

6th February 2024

Response to the 'Future Foundations for Giving' draft report on Philanthropy in Australia

Dear Productivity Commissioners,

I am writing in response to the report commissioned by Treasurer Dr. Jim Chalmers into philanthropy in Australia, following the release of your draft recommendations during late 2023. I work at a not for profit and have been in the sector for a number of years across various organisations. There are some elements of the draft report which I believe require re-consideration. I write this in my capacity as a private citizen and taxpayer. My organisation may provide a formal submission and if so, this is separate and independent from my opinions stated here.

I do not support the recommendation to revoke DGR Status for school building funds.

This proposal if implemented, will directly affect both faith-based and other independent schools. The recommendation that donations to private school building funds should not be tax deductible because it does not provide sufficient public benefit is flawed. The draft report stated, "there is a material risk that donors could convert a tax-deductible donation into a private benefit." The likelihood that some parents are motivated to donate to the school building fund in return for discounted fees is very low and in fact illegal. School boards would know this. Bursars know this. If/ when this does occur, schools can rightfully be named and shamed and even have criminal charges laid.

The majority of schools do the right thing, and this is not a good enough reason to make this change. Where is the evidence of this widespread malpractice? There was certainly plenty of evidence for changes within the banking sector presented at the Royal Commission, yet very few of the recommendations were actually implemented. We cannot make a change here simply due to suspicion. Are we not a country who believes in the premise of 'innocent until proven guilty'? Are you presuming that this malpractice only occurs in private schools when there is nothing to stop this also occurring within government schools eg. in exchange for extra tuition hours or better test results? Unfortunately, corruption also occurs in public entities – CenITex in Victoria was investigated by the Victorian Ombudsman (2012). A senior Department of Education official was charged with conspiracy to defraud (2021). It is incorrect to ascribe potential guilt to any one group and this is not solid ground to make such a change.

I do not understand how the report can state that there is little public benefit in offering a tax incentive to people who contribute to the education of their own and other people's children. Children go onto become productive members of society and are the next generation of workers and leaders who will sustain and contribute to the economy in the next one to two decades. Immediate return may not be seen but any form of investment in education is certainly worthwhile. Therefore, DGR Status should be maintained.

Many non-government schools, particularly Catholic schools keep fees low to ensure they are affordable. The National Catholic Education Commission stated \$2 billion dollars of donations are made to its schools each year towards building and maintaining facilities. In addition to \$4 billion of after-tax dollar Catholic school parents pay recurrent funding. If this benefit were to be withdrawn, parents would be paying even more. This will further squeeze parents, in the midst of a cost-of-living crisis. Parents send their children to non-government schools for many reasons, and if this proposal were implemented, they should not be penalised for doing so. 1.4million children (35% of Australia's total student population are enrolled in non-government schools) rely on non-government or faith-based schools. The parents are not necessarily selecting the school based solely on the shiny facilities.

The fees charged to parents are to make up the shortfall in government funding which is the situation in many non-government schools. Parent fees are actually a cost saving to all taxpayers as the taxpayer in general, is not bearing the full cost of non-government schools. If these schools were to become out of reach for many families, the public system would be flooded and unable to cope. This school year, we have already been warned of teacher shortages, larger class sizes and a Victorian State government unwilling to contribute any further towards education due to its enormous deficit.

There is a false perception that parents who send their children to non-government schools are well off. There is also a false assumption of wealth that all non-government schools are elite private schools. Many parents sacrifice a lot and work hard, prioritising their children's education. Many parents expect a lot from their teachers and their children for doing so. Many dream of a better life for their kids. Is this latest proposal targeted at the 'top end of town' like last year's superannuation changes for high super balances? If so, yes, the Commission can make things fairer by capping yearly donations (for tax deductibility) or find other creative solutions. Do not lump all non-government schools into the same basket.

The Productivity Commission should re- think and consult with groups such as the Catholic education sector and others on these and other draft proposals affecting them. Faith -based education is a growing sector in Australia- so opinions of the sector should not be ignored and should be ascribed with equal value as any public school. It is parents' personal choice where their children are educated, however the Productivity Commission needs to provide a level playing field for the sector, not prioritising one over the other. The Commission needs to provide incentives for all schools to flourish and the success or failure of the school entity is up to the management of the individual school leaders.

