

Productivity Commission: Philanthropy

Scott Smith - 2023-04-11

I am grateful that the Australian government is committed to double philanthropic giving by 2030. Australia truly is a lucky country, with many citizens blessed with comparative fortune and ideally situated to improve the current and future state of the world. We pride ourselves on our generosity, and not without reason. For 2021, Australia ranked 6th in the world for the proportion of adults who donated to charity¹. However, the latest data suggests that as a percentage of GDP, we fall back to 11th (0.23%), well behind top-ranking peers of the USA (1.44%), New Zealand (0.79%), Canada (0.77%) and the UK (0.54%)². This suggests that, although Australians enjoy giving, donations are relatively modest. I will suggest some reasons why that is likely the case, and policy changes to address it. Seeing Australia move up leaderboards of philanthropic giving would evoke national pride within myself and many Australians.

The suggestions I will raise are:

1. Realigning DGR eligibility to include potentially high impact charities working on modern concerns of (terms of reference 2.ii, 3, 5, 6):
 - a. reducing the risk and impact of global catastrophes,
 - b. improving animal welfare, beyond direct care to specific animals.
2. Encouraging policy advocacy from charities by ensuring this approach to achieving their goals does not hinder their DGR eligibility (3.i, 5, 6.iii).
3. Allowing Public Benevolent Institutions to work across cause areas (2.iii, 3.i).

Suggestion #1: Realigning DGR eligibility

Many Australians, like myself, value charitable work on causes that do not meet the current criteria for DGR status. Support for these causes has clearly grown since the *Tax Act of 1997*, and continues to do so perhaps faster than ever.

Reducing the risk and impact of global catastrophes

We need to seriously consider the possibility of global catastrophes, the unprecedented suffering they could inflict on current people, and the setbacks (possibly permanent) they could have on humanity. The public concern about global catastrophes has recently become more evident with the increased discourse on climate change, the potential warning shot that was COVID19, the Ukraine invasion by a nuclear power, and advancements in paradigm-shifting technologies like artificial intelligence.

Non-profit organisations with impressive records and promise are working in these areas. To give just a few examples: *Clean Air Task Force* tackles climate change via innovative and fact-based projects; *Alliance to Feed the Earth in Disasters (ALLFED)* seeks resilient food

¹ Charities Aid Foundation World Giving Index:

<https://www.cafonline.org/about-us/publications/2022-publications/caf-world-giving-index-2022>

² Gross Domestic Philanthropy: An international analysis of GDP, tax and giving:

<https://www.cafonline.org/docs/default-source/about-us-policy-and-campaigns/gross-domestic-philantropy-feb-2016.pdf>

solutions, mainly to reduce the harmful impact from a global catastrophe; *Nuclear Threat Initiative* collaborates with governments, organisations, scientists, technical experts and more to reduce the likelihood that weapons of mass destruction and disruption are used, with a particular focus on nuclear and biological threats; *Machine Intelligence Research Institute (MIRI)* researches how to ensure any superhuman artificial intelligence created is aligned with human values. Citizens of many other nations receive tax benefits from donations to these charities. For all of the aforementioned charities, this at least includes citizens of the USA, UK and Canada³.

We are in a ludicrous situation where a charity with the sole purpose of repairing war memorials can have DGR status (*Tax Act* 5.1.3), but a charity working to prevent potentially civilisation-ending future wars cannot. War memorials are important for a number of reasons, including a reminder of the importance in maintaining peace. I am very grateful to be born in Australia, at a time of relative peace, and so far not having to experience the horrors of war. Less fortunate people have got us to where we are today, and I believe the most important way to honour them and make their efforts even more worthwhile is to ensure the future flourishing of humanity.

Improving animal welfare, beyond direct care to specific animals

I and many of my peers are concerned about animal welfare, especially in agriculture. The *Charities Act* acknowledges “*preventing or relieving the suffering of animals*” as a charitable purpose, which clearly encompasses projects to improve farmed animal welfare. However, the only animal welfare charities to which the *Tax Act* grants DGR status are those whose principal activity is “*providing short-term direct care to animals (but not only native wildlife) that have been lost or mistreated or are without owners*” and/or “*rehabilitating orphaned, sick or injured animals (but not only native wildlife) that have been lost or mistreated or are without owners*”. This excludes charities that work to prevent systematic harmful treatment of animals.

I believe most people who regularly consume meat care about farmed animal welfare and many support organisations working on this cause. Regardless, a good indicator that this cause is becoming more mainstream is the growing number of people reducing or eliminating their meat intake. A study by Roy Morgan showed that as of 2018, 12.1% of Australians had diets that were entirely, all almost entirely, vegetarian⁴. This was an increase from 11.2% in 2014 and 9.7% in 2012, showing that this is a steady increasing trend and the proportion is surely much higher today.

