



NUNN DIMOS FOUNDATION

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ACCELERATING  
CHARITABLE GIVING  
THROUGH

**CAPITAL GAINS TAX**

REFORM ON

**LISTED EQUITIES**

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**Shares for Good**

FEBRUARY 2024

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# SUMMARY

The Nunn Dimos Foundation’s principal view is that Australia’s philanthropic giving should increase, in the value of donations and the number of donors to help support Australia’s charity sector to thrive.

The impact of giving goes beyond the financial boost to a charity, it translates to many other benefits and drives a positive cultural shift for all Australians and public good.

Our submission proposes a simple reform that addresses the pressing need to accelerate charitable giving through **capital gains tax reform on listed equities.**

## Shares for Good

The proposed measure will:

- Help to **strengthen charities** deliver positive impact to our communities.
- Encourage **individuals to give, whilst alive.**
- Create **new donors** and the ones that do give to **give more.**
- Provide a simple and proven measure that will increase philanthropic giving that immediately and effectively addresses the Government’s commitment to a Strategy to **Double Giving by 2030.**

## ABOUT THIS PROPOSAL

Unlike countries with a similar tax regime to Australia (USA, UK, Canada) there is no relief from capital gains tax (CGT) on the donation of listed equities to eligible charities by an individual whilst alive.

This submission evaluates the merits of accelerating charitable giving in Australia through CGT reform on the donation of listed equities to registered charities.

For donations to eligible charities (known as Deductible Gift Recipients or DGRs), a tax deduction is available to the donor, equal to the market value of the donation – whether it be cash, or a donation of shares or property.

For gifts of shares or property, donors must pay CGT\* on any gain.

In Australia, the only time CGT does not apply\*\* is when a gift of shares or property is made to a charity from an estate\*\*\*.

### NOTES

\*. equal to the difference between the market value of the shares or property gifted, and the cost price (less a 50% discount if the shares or property are held for more than 12 months).

\*\* CGT does not apply on the gifting of art, through The Australian Cultural Gift Program

\*\*\* Section 118-60 of the Income Tax Assessment Act 1997 (Cth) (ITAA 97) specifically excludes an estate from paying tax on capital gains on donations to a DGR.

**We believe that this exemption should be extended to exclude all gains from CGT when listed shares are gifted to a DGR and not just when made as part of a distribution from an estate.**

# BRIEF BACKGROUND

## BACKGROUND ON THE CGT REFORM IN CANADA

In Canada, the campaign to remove CGT from the donation of listed equities was initiated by Donald K. Johnson, in 1996.

The Federal Government first recognised the importance of this measure in 1997 by reducing the CGT on donations of listed securities by 50% on a five-year trial basis.

The measure was originally enacted on a temporary basis, set to expire after five years, with extension to depend on whether the measure was found to have increased donations overall and whether the additional donations were distributed fairly among charities.

Budget 2001, announced that the measure had met these objectives, and the one-half inclusion rate was made permanent.

In 2006, the Federal Government removed the remaining CGT on gifts of listed securities, effectively doubling the tax incentive of this measure.

## AUSTRALIA

In Australia, a tax incentive was introduced for the “Donation of Property”.

The deduction is equal to the market value of the donation, whether it is cash, donation of shares or property.

**Unlike America, Canada and UK, in Australia  
CGT is payable by the donor on the donation of  
listed equities to registered charities**

## BRIEF BACKGROUND

### How listed shares can be donated to a charity In Australia

1

#### GIFTING BY INDIVIDUALS WHILST ALIVE

Tax deduction to the individual at market value on the date of transfer  
**CGT is payable** on the capital gain, or losses, which must be carried forward to offset against other future gains

2

#### GIFTING BY WAY OF BEQUEST IN A WILL

CGT will not apply to the capital gain made by the deceased if the shares are donated to a DGR registered charity.

However, no tax deduction will be allowed for the value of the gift in the deceased's estate

If the shares however, were sold to fund a cash gift, CGT will be payable first.

3

#### GIFTING BY SMSF

This is not possible. It needs to go to a SMSF beneficiary first as a lump sum or a pension payment. Then the individual makes the donation of the shares as per (1) above.

4

#### GIFTING BY PAF or PuAF

This is possible with no CGT liability.

