



8 February 2024

Mr Alex Robson
Presiding Commissioner
Philanthropy Inquiry
Productivity Commission

Dear Mr Robson

On behalf of the NSW Rural Fire Service Association Inc and NSW RFSA (collectively referred to as “the RFSA”), we appreciate the opportunity to make this submission in response to the Productivity Commission’s *Future foundations for giving* draft report.

We support the government’s stated aim to double philanthropic giving, and recognise the benefits this would bring to communities across Australia through a strengthened not-for-profit sector.

In particular, we wish to express our support for the expansion of deductible gift recipient (DGR) status to more charitable organisations as proposed in draft recommendation 6.1, and for the conclusions arrived at in relation to administrative expenditure in draft finding 9.1.

About the RFSA

The RFSA is the representative organisation of the volunteers and staff of the NSW Rural Fire Service, recognised in the *Rural Fires Act 1997* (NSW). With over 40,000 members – more than 99% of them volunteers – the RFSA runs a range of assistance programs, including equipment grants for Rural Fire Brigades, sponsorship of RFS events, scholarships, volunteer family days and other mental health support programs, as well as advocating on behalf of members to the agency and government more broadly.

DGR status

Inconsistencies in the current system

DGR status plays a pivotal role in encouraging charitable donations by allowing donors to claim a personal tax deduction for their contributions, which has been recognised in draft findings 4.1 and 4.2. However, the current system exhibits inconsistencies and



unfairness, as some organisations enjoy DGR status for activities similar to those undertaken by non-DGR status entities. Draft finding 5.1 offers a succinct conclusion about the shortcomings in the current system. The “inefficient, inconsistent and unfair outcomes” created by the current system not only undermine the principles of equality, but also hamper the growth and sustainability of non-DGR status organisations.

We can offer ourselves as an example. The RFSA exists solely to support the (overwhelmingly volunteer) members of the NSW Rural Fire Service. Our work is focussed on “supporting the volunteer based emergency service activities” of the NSW Rural Fire Service, one of the elements for listing under DGR item 12A.1.3. If the RFSA was itself providing those “volunteer based emergency service activities” we would meet all the requirements for listing. However, our support for those activities is not sufficient under the current terms of section 30.102 *Income Tax Assessment Act 1997* simply because we are not the entity delivering an emergency service. While we operate in very different fields, our challenge in this respect is analogous to that of the South Australian Council of Social Service referred to in the Commission’s draft report (p 170).

By expanding DGR status to a wider range of charitable organisations these disparities can be addressed, ensuring a more level playing field between charities. It would also promote equal recognition and support for all entities dedicated to charitable causes, fostering a sense of fairness and inclusivity within the philanthropic landscape.

Disadvantage to non-DGR entities

Non-DGR status organisations face significant challenges when soliciting donations, as potential donors are often more inclined to give to organisations where their contributions are tax-deductible. This places non-DGR status organisations at a significant disadvantage, limiting their ability to attract the necessary funding for their work. Where two organisations are operating in the same space, and one has DGR status while the other does not, it is fairly simple to see that the organisation without DGR status will be at a distinct (and almost certainly unjustified) disadvantage when seeking financial support. By extending DGR status to more organisations, it is possible to alleviate this burden and empower a broader array of organisations to fulfil their charitable purpose.

The proposed extension of DGR status also aligns with the government’s stated goal of doubling philanthropy, and extends the benefits of DGR status to a broader range of organisations and initiatives that contribute to the welfare of our communities. By incentivising donations to a more diverse group of charitable organisations, there is an



opportunity to enhance the collective impact of charitable efforts and address a wider array of social issues.

Improving fundraising efficiency

The lack of DGR status makes fundraising more challenging for charities that find themselves in this position. In the case of the RFSAA, while we do have a DGR status Welfare Fund (a necessitous circumstances fund to assist members in acute need), the majority of our operations are not currently eligible for DGR status. As a result, we have found it very difficult to obtain direct donations to support our work. To overcome this challenge, our fundraising efforts have come to be dominated by raffles, the conduct of which attract additional expenses. We would dearly like to reduce our reliance on raffle income as a means of funding our activities, but without DGR status to offer prospective donors we have been unable to do so. The ability to accept tax deductible gifts would provide greater opportunities to us and other charities currently without DGR status, and would allow many to improve the efficiency of their fundraising efforts, directing more of their income toward their purposes.

We do not pretend that DGR status is a panacea to reducing fundraising expenses – there are some prominent charities with full DGR status that conduct very substantial raffle programs turning over tens and sometimes hundreds of millions of dollars a year – but it will provide more charities (especially smaller charities) with better and more efficient fundraising options.

Administrative expenditure

We endorse the Commission's draft finding 9.1 that administrative expenses are not an accurate reflection of the performance of a charity.

Further to this, we would note there is a tendency among some sections of the public to conflate staff-related expenses with administrative expenses, when this is not necessarily the case. Staff in most not-for-profits are actively engaged in the delivery of their organisation's purpose, and to treat expenses associated with their employment as being purely administrative is simply wrong. While this nuance can sometimes be addressed within financial reporting, this is more readily achievable for larger charities that can define particular positions as being either administrative or program-related. For smaller charities, where many staff spend some of their time attending to the administration of the organisation and some to program-related work, this distinction can be harder to accurately reflect in financial statements.



There is no easy solution to this challenge. The sector can wish for a higher level of public understanding about the nature and importance of certain 'administrative' expenses and the appropriateness of staff delivering charitable programs, but that will not make it so. And while it may be tempting to suggest that charities themselves should explain these issues better, this would tend to distract from actually attending to their purpose. For now, we wish simply to affirm the appropriateness of draft finding 9.1, and acknowledge it as a challenge facing many charitable organisations.

Conclusion

We recognise that some aspects of the Commission's draft recommendation 6.1 have attracted a significant degree of controversy.

We do not seek to support or oppose those who have argued for the DGR status of certain organisations to be retained contrary to the recommendation. Rather, we express our strong support for the principle of expanding access to DGR status to as many organisations as possible, for the reasons outlined above.

We are grateful to the Commission for the work undertaken on the draft report to date, and for the opportunity to provide this submission. Should the Commission require any further information to assist in its deliberations, please contact Policy & Governance Manager Greg Dezman.

Yours sincerely

Scott Campbell
State President