I do not support the recommendation to revoke DGR Status for Religious Education in Government Schools.

The Religious Education teachers and volunteer instructors represent a large weekly group of volunteers in Australia. Following the statement that there are "some classes of charitable activities where exclusions are warranted so that taxpayer support is directed to where the net community-wide benefits are expected to be largest", the draft report stated that religious education and school building funds were part of this. This statement is based on the false premise that faith has no place in society or schools. The statement seemed skewed in its assumption that religion and religious education is not pulling its weight in Australian society.

Special Religious Education (SRE) *does* have a public benefit – they maybe intangible but over time, they are measurable in the long term. Special Religious Education builds character and values and positive results will be seen in the following decades as children become adults, taxpayers, workers, leaders and later parents themselves. The government cannot expect immediate results but if the DGR status is retained, positive results will be seen.

Research and personal experience have shown that one of the best ways to promote social cohesion is through religious education in schools. It promotes multiculturalism within local communities and educates young people about world religions (basic knowledge and history, not proselytising) which forms a more well-rounded character in children. Religious education which is well balanced and respectful is worthwhile. Some may argue that it is not. But let people have a choice to decide for themselves.

Special Religious Education reduces the risk of student radicalisation as classes are delivered within a monitored school environment (supervised by teachers and accredited volunteers). This makes children less susceptible to misinformation online which could help reduce home grown religious fundamentalist groups. A price cannot be put on this. This provides peace of mind and safety to Australians which is of immeasurable value! You cannot simply say well, let's erase all religion (secular viewpoint) – that would be communist and also against our human nature which always gravitates to something or someone for hope and purpose.

Special Religious Education is also important in this day and age, with Artificial Intelligence and many ethical challenges posed by the expansion of technology. Special Religious Education is still relevant and the DGR status needs to be maintained. Removing the DGR status, will be a dis-incentive for people to participate in religious education. Is this the desired outcome? I, and many other hope not.

Special Religious Education can assist in diffusing racial and religious tensions as children learn from primary school age to get along with their peers of different appearance and backgrounds. Respect for one another as humans is one of the basic principles of all world religions and students who participate in Special Religious Education see this modelled (not just spoken about as lip service).

The ongoing debate about Australia Day illustrates we have not yet reached reconciliation; increased gang violence and youth crime also show that we have gone backwards as a nation in the art of respecting ourselves and others. Though the Census of 2021 showed 53% are religious, many non - religious parents choose to place their children in SRE classes because they see and understand the benefits of it. SRE is applicable and open to all within school communities (if their school offers it as not all do). In Australia today, we need our children to not only understand but value social unity and stability over the anarchy and chaos we have seen with protests blockading our cities and people afraid to express a difference in their opinion (while others openly broadcast extreme views).

Special Religious Education contributes to society by providing meaning, purpose and hope. This is much needed in Australia and every day. The Commission would be well aware of the suicide and mental health statistics amongst the youth as it has consistently ranked within the top 4 concerns in the Mission Australia Youth Survey in recent years. SRE promotes psychological and physical wellbeing. Therefore, this is a public benefit! Less Psychologist visits for parents = more money in the household budget. More peaceful interactions at home, seeing their children happier and more confident – this is helpful for parents in economic and personal terms. As the Hoover Institute (Stanford University) stated “Religious beliefs matter for economic outcomes. They reinforce character traits such as hard work, honesty, thrift, and the value of time.” All parents want to see their children content and well adjusted and to grow up to be responsible adults. Participation in SRE is one way to facilitate this and precisely why SRE program and DGR status needs to be retained. I hope that this provides you with a different perspective to consider this question, other than what was presented in the draft report.

I do not support the recommendation to withdraw DGR Status from faith-based organisations.