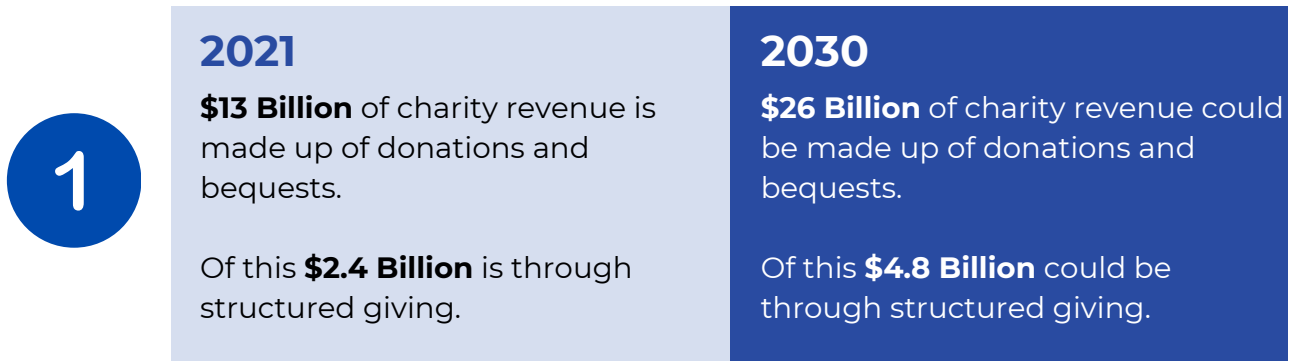
This requires care when donating from one structure to another (i.e. no donations can be paid to another PAF or Public Ancillary Fund (both being DGR Item 2s)

# WHAT ARE AUSTRALIA'S FUTURE PHILANTHROPIC GOALS?

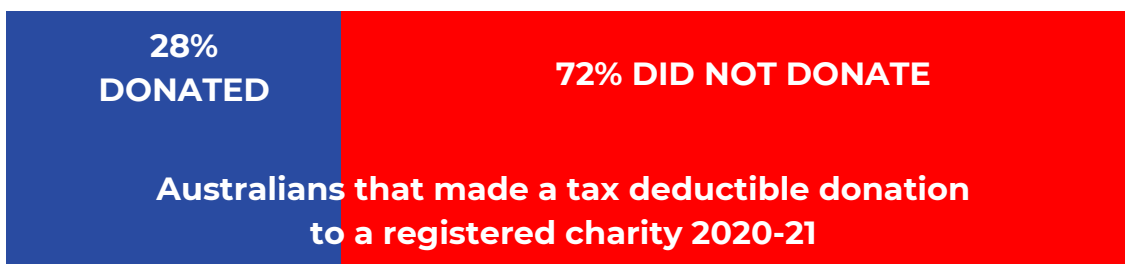
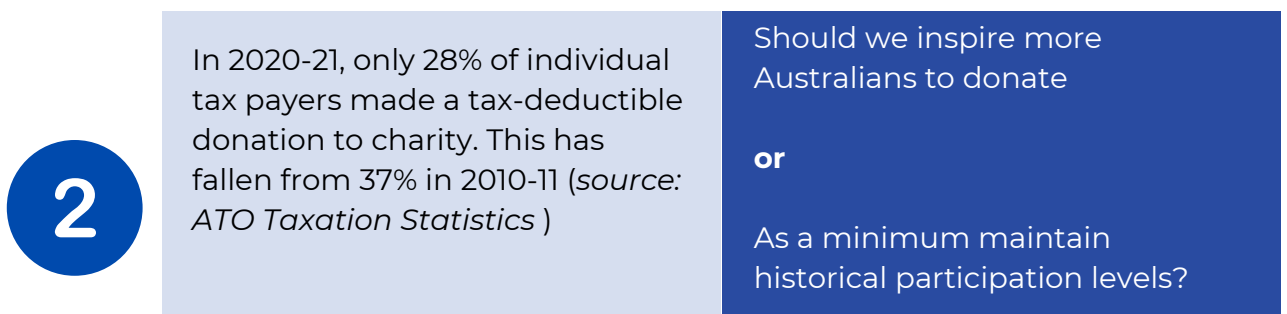
Setting strategic philanthropic goals is vital in supporting charities and a catalyst for creating a new community of philanthropists in Australia.

The proposed policy can assist in achieving some of these potential strategic goals.

One of the set goals is **Government's pledge of 'double giving by 2030'**.



Another goal could be to encourage **more Australians to donate**.

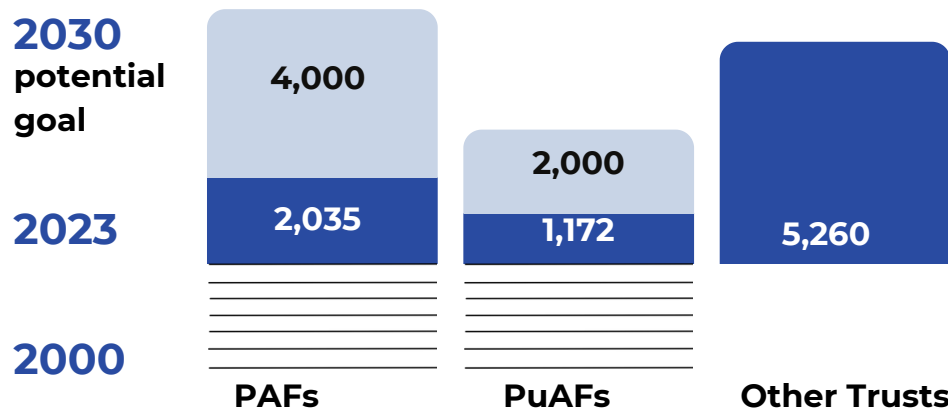


# WHAT ARE AUSTRALIA'S FUTURE PHILANTHROPIC GOALS?

3

Increase structured giving, including the number of PAFs, PuAFs and other types of trusts.