There are many impressive non-profit organisations working on farmed animal welfare. For example: *The Good Food Institute* develops and promotes plant and cell based alternatives to animal products; *The Humane League* advocates for corporate policy and legislation change; *Faunalytics* researches effective strategies and shares with other charities working

³Canada: <https://rcforward.org/donate/>

USA and UK: <https://www.givingwhatwecan.org/get-involved/tax-deductibility>

⁴<https://roymorgan-cms-dev.s3.ap-southeast-2.amazonaws.com/wp-content/uploads/2022/06/06235443/7944-Vegetarianism-in-Australia-April-2019.pdf>

in this space. Citizens of many other nations receive tax benefits for donating to these charities, including at least citizens of the USA, Canada and the UK⁵.

Suggestion #2: Encouraging policy advocacy from charities

Charities with DGR status are *technically* able to advocate for law and policy changes that align with their charitable purpose. However, the criteria for DGR status does not include charities that prioritise this advocacy. So in reality, these types of charities are not granted DGR status and are outcompeted in funding and hiring by those that are. This is hindering advocacy-focused charitable work that would otherwise have the potential to bring about lasting large-scale positive changes.

For-profit organisations, whose interests are very rarely altruistic (if ever), receive tax incentives for lobbying. I find it perverse that, in contrast, charities are being implicitly incentivised to *not* work on advocacy. If anything, they should have a louder voice than for-profit organisations as they are representing the interests of others. In addition, encouraging charity involvement in policy discourse means promoting healthy community engagement and input on these issues. I believe the current situation is unnecessarily undemocratic.

DGR criteria should include charities that prioritise advocacy. Again, other nations already support such charities with comparative tax incentives. Advocacy is the primary focus of the aforementioned charities *Nuclear Threat Initiative* and *The Humane League*.

Suggestion #3: Allowing Public Benevolent Institutions to work across cause areas

The ACNC has concluded that a Public Benevolent Institution (PBI) must have a single “dominant purpose” and are unable to pursue other purposes from the *Charities Act*. The Law Council of Australia has disputed this interpretation⁶.

My understanding is that this is just one example of regular debates between ACNC and the Law Council regarding how PBIs are able to operate. I do not know who is legally “right” in this example, but preventing PBIs from pursuing multiple purposes seems to be an unnecessary restriction serving no purpose. Charities are able to pursue any purpose allowed in the *Charities Act*, so I am unable to understand why a PBI cannot. I believe this is a case of legal debate losing sight of the original intent.

I support Effective Altruism Australia (EAA) which has status as a PBI. EAA is only able to arrange community building events aligned with the “dominant purpose” of global poverty and development, even though the philosophy of effective altruism involves considering any cause area in which you might be able to make a significant impact. As a group, we care

⁵<https://animalcharityevaluators.org/donation-advice/make-a-donation/tax-deductibility/>

⁶<https://www.lawcouncil.asn.au/publicassets/efb737a7-e62f-ed11-9460-005056be13b5/2022%2008%2030%20-%20S%20-%20Commissioners%20Interpretation%20Statement%20Public%20Benevolent%20Institutions.pdf>

deeply about improving the welfare of the global poor, but we care about other things as well, and want to be able to arrange events on these topics.

Conclusion

I appreciate that expanding DGR eligibility has an impact on tax generation. Prioritisation needs to be influenced by the values of modern Australians. A growing proportion of modern Australians value protecting ourselves from global catastrophes, and all animals from needless suffering. Simultaneously, prioritisation should be shaped by the expected impact of the charities. Modern charity evaluators recommend organisations working on global catastrophic risk reduction⁷, partly due to unprecedented costs if they are to eventuate, and organisations working on farmed animal welfare⁸, partly due to enormous avoidable suffering happening today. These beliefs have been shaped *worldwide* by prominent Australian thinkers, such as Peter Singer (re animal suffering) and Toby Ord (re global catastrophic risks). This is Australia's opportunity to support the growing proportion of its citizens who care deeply about these issues, avoid falling further behind other nations that are already doing so, and reaffirm itself as an exemplary global citizen.

To do this, I believe GDR status should be attainable for charities working on these causes (Suggestion #1). Furthermore, it should be made explicit that GDR status is available for any charity primarily or exclusively focused on advocacy (Suggestion #2). Finally, a PBI should be able to pursue multiple purposes as long as they are considered a charitable purpose as per the *Charities Act* (Suggestion #3).

⁷ For example: <https://founderspledge.com/stories/existential-risk-executive-summary>

⁸ For example: <https://founderspledge.com/stories/animal-welfare-cause-report>