

Submission re Draft Report on Philanthropy by the APC – Due by 9/2/2024.

Thank you for the opportunity to make this submission in response to the Australian Productivity Commission (APC) Draft Report entitled “Future Foundations for Giving”. My submission will particularly focus on several recommendations contained in the Draft Report that will seriously impact the Deductible Gift Recipient (DGR) status of faith-based building programs, schools and charities, and the way in which the Federal Government could change the reporting requirements of small charities.

Advancement of Religion:

Page 18 of the Overview of recommendations states: “*The Commission does not see a case for additional government support for the practice of religion through the DGR system, based on the first principle.*” The first principle states that there must be community-wide benefits.

I wish to raise several contentions in response to this statement by the Commission.

- The APC has not clarified why faith-based schools and charities supposedly fail to provide “community-wide benefits”. The implication is that such faith-based organisations benefit only those individuals who are directly related to them, and do not therefore provide benefits to the wider Australian community.

If this principle is to be applied consistently to all philanthropic organisations across Australia, **it behoves the APC to clarify the way in which all non-religious entities provide such community-wide benefits.** For example, DGR status for arts organisations could be said to provide benefits only to those attending the events or establishments that receive such government support, but not to those who have no connection with these entities. The APC should define more clearly what “community-wide benefits” mean, and how each of the non-religious entities currently receiving DGR status directly benefit the wider Australian community.

- Currently, “*advancement of religion*” is a recognised charitable purpose in itself, as shown in the *Charities Act 2013 (Cth)*. *Section 5* of the Act defines a charity as a ‘not-for-profit entity, all of the purposes of which are either “charitable purposes ... that are for the public benefit ... or ... charitable purposes of the entity. ... The purpose of ‘advancing religion’ is a recognised charitable purpose under the Act since ‘advancing’ includes protecting, maintaining, supporting, researching and improving.”¹ *Section 5* of the Act therefore clarifies that **it is beyond the purview of the Terms of Reference of the Philanthropy Inquiry for the APC to remove a recognised characteristic of the Charities Act 2013 and any such change can only be made through an Act of Parliament. Hence, the Advancement of Religion is an obligatory characteristic in the DGR system for the purposes of this Inquiry.**
- Singling out “*the practice of religion*” for exclusion from DGR status implies that only faith-based organisations fail to provide “community-wide benefits” whilst all non-religious entities do provide such benefits. This infers a bias by the APC against faith-based organisations, when in fact there is already ample research that shows that individuals and groups who are engaged in faith-based entities DO benefit the wider Australian community.

¹ Charities Act 2013 (Cth) Section 12.

Justice Sarah Derrington outlines research evidence that there are numerous societal benefits of religion² including:

- (1) lower levels of criminal behaviour at both an individual and societal levels;³
- (2) increased civic involvement;⁴
- (3) increased levels of education;⁵
- (4) increased volunteering at both religious and secular organisations compared with the non-religious or atheists;⁶
- (5) increased marital satisfaction, lower divorce rates, and a decreased likelihood of domestic violence;⁷
- (6) improved mental health;⁸
- (7) lower rates of heart disease and lower blood pressure;⁹
- (8) increased life expectancy;¹⁰
- (9) increased subjective well-being;¹¹
- (10) increased social support, and prosocial behaviours and coping mechanisms that alleviate stress and loss;¹²
- (11) religiosity, defined by reference to those who attend places of worship or devotion on a regular basis, being associated with 194,320 additional volunteers in Australia each year who collectively contribute 30.5 million hours in volunteering time, the monetary value of which is estimated at \$339 million¹³.

All of this research indicates that the “practise of religion” does indeed provide community-wide benefits by less use of the criminal justice and family law systems, lower need for welfare payments, lower use of both physical and mental health services, and major contributions to volunteer organisations that assist the under-privileged in Australian society. **The APC’s claim¹⁴ is therefore roundly refuted and should not be used as an excuse to remove DGR status from religious organisations or schools.**

² Faith, Hope, and Charity – Religion as a Public Benefit in Modern Australia. – 2019 CLANZ Annual Public Lecture 29/11/2019.

³ T. David Evans, Francis T. Cullen, R. Gregory Dunaway, Velmer S. Burton JR, 'Religion and Crime Re-examined: The Impact of Religion, Secular Controls and Social Ecology on Adult Criminality' (1995) 33 *Criminology* 195; Jody Lipford, Robert McCormick and Robert Tollison, 'Preaching Matters' (1993) 21 *Journal of Economic Behaviour and Organisations* 235; Colin J. Baier and Bradley R. Entner Wright, "'If You Love Me, Keep My Commandments': A Meta-Analysis of the Effect of Religion on Crime' (2001) 38(1) *Journal of Research in Crime and Delinquency* 3.