## Number of PAFs and PuAFs established since 2000 or 23 years ago



PAFs and PuAFs provide a legislated annual minimum distribution of funds to charities. PAFs grant 5% of the value of previous year's net assets, whilst PuAFs distribute 4%.

Typically, the corpus of these structures are invested in capital growth assets, like listed shares.

### **Hilary Pearson, 2021** **Foundations Matter to the Social Ecosystem**

They are an important part of an ecosystem.

Continuity of foundation giving, and their ability to give sustainably to bring about outcomes that may only be realizable in the long term.

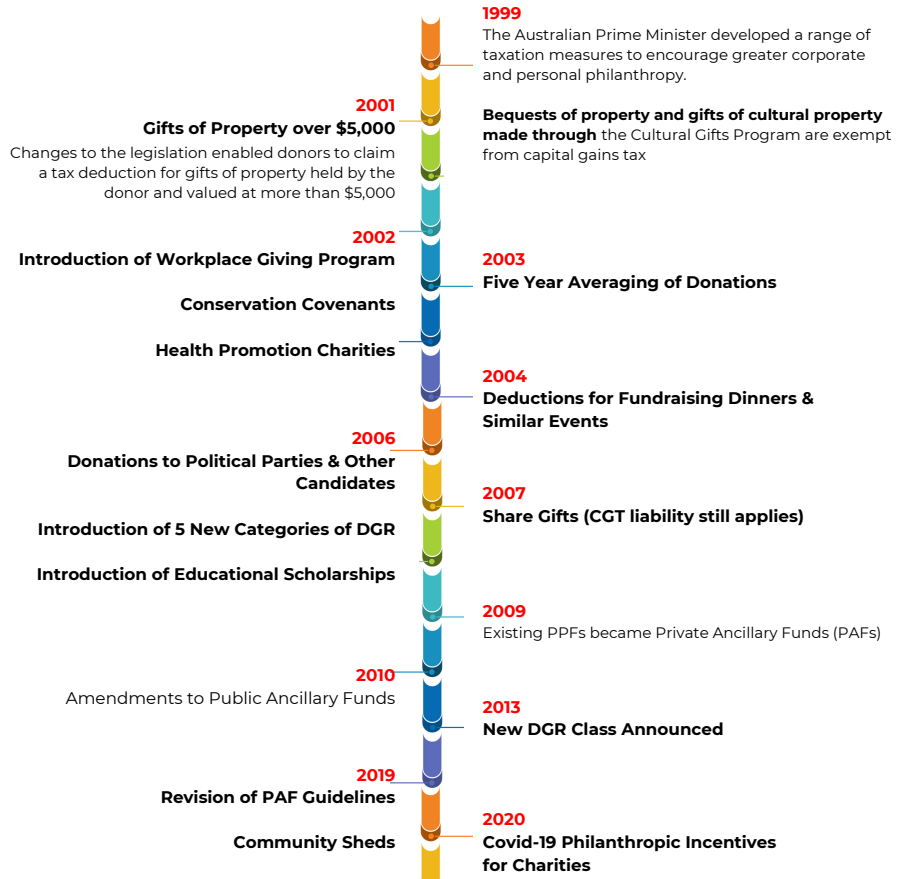
Our country's most complex challenges, such as developing solutions to addiction, homelessness, adaptation to climate change, and generational poverty, require a long-time horizon and much patient philanthropic capital.

# WHAT ARE AUSTRALIA'S FUTURE PHILANTHROPIC GOALS?

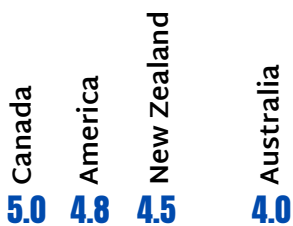
## Philanthropic & Giving Taxation Initiatives implemented in Australia since 1999

Ensuring adequate  
& stable funding  
for the charity  
sector is a  
pressing concern.

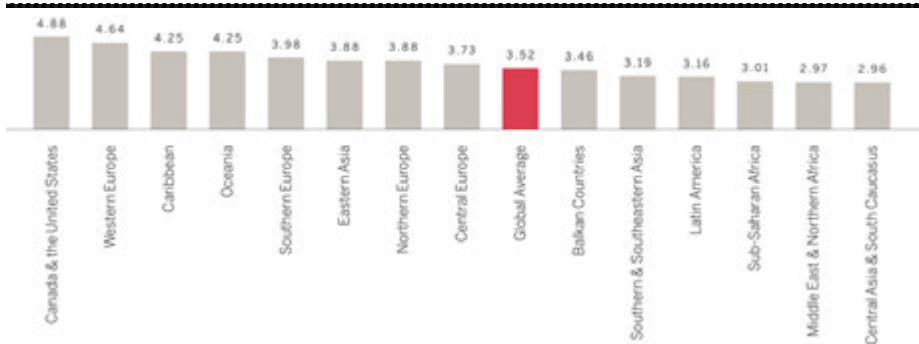
There is capacity  
to offer Australians  
further taxation  
measures to  
encourage more  
giving.



