



## THE ORDER OF AUSTRALIA ASSOCIATION FOUNDATION LTD

ABN 89 109 314 142

6 January 2024

Philanthropy Inquiry  
Productivity Commission  
GPO Box 1428  
Canberra City ACT 2601

Dear Commissioner

### **Submission to the Productivity Commission: 'Future Foundations for Giving' Report**

#### **Background**

The Order of Australia Association Foundation (OAAF) provides Scholarships to University students who have demonstrated academic excellence and a strong community commitment, but, who at the same time, have significant financial need. They are students who can benefit from the generous support provided by the Scholarship. The programme has a significant community benefit in helping talented young Australians realise their potential for the future benefit of Australia. Each Scholarship recipient is also assisted to realise their potential through the support of a mentor who has been awarded an Order of Australia in the awardee's field of endeavour.

The OAAF has DGR2 status and receives donations from enlightened individuals, charitable trusts and corporations who share a passion for the community benefit that the Scholarship programme provides.

This submission only deals with specific Productivity Commission recommendations, findings and information requests that relate to the activities of the OAAF. Each of those is discussed in turn.

#### **Draft recommendation 4.1: Remove the \$2 threshold for tax-deductible donations.**

In principle, the OAAF is supportive of this proposal as a matter of equity. However, the cost associated with administering this both from an organizational and individual perspective would need careful consideration.

#### **Draft Finding 4.2: A personal income tax deduction is likely to be an effective way to encourage giving.**

The OAAF supports this finding of the Productivity Commission. This approach is tried and tested. Moving to a tax credit approach would create significant uncertainty for philanthropic organisations and the potential for reduced philanthropy, with significant consequences for the activities of philanthropic bodies such as the OAAF.

**Draft recommendation 6.2:  
Support reforms to improve the deductible gift (DGR) system**

The OAAF supports this recommendation in the interest of transparency.

**Draft recommendation 7.2:  
Suite of reforms to strengthen the Australian Charities and non-for profits  
Commission.**

In the interest of transparency and efficiency, the OAAF supports these recommendations, provided extreme care is taken to ensure that additional costs and workload are not added for those philanthropic organisations who are meeting their requirements and are compliant. All recommendations should be assessed for the extent to which they increase the burden of red tape, as well as reporting and regulatory requirements. Small charities are already stretched, and it would be highly undesirable to further increase the workload and cost pressures they face.

**Information request 8.1:  
Effect of changes to the minimum distribution rate for ancillary funds.**

As a Public Auxiliary Fund (PAF), the OAAF has an obligation to distribute annually a minimum of 4% of its net assets from the previous financial year. Typically, this percent has been exceeded.

However, specific events can impact an organisation's ability to conform with this requirement. This occurred during COVID, when the universities were unable to conform with the diligence that the AOOF requires to award a scholarship. While we test against the 4%, it is not critical to our decision-making. We are more driven by donor support and the ability to engage with the universities. What is critical is the ability to obtain a timely exemption if the percent allocation requirement cannot be met and to ensure that this does not represent a compliance breach.

**Draft recommendation 8.1:  
Enabling distributions of funds to be smoothed over 3 years.**

The OAAF is supportive of this recommendation. It would allow the issues raised in our response to the Information Request 8.1 to be addressed more readily. Any decision to raise the distribution rate should be done in combination with this recommendation.

**In general and in conclusion**

In general, in relation to other recommendations, we request that the costs and workload associated with implementation be minimized. All our staff are volunteers. The administrative costs we incur are almost entirely related to delivering the Scholarships to awardees, and/or lodging material to government. The less the cost of regulatory compliance, the greater can be distributions for scholarships. It would also be unfortunate to increase the pressures on the volunteers who work to support our work.