I was astounded by the statement by the Commission that “religious organisations play an important role in many people’s lives and communities across Australia. However, the Commission does not see a case for additional government support for the practice of religion through the DGR system”. Is this the government’s way of saying that religious organisations or affiliated organisations can fend for themselves? Are these changes designed to please secular groups? I, like others are concerned that the draft report has not addressed the potential for anti-discrimination law in limiting faith-based philanthropy.

One of the most important functions of religion, is to create opportunities for socialising and to provide social support. People of faith are motivated to work for positive social change, and this is why they are often involved in the childcare and aged care sectors, and education charities. This is why DGR status must be preserved. People of faith have a long history and positive legacy of being actively involved in social welfare as they encourage many in our community to seek help (spiritual or material) in times of need. My family have been recipients as well as givers in these areas and I strongly believe that incentives to remain in this sector are needed for all involved.

The Commission would be aware of the current homelessness and food relief charity statistics and as it has already identified many charities with a religious affiliation are already doing good work in this area as they undertake activities to further other charitable purposes such as health or social welfare. To tinker with the sector and associated organisations, to ‘change the goalposts’ as Australians say is to disadvantage them. To redesign the rules for the landscape in which they operate is setting up to disrupt these organisations and their already huge workload and operations. Therefore, I agree with the observation by former MP Nicolle Flint that this draft recommendation to remove DGR Status is “a template for further eroding our Judeo-Christian values.” If this is what the Commission is setting out to do, then it is discriminatory. Or if this is not the intention, it is creating unnecessary obstacles which is why this particular proposal should not be accepted.

In our Australian democracy, we expect that our government and its agencies act to make decisions which are fair and promote equality and does not preference those with or without faith. Is this proposal in response to the calls from secular groups? There have been complaints in the past about churches and their taxes, is this an attempt to claw back money from The Church (corporately)?

As a previous committee member within a faith-based group, I can verify that faith-based organisations do adhere to new policies, report their income and expenditure more effectively and are actively work at maintaining a safe environment for all participants (having learnt from historical cases of abuse). Hence, the need to employ staff and professional auditors to deal with compliance and volunteers to ensure this is carried out regularly.

The draft report stated that “there is a material risk of a nexus between donors to religious organisations and beneficiaries... as the primary benefit is to the people who regularly participate in the activities of the institution.” This draft report contains many assumptions about people of faith, and this is again one of them. When I give to faith-based charities (or any charity, for that matter), I do not gain any benefit directly, only indirectly through the comfort of knowing that I have assisted students out of poverty (with books, a laptop, an education mentor). Or that they are supported at school with good wellbeing staff. Or that vulnerable people in the community have a safe space to go to meet for a hot drink and a chat. That youth are off the street and able to meet together to play sport.

I am just happy to know that the medical research is helping new patients to not suffer as much from an illness which afflicted my family. These are the indirect and intangible benefits I receive and I’m sure many other donors to various charities would agree. This provides peace of mind. This provides hope and a future for many. This provides opportunities for personal development and jobs for many people who I don’t know and will never even meet. It is not lining my pockets and making me wealthier! The inference in the quote is incorrect as it is assuming that the Church or faith-based organisations are not functioning transparently or engage in improper practices. The public benefits as outlined above is huge, I would say widespread so please do not try to de-value faith-based organisations or their activities. I believe that charities who have had their share of bad PR and embezzlement cases have learnt from this poor history and now more scrutiny and higher standards of transparency required. This risk of mismanagement could occur in any organisation! This should not be a reason to remove DGR Status.

Many of these faith-based charities operate independently from their churches/temples/mosques/synagogues and are people focused on helping the recipients of the charity. They often have separated bank accounts, separate reporting and operating guidelines and should not be confused with The Church body.

This draft recommendation seems like it is throwing the baby out (all the good work done) with the bath water as it specifies the targeted exclusion of ‘advancing religion’, ‘advancing education’ and ‘advancing aged care’ charities from DGR status. These exclusions disproportionately affect faith-based charities. I believe the Productivity Commission should revert to its previous position articulated in 2010 that “gift deductibility should be widened to include all tax endorsed charities in the interest of equity and simplicity.” This would bring Australia into line with 75% of OECD countries- which do allow tax deductions for charities who ‘advance religion’.