## International Benchmark for Giving, 2022



Global average  
tax incentive score  
**3.5**



Tax incentives by regions,  
examining laws and regulations  
governing taxes related to making  
and receiving donations

SOURCE:  
"The Global Philanthropy Environment  
Index 2022", Indiana University



# WHY THIS PROPOSAL IS GOOD PUBLIC POLICY

## AUSTRALIAN INVESTORS

Australia has one of the highest levels of share ownership in the world.

A fraction of ASX's current market capitalisation of around \$2.5 trillion (domestic market) would easily generate a huge shift in philanthropic funding in Australia.

**10.2 Million  
Australians**

More than half of Australians (51%), an estimated 10.2 million people, hold investments outside of their home and superannuation.

**7.7 Million  
Australians**

Of those who invest, 75% or 7.7 million people hold listed investments.

**1 in 3 AUSTRALIANS  
OWNS SHARES**

**\$2.5 Trillion**

The estimated market value of these listed investments is estimated to be around \$2.5 trillion.

**\$25 Billion**

If 1% of the value of these investments is activated, through this proposal, the charity sector could receive up to \$25 billion.



With many Australians investing in the share market, this proposal will incentivise many more Australians to give and not only the wealthy, whilst they are alive.



Each year, more and more Australians are looking to leverage their shareholdings as part of their giving strategy.

# WHY THIS PROPOSAL IS GOOD PUBLIC POLICY

## ESTABLISHING GIVING HABITS EARLY IN LIFE & WHILST ALIVE


Experts have proved that the benefits of charitable giving can improve one's wellbeing and this is also evident in children.

In fact, some studies show that philanthropists have less depression, higher self-esteem, lower blood pressure, and may even live longer than those who don't give.


The benefits extend beyond an individual and into our social bonds, community trust, purpose and cultural harmony.




**The habit and the attitudes of giving can be established early in life & by setting a good example.**



Charitable giving has benefits for your wellbeing (mental and physical)



Charitable giving translates to a positive shift in our social ecosystem



Giving isn't just for billionaires.

The benefits of giving should be accessible to all Australians and be made easy to participate.

**1 in 3 Australians own shares.** This proposal will boost participation and make it ease for more Australians to give. Setting a good example for the next generation of philanthropists.

# WHY THIS PROPOSAL IS GOOD PUBLIC POLICY

## INTERGENERATIONAL WEALTH TRANSFER | \$ Trillions & Counting

Wealth transfers between generations are large and growing.

Research by Griffith University estimated that Australians aged 60 and over would transfer **\$3.5 trillion** or an average of about **\$175 billion** per year in wealth in the next two decades.

### Case Study: Wealth Transfer Data in 2018 - 2019

Source: Wealth Transfer & Their Economic Effects, Research Paper. Australian Government. Productivity Commission. November 2021

more than  
**\$120 billion**  
was transferred  
in 2018-19

To put this sum in  
perspective, in 2018 - 19  
**Australian Government**  
expenditure on:

HEALTH  
**\$80 billion**

SOCIAL SECURITY &  
WELFARE  
**\$170 billion**

10%

Of this \$14 billion was gifted

90%

Of this \$107 billion was transferred in the  
form of inheritance

\$50 billion went to the children of the  
deceased

\$50 billion went to a surviving spouse or  
to other family and friends.

\$2 billion went to charity

# WHY THIS PROPOSAL IS GOOD PUBLIC POLICY

## BOOSTING SUPPORT FOR CHARITIES

**\$190B**  
CHARITY SECTOR

The charity sector is valued at \$190B or 9% of Australia's Gross Domestic Product (GDP).

