



Submission to the Productivity Commission—Review of Philanthropy

MAY 2023





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Our commitment to inclusion

The Salvation Army Australia acknowledges the Traditional Owners of the land on which we meet and work and pay our respect to Elders, past, present and future.

We value and include people of all cultures, languages, abilities, sexual orientations, gender identities, gender expressions and intersex status. We are committed to providing programs that are fully inclusive. We are committed to the safety and wellbeing of people of all ages, particularly children.

Our values are:

- Integrity
- Compassion
- Respect
- Diversity
- Collaboration

Learn more about our commitment to inclusion: <salvationarmy.org.au/about-us>

The Salvation Army is an international movement and our mission is to preach the gospel of Jesus Christ and to meet human needs in his name without discrimination.

More information about The Salvation Army is at **Appendix A**.





Executive summary

The Salvation Army thanks the Productivity Commission for the opportunity to provide a submission to its review of philanthropy in Australia (the Review).

The Salvation Army supports the Federal Government's commitment to double philanthropic giving within Australia by 2030. The doubling of philanthropy in Australia from current levels benefits all Australians.

The Salvation Army offers further comment and feedback on the Review scope of inquiry for consideration. This includes comment on:

- philanthropy and The Salvation Army;
- effectiveness of charities as a measure for donor choice; and
- Tax Expenditure Framework.

1 Philanthropy

- 1.1 The Salvation Army has, since its first Australian meeting in Adelaide's Botanic Park in 1880, been serving those in need. The Salvation Army has been supported with the service of volunteers and donations from the Australian public since its inception.
- 1.2 In 1965 Australia's first "doorknock" fundraising appeal was held by The Salvation Army in Sydney. By 1970 the Red Shield Appel doorknock was nationwide and the appeal raised \$1 million dollars across Australia. In 2022 the Red Shield Appeal raised \$112 million dollars.¹
- 1.3 In 2022 nearly 10,000 Australians volunteered their services to The Salvation Army's social and welfare services nationally.
- 1.4 The Salvation Army has been, and will continue to be, a charity that relies on the generosity of the Australian public to enable its charitable purposes to be fulfilled.
- 1.5 Philanthropy, however it is defined or manifested, is vital to The Salvation Army and its ability to continue to serve those most at risk in the Australian community.
- 1.6 The Salvation Army recognises donors, whether they are donors of time or of financial resources, evolve in their giving strategies and methodologies. They are also responsive to the legislative tax environment in which they operate.
- 1.7 Accordingly, charities and governments (local, state and Federal) must be responsive to current and emerging trends and behaviours. Barriers to enable donors to act should be removed and unnecessary red tape eliminated. Tax laws with respect to tax deductible giving need to be progressive and relevant.
- 1.8 The Salvation Army also recognises generational differences in attitudes to giving exist within the Australian public. Accordingly, The Salvation Army submits charities need to operate in a tax and fundraising legislative environment that is designed to encourage people of all ages to volunteer time and financial resources.
- 1.9 The Salvation Army submits to the Productivity Commission that now is the time to explore new and creative ways for philanthropy to be encouraged across the broad spectrum of the Australian public.
- 1.10 One such opportunity to encourage philanthropic giving is to extend the tax deductible gift regime and permit volunteers the opportunity to claim a tax deduction for charity certified volunteer hours.

¹ Refer: The Salvation Army Social Fund 2022 Annual Report, <[https://acncpubfilesprodstorage.blob.core.windows.net/public/47ab8acc-e521-ea11-a810-000d3ad1cc03-5d86727a-2ba1-490e-ba90-7287d5597ab1-Financial Report-ab1b5eae-629c-ed11-aad1-00224893b065-1_Signed_financials_30_June_2022_-SF.pdf](https://acncpubfilesprodstorage.blob.core.windows.net/public/47ab8acc-e521-ea11-a810-000d3ad1cc03-5d86727a-2ba1-490e-ba90-7287d5597ab1-Financial%20Report-ab1b5eae-629c-ed11-aad1-00224893b065-1_Signed_financials_30_June_2022_-SF.pdf)>.





1.11 We encourage the Productivity Commission to be creative in its exploration of opportunities to reach the stated goal of doubling philanthropic giving by 2030.



2 Effectiveness of charities as a measure of donor choice

- 2.1 The terms of reference for the Review addresses barriers to philanthropic giving and specifically includes charity comparisons and measures of effectiveness as measures which potentially inhibit a donor from giving.
- 2.2 The Salvation Army has concerns with the potential for government and government regulators to impose on charities a compliance requirement to maintain costly and irrelevant data collection sets to meet a set of predefined reporting outcomes or targets.
- 2.3 The outcomes of charities, in general terms, can be extremely difficult to holistically measure and are subjective to the situation of a specific charity.
- 2.4 Measuring the effectiveness of a charity is dependent on the lens through which a person views the world. For example, a charity that provides meals and staples to homeless persons could be measured for effectiveness simply based on the number of days a year the charity operates a food bank/open kitchen at one or more locations. However a different perspective on the effectiveness of the programme maybe how many meals were served and to how many people, another perspective is how many people were assisted into accommodation as a result of engaging with the charity, and another is simply how many homeless people are still alive as a result of the programme meeting their basic human needs. These are only a few of the ways outcomes could be measured in this one specific example and it highlights the difficulty of reporting on outcomes in a regulated manner.
- 2.5 Measuring charity outcomes and effectiveness is difficult and subjective. It is also noted outcomes for charities may take many years to come to fruition and as such the reporting cycle, which is typically a financial year, is not a suitable timeframe to be measured against.
- 2.6 The Salvation Army submits it is not the role of government to predefine or codify a measurement system and classification of charity outcomes and effectiveness.
- 2.7 Such attempts to do so will result in charities incurring additional reporting burdens, resulting in a diversion of a charity's scarce financial resources and a reduced service provision.
- 2.8 The Salvation Army submits it is also not a responsibility of government to create donor information pathways, nor to create an artificial "charity marketplace" for donors. The Salvation Army notes the establishment of such a framework will come at a cost to government and is concerned these costs would be either passed on through the reduction of available government funding for the charitable sector or through the reduction of charity tax concessions.