Faith-based charities contribute enormously to the economic and social wellbeing of Australia, providing food, shelter, education, aged care and more – including rehabilitation from illness/addiction/domestic abuse. Faith-based charities do more than just ‘advocating for policy change’, they deliver real services and have done so for many years. Therefore, I support the sector, however ‘small’ it may seem. I ask that the Commission maintain the status quo for religious charities and Public Benevolent Institutions.

I partially support the recommendation that all charities are subject to consistent reporting and governance requirements.

Although this will increase the compliance burden of many small organisations, I agree that reporting for Basic Religious Charities (BRC) should be standardised. Yes, do lift consistency and standards but do not abolish the category of BRC.

I also do not agree with the proposed possibility that the ACNC Commissioner could be given the power to remove and appoint leaders of religious institutions. The ACNC Commissioner should be a neutral regulator. If they are given such power, this would mean that they will compromise their independence as a regulator as they will be interfering in individual group matters. This will be a constitutional concern for charities. Charities need to maintain their self-governing status or part of a wider body of charities/ not for profit organisations. I would not like to see the ACNC Commissioner given such power as they need to remain a neutral regulator for the whole sector in Australia.

I support the recommendation to expand DGR categories to broaden the sector.

Adding new organisations to expand the choice that Australians have is a positive move. Many care about the environment and animal rights and want to see us make progress in these areas. However, the DGR status must be given in a fair and equitable manner – once again, not preferencing one particular cause over another. We have seen a lot of this favouritism over recent years and Australians still believe in a 'fair go' this means for any type of charitable work. One should not be judging one type of work to have more or less merit than another as there are many Australians from many diverse walks of life and it is not the decision makers' role to judge which is better. Remember that respect goes two ways, not just one way. The Commission, I hope will encourage the decision makers to consider all perspectives and the views of ordinary Australians.

Philanthropy Australia has previously suggested that one reform which could be made simply, would be to grant all charities DGR status, which allows people to claim a tax deduction on all donations. I support this idea as it would simplify the system for donors and organisations, whilst providing the level playing field which we all wish to see within the charitable landscape. This occurs in New Zealand, the UK and US and this is best practice which we should adopt. This recommendation from Philanthropy Australia's 2010 report could be easily adopted in the 2025-2026 financial year.

Other considerations

Though the stated goal is to increase charitable giving (of volunteer time and funds) by 2030, it seems to me that if the proposed changes are passed it will have the opposite effect. The Sydney Anglican Diocese and National Catholic Education Commission both observed that these recommendations will actually impede philanthropy – the exact opposite of the report's goals stated in the Terms of Reference. I personally choose to give to charities who offer tax deductibility and rarely give to those without it, if so, I don't bother with a receipt. It is just my preference and the preference of many others as the draft report also showed.

Although data showed the dollar value of donations increased but fewer people gave, I think this could be due to cultural reasons. Modern Australia is a 'me-centric' self-focused society, rather than holding a 'we-centric' community focus. If this is to change, the government needs to maintain or increase incentives for giving across the board. The government could launch a PR campaign and encourage volunteering from younger age groups. This would ultimately save money on the public purse if people volunteered at their local age care home, school etc.. It would create a more caring and safer society. We need to see our youth engaged in positive activity in society. Incentives could be a tax supplement or a bonus youth allowance payment. Young people on youth allowance or new start job seeker payments could volunteer for 'green teams' where they clean up beaches, parks and waterways as they have climate anxiety, but would be doing something positive about it. Or some other positive community project.

Many of the proposed recommendations require a re-think as they will have a stifling effect on philanthropy by reducing the number and range of institutions as many charities will simply shut up shop as donations dry up. This will actually *increase* the demand and cost of government as people seek other social support. I suggest the Commission find some other creative solutions or other tax reform to increase charitable giving. Philanthropy Australia has previously suggested that one simple reform would be simplifying the process of allowing Australians to pass on a portion of their tax refund. This is estimated at around \$30 billion annually. That would be a major cash injection to charities, particularly social services! Government needs to simplify and minimise red tape for organisations and donors. At tax refund time, this is a great time for people to donate while considering what to do with their 'bonus'. Once again, the challenge for the Commission and Department of Treasury is to think outside of the existing 'box'.