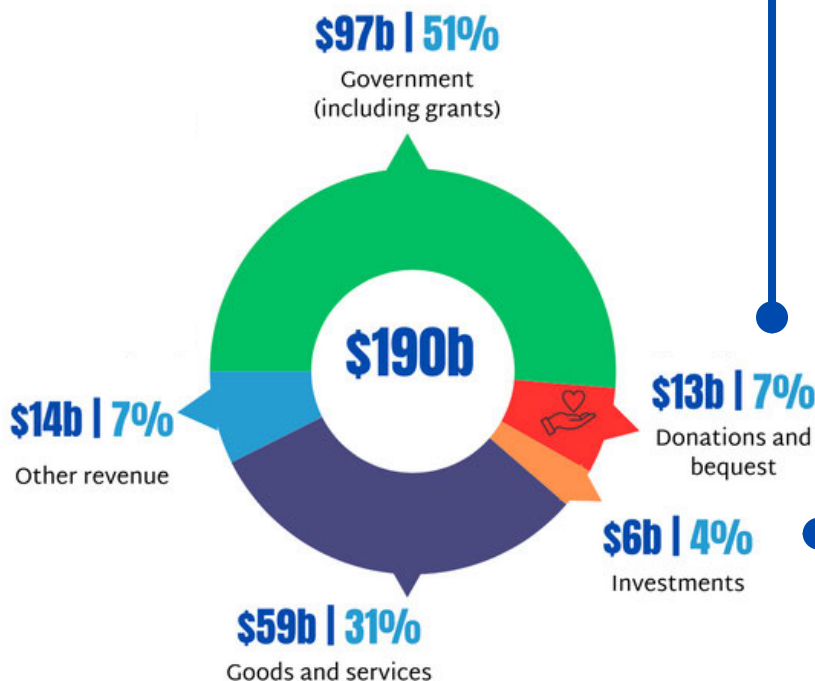
**\$13B | 7%**  
DONATIONS  
& BEQUESTS

The measure has the potential to **introduce new donors** and for existing donors to donate more.

**\$6B | 4%**  
CHARITY INCOME  
FROM INVESTMENTS

A gifted share portfolio provides charities not only with an incentivised donation stream but also an annual dividend payment, if the charity chooses to hold onto the donated shares.

Tax office data shows 4.2 million of the nation's 14.7 million taxpayers made a deduction in 2018-19, **the smallest number in more than a decade and the lowest proportion since 1978-79.**



# WHY THIS PROPOSAL IS GOOD PUBLIC POLICY

## BOOSTING SUPPORT ACROSS ALL THREE LEVELS OF GOVERNMENT

Receiving shares is a win-win for charities, across all States and Territories, including our local Councils. Unlike once-in-time cash donations, share ownership, can help underpin the long-term sustainability of charities and their impact.

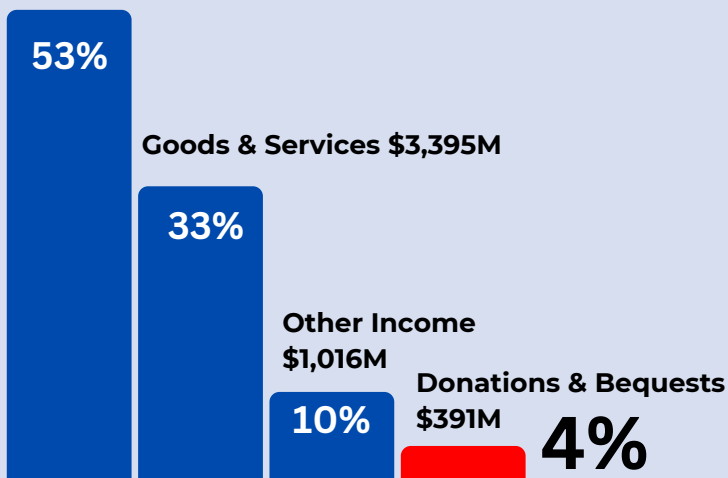


### Case Study: South Australia | Population of 1,820,530

Registered charities  
**3,370**

**1** for every **520**  
**charity** **South Australian**

#### Federal Government \$5,436M



Revenue Sources for South Australian Charities

Charities SA  
Employees **94,936 (10%)**

Charities SA  
Volunteers **140,989 (15%)**

Employees  
SA  
(2022) **923,400**

Employee Numbers, South Australia

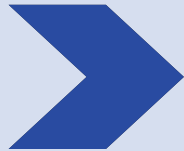
# EXAMPLE ON THE IMPACT OF THE PROPOSAL

John has donated shares with a market value at the date of donation of \$10,000 to a charity listed on the DGR register. He purchased the shares 4 years ago for \$6,000.

The capital gain on the disposal of shares is \$4,000 (i.e. \$10,000 - \$6,000). Since John has held the shares for 4 years, he would be eligible for the 50% CGT discount which would further reduce the capital gain amount to \$2,000. John would then include a deduction of \$10,000 in his tax return for a donation and a capital gain of \$2,000.

