



16 February 2024

Dear Commissioners,

RE: Productivity Commission Draft Report into Philanthropy

The St Vincent de Paul Society National Council (the Society) welcomes this opportunity to provide this response to the Commission's Draft Report *Future Foundations for Giving*. This submission has been developed on behalf of the Society's National Council with input from our state and territory Society organisations.

The Society comprises over 45,000 members and volunteers and 3,000 staff. The Society provides over \$50 million in emergency relief distributed each year to help people cover food, transport, accommodation, medical, educational, and utility costs. The Society is also a significant provider of affordable housing options and receives state and territory government funding to deliver a range of social support services.

Balance

The draft report *Future Foundations for Giving* highlights the importance of philanthropy to the Australian NFP sector, contributing over \$13 billion to Australian charities annually. The Society welcomes ongoing efforts to investigate how philanthropy can enhance the effectiveness of the not-for-profit sector (NFPs) and supports sensible reforms aiming to double philanthropy giving by 2030. However, the Australian Government must not, in the future, cite increased philanthropy as a justification to reduce funding for social services and universal service delivery.

The draft report makes a broad range of findings and recommendations. Any significant reforms made to the regulatory environment governing the operations of NFPs will naturally impact all charities. It is therefore crucial that government listens carefully to all key stakeholders, particularly where they raise legitimate concerns about the draft report findings and/or recommendations. As noted in the Society's [previous submission](#) to the Productivity Commission (3 May 2023), it is crucial that we get the balance right. To mitigate any potential risk of unintended negative consequences, a timely post-implementation review of any significant reforms should be conducted.

Findings

The Society broadly accepts and acknowledges the draft report's findings. We believe a less complicated and more efficient approach toward the NFP sector is needed and would bring benefits to the Australian community.

The Society acknowledges the findings that relate to high income individuals. High income earners do make significant contributions to the NFP sector. We also accept findings that government policies, such as incentives to donate and tax deductibility, do influence philanthropic giving. However, the Society suggests it is not necessarily the case that rising income and wealth in the community automatically leads to increased individual donations being made to charities.

The Society agrees with findings that the reasons and circumstances influencing donations vary. In general, the decision is most influenced by the idea that donations are helping people in need. We highlight that donations are also influenced by community trust and goodwill. A breakdown in trust between charities and the public, will likely see donations decline.

The Society agrees with findings that tax deductions encourage donations, particularly for high-income individuals. Wealthier individuals and businesses are typically in a stronger position to make larger donations.

However, tax deductions could also influence middle- and lower-income earners too. Further, higher income individuals are not necessarily more generous because they can give larger donations. It is our experience that many people make regular tax deductible donations and/or donate their time to help others.

The Society notes findings that existing tax deduction methods are considered cost effective, and that while flat tax credits might encourage more people to give, they could also decrease the overall amount donated. We acknowledge that there could be benefits in government funded campaigns designed to encourage more giving and to promote the work of NFPs— linking these objects to any national volunteering promotions could deliver positive outcomes. The Society therefore supports the development of an education campaign to better inform the community about the NFP sector.

Draft Report Recommendations

The Society broadly supports the draft report's recommendations. There is a widely held view among key stakeholders that there should be greater flexibility, less red tape, and increased consistency in terms of the regulations that govern the administration and governance of NFPs. In brief, we:

- support reforms to the Deductible Gift Recipient (DGR) system that make it simpler, fairer, and more consistent, including in principle support for reforms which expand DGR status;
- support changes that enhance donor choice;
- support regulation which builds upon the trust that currently exists in the community and any such initiative should be accompanied by education of our Parliaments and the public about how these regulations impact on the operations of charities;
- support establishing a *National Charity Regulators Forum*; and
- support in principle for creating an independent philanthropic foundation for Aboriginal and Torres Strait Islander communities.

The Society welcomes the recommendation of increased government consideration of volunteering in the design of its policies. As an organisation reliant on volunteerism, we appreciate the significant contribution volunteering brings to many charities which allows them to offer a plethora of support and services to the Australian society at the local level.

The Society acknowledges the merits of recommendations to increase flexibility for ancillary funding operations, charity trusts, superannuation, and bequests. However, any proposed governance changes must be carefully weighed against the potential for unintended consequences. For example, increased flexibility and less red tape, should not potentially lower standards and/or threaten trust in the NFP sector.

The Society is strongly supportive of recommendations for a Commonwealth-funded campaign to enhance public understanding of registered charities with a focus on how donations to charities are used during times of a natural disasters, particularly during the response phases of a disaster.

This campaign can also include raising awareness about what Public Auxiliary Funds (PAFs and PuAFs) are, and how they support philanthropy. It is important to improve public awareness and maintain public trust in the charity sector.

The Society acknowledges those recommendations that seek to improve the availability of data about donations, bequests, and volunteering. We are supportive of an improved Charity Passport to provide better information to donors and to the public about how donations are being used.

In principle, the Society is supportive of the establishment of independent philanthropic foundation controlled by Aboriginal and Torres Strait Islander people. The Society has a history of supporting Australia's First Nations people and we will continue to be active in our advocacy around improving the lives of First Nations people through community-led policies and increased self-determination.