Has the Commission consulted with the Salvation Army, Lord Mayor's Charitable Fund (Melbourne and the like organisations across Australia) as well as Australia's leading philanthropists? It is time to do your homework and research prior to making such proposals. What about a survey of taxpayers or question included in the 2025 Census?

What about increasing the tax deductibility starting point from \$2 to \$5 or \$10 to ensure that people actually do give more and only those who are serious about deductibility will claim it? What about providing fewer federal government grants and offering less but making them easier to apply for? Then charities are competing more for individual donors.

Has the Commission looked back on the white paper called 'Policy Priorities for a More Giving Australia' – prepared by Philanthropy Australia for the 2019 Federal Election? This paper was pre-pandemic and may have a fresh perspective. Philanthropy Australia recommends a national giving campaign. It also highlights that there is untapped potential for giving from the baby boomer generation. In my experience, they are quite unwilling to give, whereas the older folks from the silent generation (having gone through WW2) though they have less capacity, are more willing to donate. Hence, I believe it is more an attitude problem, rather than a capacity problem. Why not make it easier to set up a philanthropic fund? Especially as the report states, now is the time while wealth transfer is happening. The baby boomers are now considering what their legacy will be. Many young kids from Gen Z and Alpha are also concerned about the state of the world and are proactive and entrepreneurial, wanting to fix things so they need to see their grandparents and parents giving to charity so this will continue as their own incomes grow.

Has the Commission consulted the Australian Institute of Health and Wellbeing on this issue? Has the Commission considered making bequests from superannuation funds to charitable organisations easier? If so, why will their Estate still be slugged with 15% tax which is a disincentive for giving? Also do people know that this is even possible? Most people assume you can only leave a gift within a Will. Has the Commission consulted with Social Ventures Australia? What about establishing a 'green bonds' scheme which will encourage people to invest in environmental protection projects or social housing or work in partnership with various charities? The government needs to be far more creative and not just taking things away from people and give them to others. This is simply 'robbing Peter to pay Paul' as the saying goes.

In light of the forthcoming Stage 3 tax changes, where people on higher incomes are disappointed about the reduction in their tax break, how about offering a 'consolation prize' that if they give to charity, they will receive a small tax offset if they give over \$x amount to charity? Also increase promotion of workplace giving as fewer than 2% of employees use this facility. Offer a small tax offset e.g. \$200.

The Commission cannot think only of the short term. It is the role of the Department of Treasury's to be the 'razor gang' for short term bandaid fixes. In my view, the Productivity Commission must think of the long-term future of the nation and consider nation-building projects and incentives to harness our collective potential, imagination and aspirations.

Australia is known as a generous, kind, friendly, innovative and safe country where we look out for one another. However, our donations lag behind comparable countries (such as New Zealand – \$13 billion vs \$30 billion) according to Philanthropy Australia. Many people use their income claiming this is a barrier to donating, hence I believe it is a perception or attitudinal issue that they think they don't have enough or won't make ends meet or that someone else will donate in their place or they can ignore the needs of others. This is precisely why people in faith communities play a valuable role in charitable donations of time and money (e.g. mobilising emergency support during natural disasters). They do not let perceived or attitudinal barriers stop them from helping out.

As St Vincent de Paul Society Australia said in The Sydney Morning Herald (December 2023), it is critical to get the balance right to boost philanthropy as the government needs to maintain its funding for services as charitable giving cannot replace this. Even large charities such as The Salvation Army admitted it did not reach its Christmas giving donation target, let alone the small organisation I work for. This is due to the fact that donors are stretched and there is not enough of them.

What about providing more and enhanced migrant and refugee program as many are seeking to make Australia their home and will be willing to give back to the country which welcomes them with freedom and safety via their work and giving? Our economy and future will be better off if we improved such policies and programs.

I hope that creative solutions can be found and collaboration with many organisations made, in order to resolve this current dilemma. Thank you for your time and consideration of this submission.

Regards,

Anonymous ordinary Australian.