**For John (donor), the net effect is a deduction of \$8,000.**

Original cost of XYZ shares  
**\$6,000**



Fair market value of XYZ shares at time of donation  
**\$10,000**

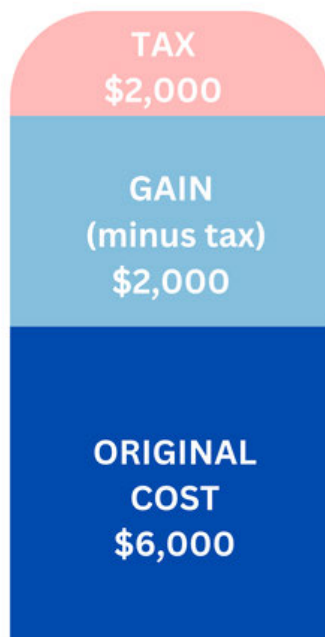
## EXISTING SCENARIO

Sell XYZ shares & then donate the after-tax proceeds

Federal long term capital gains tax  
**\$2,000**

Charitable contribution  
**\$8,000**

Net donor deduction  
**\$8,000**



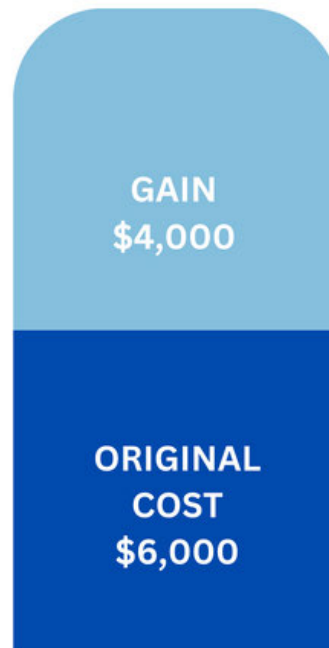
## PROPOSED MEASURE

Sell XYZ shares & then donate the after-tax proceeds

Federal long term capital gains tax  
**\$0**

Charitable contribution  
**\$10,000**

Net donor deduction  
**\$10,000**



## ADDRESSING THE CHALLENGES

### The donor is **NOT** ‘double dipping’ in benefits

In 2007 a tax incentive was introduced for the donation of property where a tax deduction is available to the donor, equal to the market value of the donation (1st benefit).

CGT exemption of the donation of listed shares is seen as the 2nd tax benefit for the donor.

The argument to eliminate CGT is focused on removing the cost and psychological impediment of CGT on the donation.

The cost of CGT prevents donors from giving capital property because they see it as paying taxes to donate even though the capital gains would be offset by the credit or deduction.

Any additional foregone revenue from Government will flow into the Charity sector.

The exemption of CGT on the donation of shares is only activated on a donation to a registered charity vs personal gain.