⁴ Stijn Ruiter and Nan Dirk De Graaf, 'National Context, Religiosity, and Volunteering: Results from 53 Countries' (2006) 71 *American Sociological Review*, 191.

⁵ Jonathan Gruber, 'Religious Market Structure, Religious Participation, and Outcomes: Is Religion Good for You' (2005) NBER Working Paper No. 11377.

⁶ Ruiter and Nan Dirk De Graaf (n 83) 207.

⁷ Mahoney, A, Pargament, KI, Tarakeshwar, N and Swank, AB, 'Religion in the home in the 1980s and 1990s: a meta-analytic review and conceptual analysis of links between religion, marriage and parenting' (2001) 15(4) *Journal of Family Psychology* 559; Christopher G. Ellison and Kristin L. Anderson, 'Religious Involvement and Domestic Violence Among U.S. Couples' (2001) 40(2) *Journal for the Scientific Study of Religion* 269.

⁸ Hackney, C H and Sanders, G S, 'Religiosity and mental health: A meta-analysis of recent studies' (2003) 42(1) *Journal for the Scientific Study of Religion* 43; Kendler KS, Liu XQ, Garnder CO, McCullough ME, Larson D and Prescott CA, 'Dimensions of religiosity and their relationship to lifetime psychiatric and substance use disorders' (2003) 160(3) *American Journal of Psychiatry* 496.

⁹ George W Comstock and Kay B Partridge, 'Church attendance and health' (1972) 25 *Journal of Chronic Diseases* 665, 671; Larson DB, Koenig HG, Kaplan BH, Greenberg RS, Logue E and Tyroler HA. 'The impact of religion on men's blood pressure' (1989) 28(4) *Journal of Religion and Health* 265, 265.

¹⁰ Linda K. George, Christopher G. Ellison and David B. Larson, 'Explaining the Relationship between Religious Involvement and Health' (2002) 13(3) *Psychological Inquiry* 190; Weber SR and Pargament KI, 'The role of religion and spirituality in mental health' (2014) 27(5) *Current Directions in Psychological Science* 358.

¹¹ Daniel Mochon, Michael I. Norton and Dan Ariely, 'Who Benefits from Religion' (2011) 101 *Social Indicators Research* 1; David G Myers, 'The funds, friends and faith of happy people' (2000) 55(1) *American Psychologist* 56; Christopher G Ellison, 'Religious Involvement and Subjective Well-Being' (1991) 32(1) *Journal of Health and Social Behaviour* 80.

¹² Mochon et al (n 92) 2.

¹³ Deloitte Access Economics, 'Economic value of donating and volunteering behaviour associated with religiosity' (SEIROS, 2017).

¹⁴ "The Commission does not see a case for additional government support for the practice of religion through the DGR system, based on the first principle."

Advancement of Education:

The Overview states: *“The Commission’s view is that converting a tax-deductible donation into a private benefit is, in principle, a substantial risk for primary and secondary education, religious education, and other forms of informal education, including school building funds.”*

The APC’s use of the term “substantial risk” is somewhat surprising when applied to schools. Once again, the Commission has not outlined why it considers continued DGR status for faith-based education, nor the building funds that support such schools, would be deleterious to Australian society in general.

Currently, the Australian Productivity Commission itself has reported that Australia’s school results are in crisis, with our numeracy and literacy rates continuing to fall despite huge increases in government funding. *“The lack of improvements is notable given [state, territory and federal] ministers’ commitments to delivering a high-quality and equitable education for all students and a significant increase in investment over the past nine years,”* the APC’s 2022 report said¹⁵.

As *The Australian Financial Review* editorialised in September 2022: *“The lack of return on this supposed investment in a higher quality and more equitable education system is one of the biggest public policy failures in Australia’s history.”*

Currently, one-third of Australian children are enrolled in non-government schools. By high school, the figure is over 40 per cent and presently, **our governments provide little or no funding to these non-government schools in comparison with other OECD countries.** It is ironic, therefore, that the APC wants to reduce even further the amount of government funding that goes towards the education of 30 – 40% of Australian students by seeking to remove the DGR status for religious schools, when the federal and state governments already provide much less funding for these schools per head of student compared with most other advanced countries around the world.

