	32,364
Total number of eligible athletes	39,500
Total eligible sports clubs + athletes	71,864
% share of distributions for sports clubs	91%
% share of distributions for athletes	9%
Total distributions for sports (2024-25) (\$ million)	23.8
Total distributions for sports clubs (\$ million)	21.7
Total distributions for athletes (\$ million)	2.1

#### Key Assumptions:

- Around 91% of funds available after administrative costs are directed toward sports clubs and the remaining 9% is directed to athletes
- Around 5,000 clubs would be above the annual pay threshold and therefore would not qualify under the UK model, equal to between 10-15% of total sports clubs
- Among Australians aged 15-34 participating in sports 3 times per week, the top 1% aspire to representative levels, resulting in a potential elite athlete pool of 43,000 reduced by 3,500 individuals earning \$50,000 or more annually in income

22. *Community Sports Clubs Market Analysis (2023)*, Kinlab

23. *National data tables, AusPlay– July 2022 to June 2023, Clearinghouse for sport*

## Detailed Methodology and Modelling Results (4/5)

### Healthcare Budget Savings

- We sourced annual health expenditures from the Australian Federal Budget historical papers.
  - We then assumed that these total amounts are allocated equally across the entire Australian population to solve for the average annual cost of healthcare per person.
  - We estimate that around 90% of Ancillary Funds distributions available to sports clubs and athletes can be purposed towards boosting sports participation, after 10% is applied to administrative expenses.
- Assuming \$900 in outreach spend per new participant acquired<sup>24</sup>, this would enable amateur sports to reach around 24,000 new participants in 2024-25 alone, or around 192,000 new participants over the four years from 2024-25 to 2027-28.
- Based on data from the Australian Institute of Health and Welfare (AIHW), active participation in sports can lead to a 40%<sup>25</sup> reduction in average disease-related health expenditure per new participant
  - This results in nearly \$370 million in savings for the Federal Budget over the four years from 2024-25 to 2027-28.
  - We calculate these savings by multiplying the number of new sports participants by an average healthcare cost saving of around \$1,870 per person over these four years.

*24. Ausplay Participation Expenditure, Clearing House-Australia Sports Commission (2023)*

*25. Economics of sport and physical activity participation and injury (2023), AIHW*

## Detailed Methodology and Modelling Results (5/5)

*All values in \$ million unless otherwise stated*

Table 6: Healthcare Budget Savings									
	2021-22B	2022-23E	2023-24P	2024-25P	2025-26P	2026-27P	2027-28P	2028-29P	2029-30P
Projected distributions to amateur sports from Ancillary Funds via ASFCF	4	8	11	24	34	57	77	95	103
Projected national health expenditure	106,185	107,710	113,903	120,452	127,377	134,701	142,446	150,636	159,297
Population (millions of people)	26.0	26.5	27.0	27.4	27.8	28.2	28.6	28.9	29.3
Average health expenditure per person (in dollars)	4,082	4,059	4,223	4,397	4,581	4,776	4,984	5,204	5,438
% of Ancillary Fund distributions available to boost sports participation					90.0%				
Total distributions available to boost sports participation	3.5	6.9	9.8	21.5	30.7	51.1	69.6	85.4	93.1
Average spend on each new participant (in \$)	900	900	900	900	900	900	900	900	900
Number of new sports participants reached (nos.)	3,900	7,700	10,935	23,849	34,135	56,724	77,322	94,861	103,446
% Reduction in health costs per person for active sports participants					40.0%				
Health costs per active sports participants (in A\$)	2,449	2,435	2,534	2,638	2,749	2,866	2,990	3,122	3,263
Savings to healthcare expenditures per new participant (in A\$)	1,633	1,624	1,689	1,759	1,832	1,911	1,994	2,082	2,175
Total savings on Federal Budget healthcare expenditures	6	13	19	42	63	108	154	198	225

Base value: B, Estimated value: E, Projected value: P

### Specific Assumptions:

- We assume 90% of distributions are available for programs to boost sports participation; historical trends indicate an average spending range of \$800 to \$1000 per participant in paid sports activities
- Recent estimates by the AIHW suggest that historical sports participation has led to ~40% reduction in disease-related expenditures, calculated as follows:
  - In 2018-19, \$2.4 Billion was spent on managing diseases resulting from physical inactivity, while physical activity was estimated to have prevented an additional \$1.7 billion in disease-related spending
  - By adding \$1.7 billion in avoided health spending to the paid cost of \$2.4 Billion, the total imputed cost of healthcare that would have been required in the absence of physical activity amounts to \$4.1 Billion.
  - \$1.7 Billion in cost savings against \$4.1 Billion total imputed spend means a ~40% reduction in disease-related health spending

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