

Submission

to the

Australian Productivity Commission draft report on Philanthropy

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by

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1. Terms of reference

The Commission is seeking further information and feedback following the release of the draft report.

The draft report sets out the Commission's draft findings and recommendations relating to motivations for philanthropic giving in Australia and opportunities to grow it further.

Final submissions are due by **Friday 9 February 2024**.

2. Australian Productivity Commission draft report on Philanthropy

FamilyVoice Australia is extremely concerned about proposed changes put forward by the Australian Productivity Commission draft report. If the changes suggested by the Commission are enacted, they will have very serious consequences for charities and schools. Problematic recommendations by the Commission include:

1. Withdrawing the advancement of religion and the advancement of education from the classes which are open for DGR status;
2. Withdrawing school building funds from DGR status; and
3. Withdrawing existing provisions which relieve basic religious charities from the burden of full reporting to the Australian Charities and Not for Profits Commission (ACNC).

FamilyVoice is not alone in having serious concerns about the proposed changes. The Human Rights Law Alliance has stated:

The changes would also remove DGR concessions for school building funds, which have been essential to faith-based schools for many years. Faith-based schools provide enormous benefits for society, removing much of the burden and expense of public education, and providing an alternative to public schooling in an age when the classroom is being misused to promote ideologies that few Australians adhere to. The influence of faith is also valuable for social cohesion and promoting moral and community values and wellbeing.

In addition, the concept of 'basic religious charity' will be removed, in a way that could significantly impact faith-based organisations, including by allowing interference with their leadership.¹

The Australian Financial Review reported remarks by Peter Wertheim, co-chief executive of the Executive Council of Australian Jewry:

He [Peter Wertheim] called the draft recommendations an attack on religious institutions, describing them as "puzzling and disturbing".

"Some of Australia's best-known and respected charities are religious charities, and there is no evidence of any notable abuse of their charitable status," he said.

"If implemented, the commission's proposals would constitute the most significant attack on religious freedoms in Australia's history, and for no apparent reason."²

The paper also reported on criticisms of the changes by Melbourne's Catholic Archbishop Peter Comensoli:

Melbourne's Catholic Archbishop Peter Comensoli said the commission appeared not to understand that charitable works undertaken by religious groups benefited the whole community.

"Out of faith, they offer a vast range of services, including education, health, social care, affordable housing, youth and family support, and pastoral assistance," he said.

"Explicitly excluding religious groups from deductible gift recipient status is unwarranted. The draft report appears to discriminate against religious organisations, and is at odds with the government's own objective to expand philanthropic giving."³

Former federal MP Nicolle Flint has also come out strongly against the proposals:

The Commission's justification for its concerning recommendations stems from arguments like the following: 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".

One such "charitable exclusion" is removing the tax-deductible status for primary and secondary school building funds.

This charitable purpose has existed since 1954, and was established to encourage donations to schools to build infrastructure like new classrooms in which to teach the next generation of young Australians (and the next, and the next).

However, applying the Productivity Commission's rationale, educating our children, some of whom will be future leaders and most of whom will be hard-working citizens, does not deliver a "net community-wide benefit".

They justify removing the school building fund deductible gift recipient status because "there is a material risk that donors could convert a tax-deductible donation into a private benefit" and that this forms "a substantial risk for primary and secondary education, religious education, and other forms of informal education, including school building funds".

Surely primary and secondary school education results in a public – not private – benefit given it produces students who will go on to become productive members of society?

There's also the public benefit of government and taxpayers not bearing the full cost of educating every single student in the public school system.⁴

Likewise, Christian Schools Australia lashed the idea that school building funds for primary and secondary schools do not offer community-wide benefit:

The inference that school building funds and the provision of religious education in government schools, the primary types of funds losing their long held status, are not providing broad community benefits is offensive.⁵

86% of the non-government school sector's capital funding comes from parents and donations from the broader school community, as Independent Schools Australia notes:

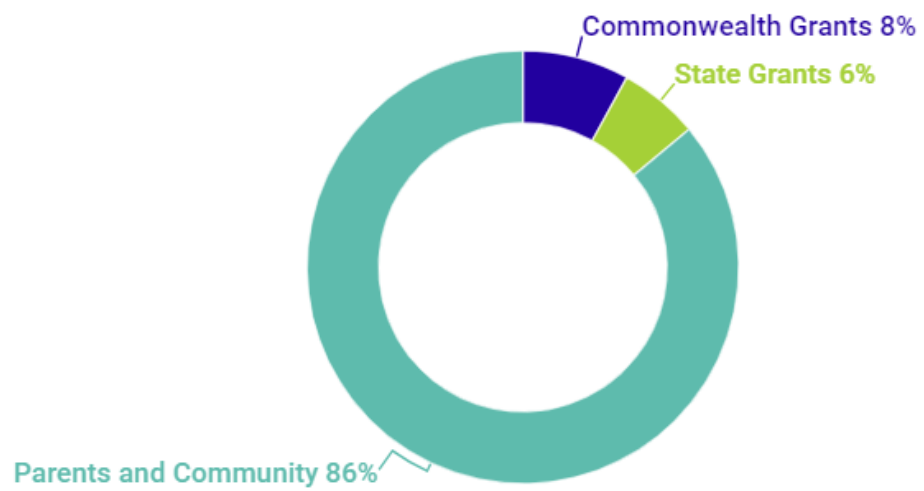
In 2021, school community contributions provided about 86 per cent of capital funding in the sector equalling over \$1.14 billion of parental contributions being spent on capital development. Parents and school communities make their contribution through school fees, donations to school building funds and fundraising activities. Parents can make voluntary payments to school building funds, which are recognised as 'deductible gift recipients' for income tax purposes.

The remaining 14 per cent of capital funding for non-government schools comes from governments through capital grants programs, state or territory government interest subsidies or loan schemes.

The Australian Government grants contribute an estimated 6 per cent of total capital funding. The remaining 8 per cent comes from state and territory governments. Access to these grants varies considerably across Australia. The Australian Government also supports the sector through tax concessions on parents' voluntary contributions to school building funds.⁶

Contributions from parents and the community are already saving the government a lot of money and the resources are being better utilised. Diagram 1 highlights in stark terms how much funding parents and the community provide to non-government schools relative to government funding.

Main sources of capital funding for Independent schools, 2021



Source: Australian Government Department of Education

Diagram 1

3. Conclusion

The independent school sector is performing well. Proposed changes by the Commission place this at risk. Parents and the community are already making the bulk of contributions to the capital funding of schools. It is not fair or right that these schools, which provide a huge community-wide benefit, are undermined by DGR status changes.

4. Endnotes

¹ John Steenhof, “Tax proposals threaten religious charities”, Human Rights Law Alliance, 6 February 2024, https://www.hrla.org.au/tax_proposals_threaten_religious_charities

² Tom McIlroy, “Tax deduction curbs ‘an attack on religious freedom’”, Australian Financial Review, 6 December 2023, <https://www.afr.com/politics/federal/tax-deduction-curbs-an-attack-on-religious-freedom-20231206-p5epdk>

³ Tom McIlroy, “Tax deduction curbs ‘an attack on religious freedom’”, Australian Financial Review, 6 December 2023, <https://www.afr.com/politics/federal/tax-deduction-curbs-an-attack-on-religious-freedom-20231206-p5epdk>

⁴ Nicolle Flint, “Nicolle Flint: Inside the ‘radical’ Productivity Commission proposal to rip support from faith-based schools, ‘diversify’ tax-deductibility rules to benefit animal activists, LGBTI groups”, Sky News Australia, 20 December 2023, <https://www.skynews.com.au/insights-and-analysis/nicolle-flint-inside-the-radical-productivity-commission-proposal-to-rip-support-from-faithbased-schools-diversify-taxdeductibility-rules-to-benefit-animal-activists-lgbti-groups/news-story/aa68b915b197a8e47f82ace844c1c086>

⁵ “Future Foundations for Giving - draft report released”, Christian Schools Australia, 1 December 2023, https://www.csa.edu.au/CSA/Resources-and-Media/Briefings/Articles/2023/12-December/Future_Foundations_Giving_draft_report_released.aspx

⁶ “Capital Funding”, Independent Schools Australia, <https://isa.edu.au/our-sector/funding/capital-funding/>