Removing the DGR status from faith-based schools and their building funds would probably make private education far less affordable for many low and middle-income families, and yet the government school system could not cope with the enormous influx of students caused by such a policy change. Public schools already have inadequate teaching staff, and the numbers are continuing to plummet as staff morale, discipline issues and the overcrowded curriculum have all led to a mass departure of teachers. **It would be a very poor policy decision to choose this time to remove the DGR status from faith-based schools that are currently producing the best academic results, higher uptake of tertiary studies, better post-school employment and requiring less government expenditure compared with the public system throughout Australia.**

The APC Draft Report cannot adequately explain why it would be in the best interests of students, parents and education generally to recommend this particular policy. It seems that the recommendation to remove the *“advancement of education”* and *“school building funds”* is nothing more than **a direct attack on faith-based education and reflects a serious bias on the part of the Report’s contributors.** This is hardly a democratic or fair way for such an important decision to be made by the Treasurer or the Australian Productivity Commission and **I therefore urge them to reject this recommendation.**

Basic Religious Charity Carveout Removed:

Currently, there are “carveouts” that relieve small religious charities from the burden of full reporting to the Australian Charities and Not-for-Profits Commission (ACNC). The APC’s

¹⁵ Aust Financial Review – 30/9/2022 – Julie Hare – Why Australia’s Students Keep Falling Behind.

report recommends the removal of such exemptions for smaller charities, thereby requiring such charities to provide extensive documentation each financial year that could result in the closure of these entities. Many of these organisations are run by volunteers who may not have the accounting skills necessary to provide this increased paperwork.

In addition, it would seem the APC is empowering the government to remove the management bodies of these faith-based charities and replace them with its own choice of board members. Of course, the outcome would be that the government could take control of a large number of religious charities, and thereby remove the independence and faith-based character of such entities.

Given that many of these small charities provide specific services and supports in rural or niche communities, such an unnecessary change in management structure could lead to the loss of these charities and the important work they have done for community members over many years.

Once again, there seems little benefit for the Australian taxation system, and a serious loss of important resources for vulnerable people in our society. Consequently, I would strongly urge that this recommendation be rejected by the Treasurer and our parliamentary representatives.

Conclusion:

I note the statement by the Treasurer, Mr Jim Chalmers in the Terms of Reference for the Philanthropy Inquiry that: *“The Government is committed to taking this opportunity and will collaborate with the philanthropic, not-for-profit and business sectors to double philanthropic giving by 2030. Identifying and assessing opportunities and obstacles to increased philanthropic giving will provide a roadmap to achieve this objective.”*

Yet the APC’s Report seems to directly target and disincentivize philanthropic giving by recommending the removal of DGR status from a wide range of educational and faith-based charities that have provided much-needed support for many Australian families. It would seem that this Inquiry, like several others in the past few years by the Australian Law Reform Commission, are seeking to strip the current rights of religious organisations around our nation. **I hope that there will be many submissions like this one that roundly reject this strategy.**

In summary, I reject the assertion by the APC that, *“The Commission does not see a case for additional government support for the practice of religion through the DGR system, based on the first principle.”* **There is ample research evidence that “the practise of religion” provides numerous personal and societal benefits across Australian communities, so the DGR status for the “advancement of religion” should continue as before.**

Secondly, **the removal of the “advancement of education” and “school building funds” by the APC is a direct attack on Christian and faith-based education in Australia.** There is a strong desire in our community for faith-based schools, and the building funds that enable their growth, so it would be hard to justify any move by the APC to reject the DGR status for these entities. It would also exacerbate the inadequate provision of public education results and resources for no obvious benefit. I therefore reject the APC’s assertion that: *“Converting a tax-deductible donation into a private benefit is, in principle, a substantial risk for primary and secondary education, religious education, and other forms of informal education, including school building funds.”* **Consequently, I urge the APC and the parliament to continue the DGR status of faith-based schools and building funds.**

Finally, I reject the Basic Religious Charity Carveout being removed, and would urge the APC to continue to allow small charities to be exempt from the onerous reporting obligations to the ACNC that are required for large charities. This would enable small faith-based charities to continue to provide the important services that they have done, sometimes for many years.

Thank you once again for the opportunity to make this Submission and **I sincerely hope that the APC will take careful note of the many submissions that reject the APC's current recommendations to remove the DGR status of faith-based buildings, schools and charities, or to increase the reporting requirements for small charities.**