While the Productivity Commission draft report does not make specific recommendations about the existing variations Australia's fundraising laws, it does identify this issue. We believe there would be clear

benefits for the entire NFP sector if fundraising laws could become more nationally consistent. Different laws, criteria and reporting requirements in each state and the Australian Capital Territory all add to the administrative overheads of NFP organisations engaged in fundraising across multiple jurisdictions. The work of streamlining these regulations has taken many years to progress. We believe there is a clear need for this work to be completed.

Issues

Our core concerns remain consistent with our earlier submission (3 May 2023).

The Society believes that any proposed changes must carefully consider the long-term viability of the whole NFP sector. We need to maintain a strong mix of larger and smaller not-for-profits so that we can provide wider choices and better options to people seeking assistance. While the Society would welcome increased donations, we emphasise that philanthropy should be a complement to ongoing and adequate levels of government funding of social services and universal service delivery. As noted in our May 2023 submission to the Productivity Commission, the Society relies on a combination of revenue sources including funding from government sources (around 40 per cent), the sale of goods through our shop network (around 30 per cent), donations and bequests (around 15 per cent), and other revenue (up to around 15 per cent). Due to the current cost of living and housing crisis, the Society across all jurisdictions is facing increasing difficulties in meeting the growing needs of everyone seeking assistance.

As outlined in our recent submissions to the Department of Social Services (DSS) on [A Stronger and More Diverse Community Sector](#), and the [NFP Sector Blueprint](#), the full cost of service provision is not fully funded by the Commonwealth Government. NFP community-based organisations that deliver Commonwealth funded services absorb a range of related costs associated with service delivery, such as screening, induction, training, and supervision of volunteers and staff. There is broad acknowledgment that currently, these grants do not cover the full costs of delivering these services.

Therefore, philanthropy must not be used by government (at any level) to shirk its clear responsibilities to adequately fund social services.

Data Transparency

The Society advocates for data practices that will help improve the Australian Charities and Not-for-profits Commission's charity register e.g., the collection of additional data on ancillary funds, corporate giving, volunteering, and charitable bequests etc. The Society already supports projects underway to improve data sharing and linkages (such as the Tell Us Once project and MADIP).

The Society supports reforms; however, the existing reporting and compliance landscape needs to be fully assessed prior to any changes being implemented. New data transparency practices must not add to administrative burdens and costs. While we support increased transparency, simplifying reporting frameworks and reducing red tape, government resources need to be made available for further evaluations and assessments.

In our submissions to the DSS consultations (referred to previously), the Society highlights the fact that the Commonwealth Government already holds significant amounts of data. This information is not shared across relevant portfolios, agencies, or with state governments. This includes data collected through the Commonwealth grants hub and the Data Exchange. We believe that it is unlikely that charitable organisations will commit themselves to increased data obligations if there is no onus on the Commonwealth Government to make better use of the information it has already across many portfolios.

General

The draft report makes recommendations about changes to religious status and DGR eligibility. We believe there should be more acknowledgement in any ongoing discussion on philanthropy about the strong tradition of giving within Australia's religious communities and the significant economic and social contributions made by religious institutions, and associated charities, to the community. Therefore,

reforms to the NFP sector in relation to the existing Basic Religious Charity (BRCs) status need to be evidenced based and most importantly, fair. We believe more consideration needs to be given to the potential consequences of these changes.

Conclusions

While broadly supporting the draft report's findings and recommendations, it is important to emphasise the need for balance in the not-for-profit sector. Increased levels of philanthropy are of course desirable; however, this can never become a substitute for government funding of social services and universal service delivery. Many charities are already struggling to meet all the requests for assistance they receive. In this regard, the long-term viability of smaller organisations must not be overlooked. Any reductions in government funding, or reforms which add to their operational burdens etc, will have consequences. We need a vibrant NFP sector and smaller operators increase the choices available for people seeking assistance.

While it might be tempting for some to see DGR tax concessions in purely economic terms, e.g. as a cost to government, these concessions allow charities to provide more cost-effective services, attract staff and foster civic engagement. Tax concessions are also necessary for NFPs to compete fairly in the market, attract and retain staff, and minimise administrative overheads. We need to have tax settings that support charities, rather than hinder them.

The Society supports sensible reforms to the NFP sector but maintains the importance of simplicity over complexity i.e. reduction of red tape and the optimisation of existing reporting frameworks. We support the position that any classes of activities currently carried out through a Public Benevolent Institution (PBI), will continue to be eligible for DGR status. All activities undertaken by charities registered as PBIs should receive DGR status.

The Society stresses a reform process grounded in a comprehensive understanding of the intrinsic value of the NFP sector and argues against a myopic economic focus which ignores the social, cultural, economic, and environmental contributions made by charities. We believe that there needs to be more recognition of the contribution that NFPs make to our society. The Society emphasises that increased levels of philanthropy are welcomed, but this must be complimentary to continued and adequate levels of government funding for social services.

Reforms to the DGR system, increased attention to the needs of First Nations people, more transparency, and improved data practices, can all help to create a more effective NFP sector.

If you have any questions about our submission, please do not hesitate to contact me.

Yours sincerely

Mr P Toby oConnor
Chief Executive Officer