Productivity Commission Inquiry - Philanthropy

Final submission in response to draft report

This submission has been prepared on behalf of the Fay Fuller Foundation, a private Ancillary Fund operating within South Australia. This submission acknowledges the work to date on this inquiry and supports many of the recommendations put forth. Specific points of feedback are provided below.

The deductible gift recipient system
Fay Fuller is in agreement that the DGR system as it currently stands is not fit-for-purpose. It is no longer an effective mechanism for determining which entities undertaking activities that benefit the community should receive tax-deductible donations from individuals.

Under the current structure it is often smaller organisations working closely with communities - often most reliant on donations - who are the least likely to hold a DGR status or be in a position to expend the time and expertise required to pursue DGR under the current structure. Consequently, many community-based organisations are forced into auspicing or partnering arrangements that are costly in terms of time and money.

We also agree that the current DGR statute assigned to school building funds often plays out in a manner that is inequitable and relieves the government of its responsibility to systematically assess the infrastructure needs of schools through an equity lens and respond accordingly.

Regulatory framework, structured giving vehicles, and public information as it relates to ancillary funds
Just as 'Charities are the stewards of a large pool of assets and receive billions of dollars in funding from governments and donors' so too are ancillary funds. As such, the regulatory framework that governs them and the public information they are required to provide should be under the same level of scrutiny as that being applied to charities to ensure transparency and accountability to the community.

As noted in the inquiry, by design, ancillary funds can create a timing gap between the initial act of a person or family donating into the fund, and the point or points in time when money is distributed from the fund to eligible entities with DGR status. This means there can also be a gap between the revenue cost from income tax deductions for the donations, and the flow of benefits to the community. In some instances PAFs and PUAFs have become perpetual accumulators of wealth in their own rights rather than effective vehicles of giving. We suggest that this inquiry has given insufficient attention to options that would increase the rate of giving into community in favour of options that increase the rate of giving into foundations. A critical recommendation from this inquiry should be to review the minimum distribution rate mechanisms currently in place, as, much like DGR frameworks, they no longer serve the best intentions of the community. This review could be expanded to link distribution rates to ethical investment of endowments, incentivising the sector to deploy its billions of dollars in corpus for a net benefit for the community.

Finally, while we acknowledge and are excited by the growth of Indigenous Led Philanthropy, as a Foundation deeply committed to the concept of self-determination we hold concerns that while well intentioned, the recommendation for the establishment of an Aboriginal and Torres Strait Islander philanthropic foundation as the preferred pathway is potentially more damaging than beneficial. We encourage the Inquiry to make recommendations that centre self-determination and sovereignty, and acknowledge the diversity of First Nations communities and their self-identified hopes, goals, and aspirations and the mechanisms most suited to support the pursuit of these. This would present an opportunity to more deeply consider current vehicles of giving that exist, and the way that wealth is generated and distributed through a decolonised perspective.

Other Considerations:
A 2021 Productivity Commission report estimated that around $3.5 trillion in assets will be transferred in Australia alone by 2050 with women tipped to be the biggest beneficiaries by 2030. While the research is mixed on gendered giving, as women's incomes rise, they become more likely to give to charity than their male counterparts. We believe that a gendered lens should be applied to this wealth transfer horizon to consider how philanthropic giving could be encouraged during this pivotal shift.

We believe it is important to consider and understand community sentiment and perspectives on giving generally and the existing pathways for giving particularly as it relates to the proliferation of non-tax related direct giving structures and why these may be favoured by parts of the community. Building a clearer picture of this is vital to understand if people are giving less or giving differently, why that might be, and what socio-cultural changes are informing those shifts.