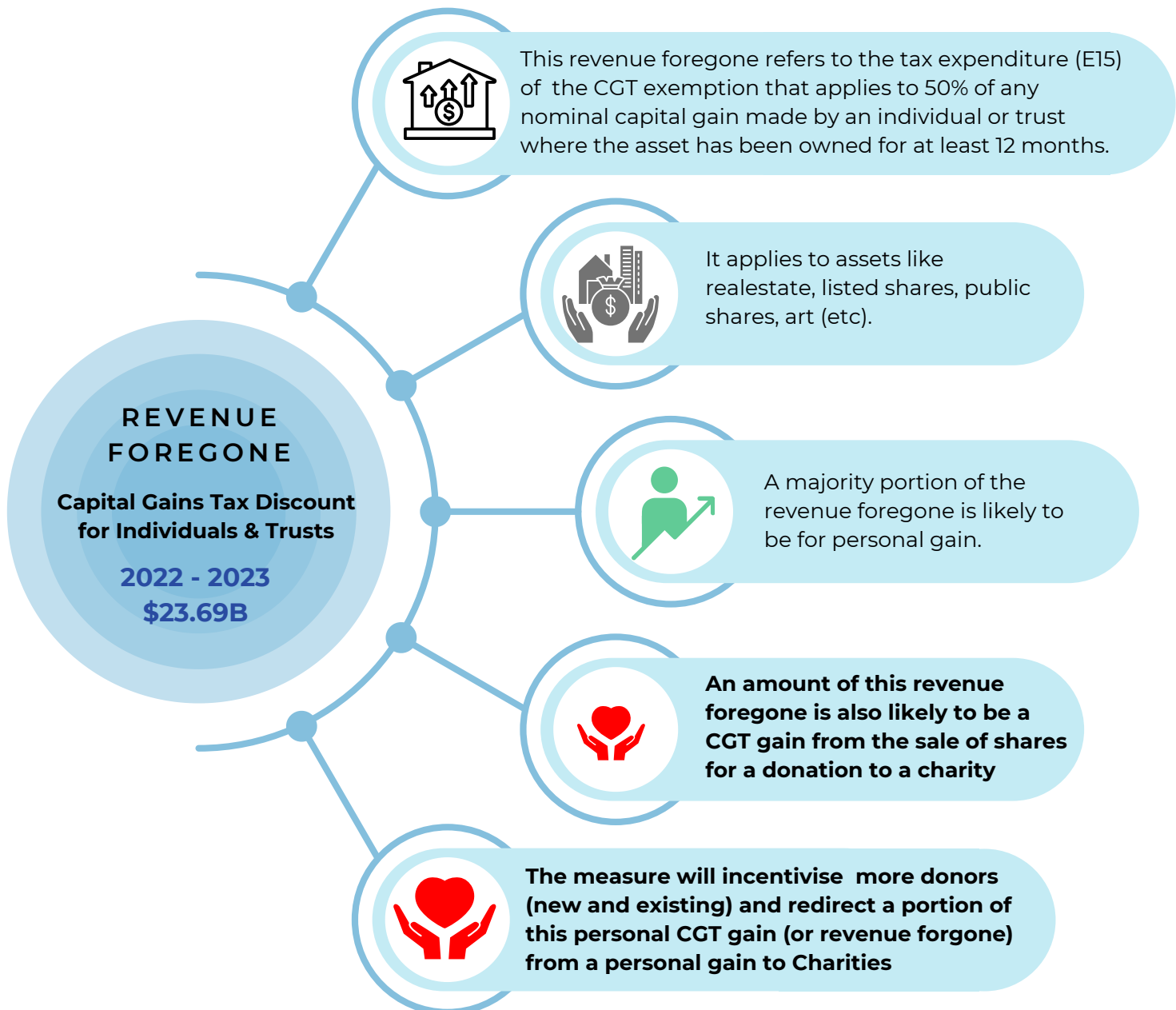
## Canadian Experience

- 1 Canadian experience has shown that this measure has a significant impact for **Relative Low Cost**.
- 2 **For every \$1 of foregone CGT revenue it results in over \$13 of donations to the charities.**
- 3 **This measure resulted in significant increase in first time donors.**
- 4 **Long Start Up Time.**

“  
**Behavioural science suggests that even small costs will deter people from making a donation**”

# ADDRESSING THE CHALLENGES

The estimated revenue foregone of CGT discount for individuals and trusts is published in TEIS and for 2022-2023 was estimated to be \$23.69 billion





# CAN WE AFFORD NOT TO ACTIVATE THIS INCENTIVE ?

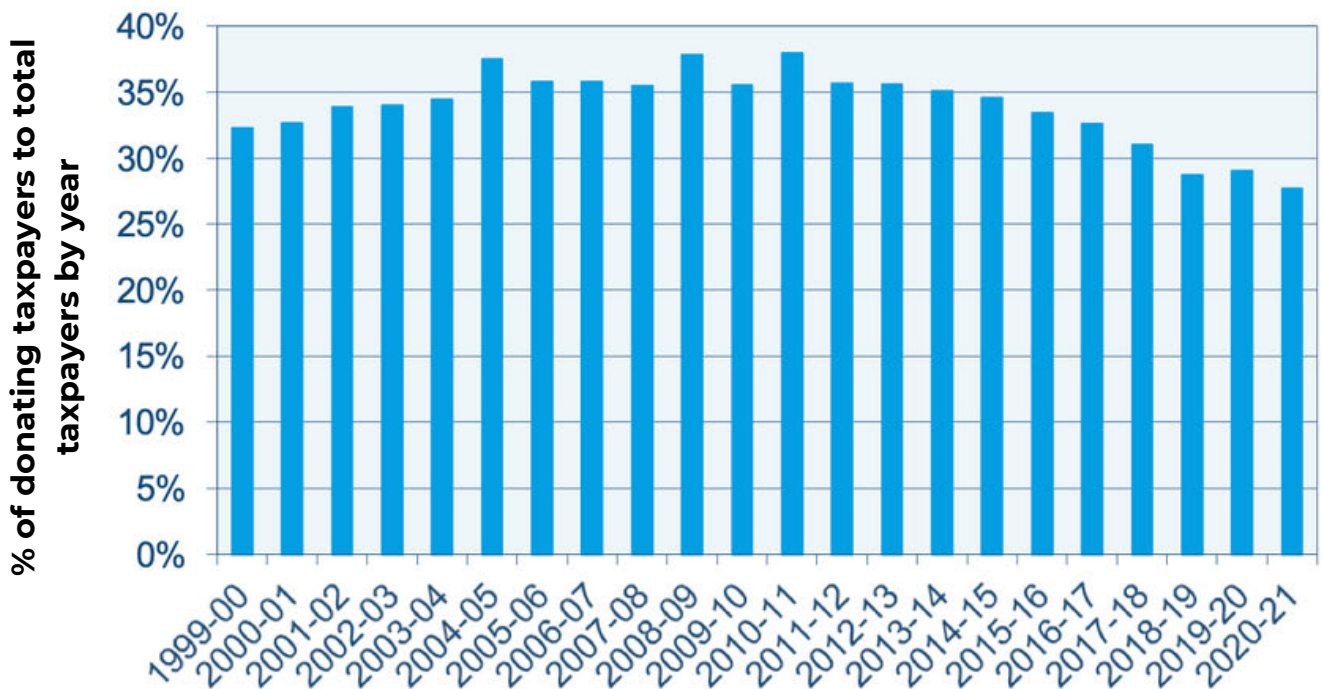
**Data suggests that Australians aren't as charitable as they used to be with the share of people making donations falling to its lowest level since the 1970s.**

It is the generosity of a few of some of the nation's richest people that are easing the struggle facing the charity sector.

The % of tax payers making a tax-deductible donation to charity has decreased

In 2020-21: only 28% or 4.19 million of individual tax payers made a tax-deductible donation to charity, totalling \$4.39 billion.

This has fallen from 37% in 2010-11.

