

Submission for Productivity Commission Report on Philanthropy

I offer some personal thoughts on the Productivity Commission Report on Philanthropy, based on my professional experiences in philanthropy over many years.

DGR status of school building funds

I wish to make comment on the recommendation to remove tax-deductibility for donations to school building funds. This is a major current area of philanthropic activity, which would be significantly impacted by the removal of DGR status. It seems ironic that one of the key recommendations of a report charged with providing recommendations to increase philanthropy within Australia would have the outcome of reducing philanthropy in that area.

Moreover, individuals would not simply transfer their gift to another DGR fund. That is, those who currently give to school building funds would not then provide the same philanthropic support to another worthy cause. People give from the heart, because of their connection with the project or cause and we should try to capitalise on this, for the benefit of all involved. I understand that the school and relevant associations have provided data and documentation in support of DGR status being maintained in this way.

Many current donors to school building funds do not gain direct benefit from their gift through their children using the facility funded (usually partially) in this way. In some instances, the children will have finished their schooling before the facility is completed, and former students who donate do not get direct benefit. Schools often point out to parents that they have benefited from the gifts of those who came before and now it is their turn to provide for future generations.

It is not the top end schools that would be most affected by this change, but rather mid-level, younger schools, particularly those undergoing major growth and hence development. Such schools deserve support in endeavouring to provide the best educational experience for their students.

Endowment

I believe there should be greater focus given to endowment funds, as this is the way that charitable institutions can make themselves sustainable and ultimately entirely self-supporting, and not reliant on recurrent Government funding.

Unfortunately, much philanthropy in this country takes the form of one-off or repeated gifts that are expended, either immediately or in the short term, to cover development costs and/or operations. Once the gift has been spent, the organisation is no better off than it was previously; it has simply bought some time.

Gifts to endowment, on the other hand, remain there forever, providing regular income and distribution, according to whatever formula is used by the organisation, at a level that ensures that the funds remain in perpetuity and continue to grow to increase the support provided. The best charities and institutions, in Australia and elsewhere, have a focus on building endowment, and some have been spectacularly successful in this regard.

Providing encouragement and support to grow endowment would assist charitable institutions in becoming less reliant on government funding, which would help everyone. Providing incentive for charities to grow endowment should be a key strategy for growing philanthropy.

In my experience there are many people who are interested in supporting endowment, as this provides the opportunity for donors to attach their names to worthwhile projects and activities in perpetuity. I have found that, particularly as people are in the latter stages of their lives, they are often interested in leaving a positive legacy once they are gone. While that may take the form of a bequest, it is advantageous to start the process before that, so the donor can gain some recognition and appreciation during their lifetime, and the benefits for the institution can be experienced sooner.

Providing DGR status for all gifts to endowment should at least be considered. It may be appropriate to provide some limitations in the first instance, but incentives need to be provided, to encourage institutions and organisations to think longer term in their philanthropic programs and move towards sustainability and self-sufficiency.

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9 February 2024