

5 February 2024

Introduction

The Commission's report "Future foundations for giving - Draft report" published in November 2023 – provides a range of recommendations in relation to philanthropic giving in Australia and I welcome the opportunity to provide feedback.

I am making this submission as an individual.

I am not in any position to benefit from the existing DGR system.

I have no interests to declare.

I do believe that the changes recommended in this report will detrimentally affect the society within which I reside, and as such I make this submission as an individual citizen.

At the same time, I also believe that the report does attempt to improve the fairness of the systems and that there is a benefit that could be obtained through minor alterations to the current system to make it fairer and to increase Philanthropic benefit.

In response to the report, I present a counterargument to the views expressed regarding the implications of tax-deductible donations in the education sector and the role of religious organisations in Australian society. Unfortunately, I have not researched enough to offer comment on some of the more positive recommendations within the report.

Education Sector and Tax-Deductible Donations

The Commission's concern that tax-deductible donations could be converted into private benefits within the primary and secondary education sector overlooks critical benefits such donations bring to the broader educational landscape. First, it is essential to recognise the significant role philanthropy plays in supplementing public funding for education.

Philanthropic contributions to schools, particularly in areas of infrastructure and special programs, can alleviate the financial burden on the public sector by reducing the need for direct government funding. This support is not merely beneficial but essential, given the increasing costs associated with providing high-quality education and the constant pressure on public budgets.

Moreover, the current restrictions within the Deductible Gift Recipient (DGR) system are designed precisely to prevent the misuse of tax-deductible donations for private benefit. By allowing these funds to be used for specific, long-term investments such as building

infrastructure, the system ensures that the benefits extend beyond current students to future generations. This approach not only enhances the educational environment but also contributes to the societal good by fostering better-equipped citizens.

Many of the public schools use the DGR system to raise additional funds for capital improvements within the school. Without such systems, the Government would have to fund 100% of such improvements, or else the students would go without.

Whilst we all want simpler systems when required to justify access to systems like the DGR system, that desire for simplicity should not be traded for blanket exclusions to one or two specific sectors simply because the report could imagine some misuse would be possible because of the simplification, which in itself was brought about by removing the protections that the less-simplified system provided.

Religious Organisations and Their Community Contributions

The Commission's stance on not extending additional government support for religious organisations through the DGR system, based on the principle of avoiding private benefits from tax-deductible donations, fails to consider the extensive community-wide benefits these organisations provide. Religious organisations across Australia play a pivotal role in delivering social services, educational programs, and community support, usually stepping in where government and private sectors cannot or will not provide.

Statistically, religious organisations have been shown to offer substantial social support services, including but not limited to, food banks, homeless shelters, aged care, and support for immigrants and refugees. These services directly contribute to the welfare of underprivileged individuals, the elderly, and those at risk, addressing gaps in Government social support systems. Furthermore, programs such as English language courses and practical help for immigrants, youth groups, and other community engagement initiatives foster social cohesion and provide essential services that would otherwise be undersupplied by the market.

The argument that religious organisations create net community-wide benefits is further supported by research indicating the positive impact of these programs on societal well-being. For example, the involvement of religious organisations in providing community services has been linked to lower crime rates, improved mental health, and enhanced social capital.

Regarding the concern over the potential for tax-deductible donations to result in private benefits, it is crucial to note that most religious organisations operate on a non-compulsory contribution basis.

The practice of tithing or voluntary giving, which forms the backbone of financial support for many churches, demonstrates a commitment from the community that transcends the pursuit of private gain. Moreover, the explicit exclusion of general offertory from DGR status ensures that tax-deductible donations are directed towards activities that provide clear public benefits, aligning with the criteria for taxpayer support.

Regardless of any personal beliefs about religion or any specific denomination, the undeniable capability of so many churches to sustain themselves financially through the not tax-deductible, voluntary contributions of their members, reflects the societal demand for such institutions. This same test is true of any charitable organisation. If it can remain financially viable through the non-tax-deductible donations of the community, then any such survivability is a testament to its necessity.

Whilst I don't disagree that the DGR criteria could be easier to navigate, and I don't have particular disagreement with the three criteria proposed, if any organisation can comply with an appropriately determined criteria, then I believe that they should be afforded DGR status.

Conclusion

The assertions made in the Commission's report regarding the risks associated with tax-deductible donations in education and the role of religious organisations overlook the substantial public benefits these sectors provide.

The existing safeguards within the DGR system do currently mitigate the risk of donations being used for private benefits, ensuring that contributions support broader societal objectives.

Simplification of the system should not result in a discrimination against particular sectors due to a generalised assumption that substitution of donations for private benefit is likely.

The evidence strongly suggests that both educational philanthropy and religious organisations significantly contribute to the public good, warranting continued and potentially enhanced support through mechanisms such as the DGR system.

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