2.9 Charities such as The Salvation Army produce public information on the charitable works and programmes that it undertakes. This information can be found on websites and through the publishing of annual reports and newsletters etc. Charities, like The Salvation Army, are aware of the information requirements of their donors and successful charities will continue to meet their donor information needs and requirements into the future without the need for costly government intervention or obligation.



3 Tax Expenditure Framework

- 3.1 The Salvation Army is cognisant of the current economic and fiscal environment in which charities and the Federal Government are operating in.
- 3.2 The terms of reference for the Review explicitly requires the Productivity Commission to “examine the tax expenditure framework that applies to charities”. It is observed this examination of tax expenditure was not limited (in the terms of reference) to the tax expenditure framework that applies to charities solely with respect to strategies for doubling philanthropic giving.
- 3.3 The Salvation Army is concerned that any recommendations the Productivity Commission makes with respect to the target of doubling philanthropy by 2030 will be funded through the targeted offset against existing tax concessions for the charity sector and/or a reduction in the government funding to the charitable sector.
- 3.4 The Salvation Army submits any recommendations of the Productivity Commission from the Review are based on existing charity tax concessions and government funding levels being maintained. The reduction or removal of any currently available tax concessions or government funding for charities will be a retrograde action with far reaching negative consequences for the charity sector.
- 3.5 The Review also refers to tax concessions charities access as giving rise to competitive neutrality concerns.
- 3.6 The Productivity Commission’s inclusion of competitive neutrality within the context of doubling philanthropy by 2030 is both concerning and confusing.
- 3.7 In the winter of 1890 Australia was experiencing a worsening unemployment situation and The Salvation Army responded to this crisis and opened a free labour bureau at 53 Latrobe Street in Melbourne. This was Australia’s first employment service. This service was later expanded and labour bureaux were established in Sydney and Adelaide.
- 3.8 The Salvation Army has been serving unemployed Australians well before governments offered funded employment services through contracts such as Job Services Australia (‘JSA’).
- 3.9 Federal government contracts such as JSA are now tendered for by charities and commercial operators (for-profit entities).
- 3.10 The argument that charities, such as The Salvation Army, have a competitive advantage in services like these is without merit. Services such as these (and other charitable activities) were the domain of charities (and governments), they were not activities historically undertaken by for-profit businesses.



- 3.11 The Salvation Army exists to fulfil its charitable purposes and all income and assets of the organisation can only be used solely for the ongoing fulfilment of charitable purposes. In contrast to for-profit organisations, charities do not have unfettered discretion on how surplus money is spent. Charities do not exist for the enhancement of shareholder value. Any tax concessions that are available to charities simply enable these charities to fulfil their charitable purpose. These tax concessions include, but are not limited to, Fringe Benefits Tax (FBT) and income tax concessions. FBT concessions are vital for the ability of charities like The Salvation Army to attract and retain employees and the income tax exemption enables The Salvation Army to ensure it can use its income and assets to maximum effect and for the greatest impact.
- 3.12 The Review states “the Commission is seeking views and information on these concessions, particularly in the context of their impact on philanthropic giving.”
- 3.13 The Salvation Army is not aware of any tax concessions creating a distortionary effect on the ability for charities to seek philanthropic giving. The receipt of philanthropic giving is solely in the domain of charities and not-for-profit organisations. Should the Productivity Commission consider the issue of competitive neutrality is of such concern within the context of the Review, The Salvation Army submits relevant examples identifying situations of unbalanced behaviour are to be included in the Productivity Commission’s draft report to ensure such issues can be appropriately explored.

4 Conclusion

- 4.1 The Salvation Army thanks the Productivity Commission for the opportunity to provide a submission to its review of philanthropy in Australia.
- 4.2 The Salvation Army would welcome the opportunity to discuss the content of this response should any further information be of assistance. Further information can be sought from government.relations@salvationarmy.org.au.

The Salvation Army Australia Territory

05 May 2023





Appendix A About The Salvation Army

The Salvation Army is an international Christian movement with a presence in more than 130 countries. Operating in Australia since 1880, The Salvation Army is one of the largest providers of social services and programs for people experiencing hardship, injustice and social exclusion.

The Salvation Army Australia provides more than 1,000 social programs and activities through networks of social support services, community centres and churches across the country.

Programs include:

- Financial counselling, financial literacy and microfinance
- Emergency relief and related services
- Homelessness services
- Youth services
- Family and domestic violence services
- Alcohol, drugs and other addictions
- Chaplaincy
- Emergency and disaster response
- Aged care
- Employment services

As a mission-driven organisation, The Salvation Army seeks to reduce social disadvantage and create a fair and harmonious society through holistic and person-centred approaches that reflect our mission to share the love of Jesus by:

- Caring for people
- Creating faith pathways
- Building healthy communities
- Working for justice

We commit ourselves in prayer and practice to this land of Australia and its people, seeking reconciliation, unity and equity.

Further information about the Salvation Army can be accessed at:

<https://www.salvationarmy.org.au/>