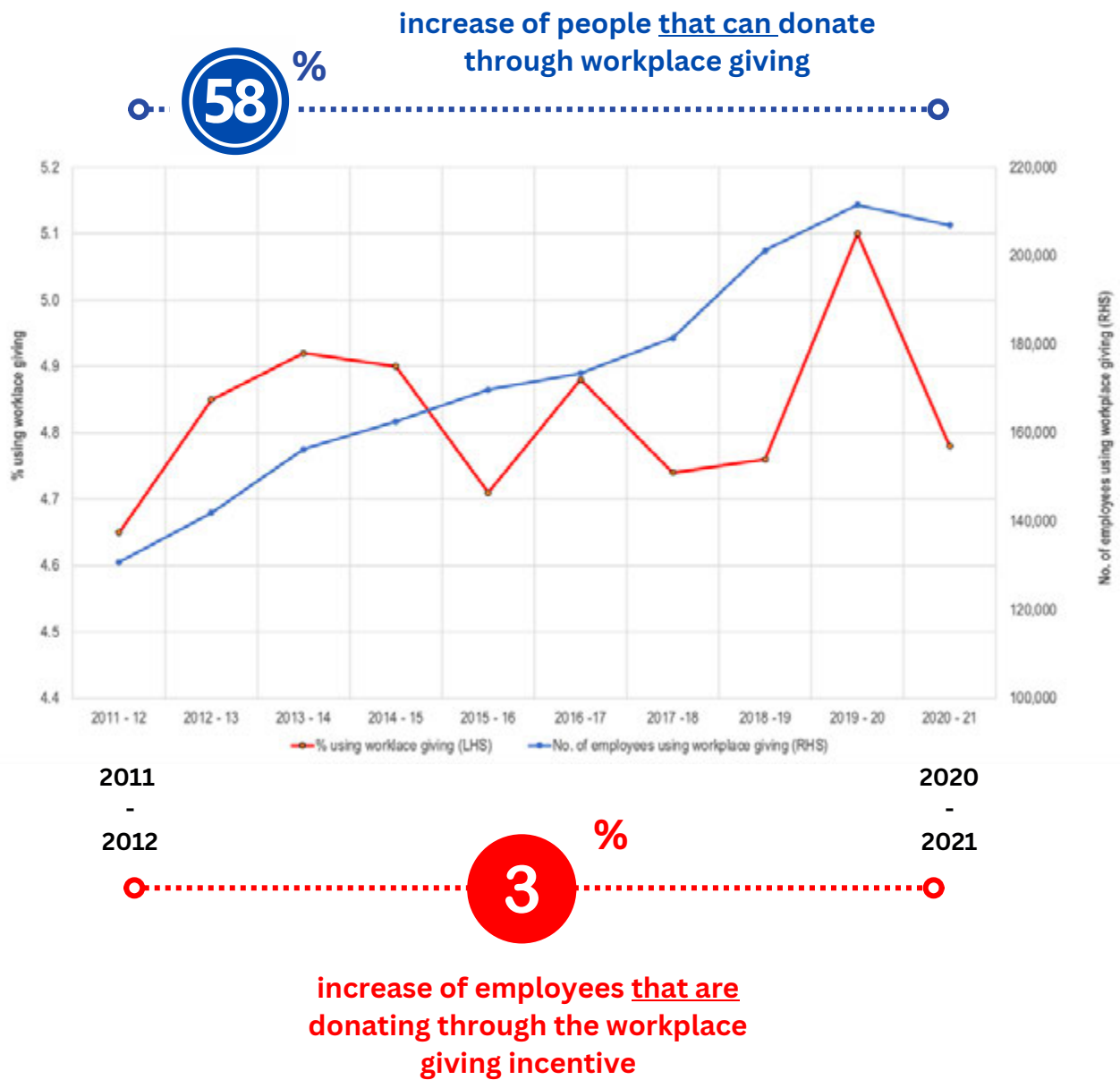


# CAN WE AFFORD NOT TO ACTIVATE THIS INCENTIVE ?

## Workplace Giving Trends

The number of people employed by organisations which have workplace giving programs has increased over time by 58%, since 2011 - 2012.

However, the **% of employees** using workplace giving has decreased to 4.8 % in 2020–21, or has increased by only 3%, since 2011 - 2012.



# CAN WE AFFORD NOT TO ACTIVATE THIS INCENTIVE ?

## Long Term Sustainability for our Charities

Low salaries, high turnover, a decrease in volunteers and the acceptance that charities should deliver a service with low operational costs, is an on-going problem.

### Amplifying the Impact of a Donation

The donation of capital growth assets, like listed shares, will have a significant impact on the operational sustainability of charities.

The policy benefits the charity sector by bolstering their finances, through capital growth of the asset and yield.

## CASE STUDY 1

On the 1 July 2000 Charity XYZ received a total donation of **\$1,000,000 worth of BHP shares** from 100 donors and **re-invested the annual dividends (DRP)**

**The estimated value of the BHP shares today**

**\$17.0  
MILLION**

## CASE STUDY 2

On the 1 July 2000 Charity XYZ received a total donation of **\$1,000,000 worth of BHP** shares from 100 donors.

In this scenario the Charity used the annual dividend payments to pay for operational expenses.

**Total estimated Income from dividend payments**

**\$4.3  
MILLION**

**The estimated value today of the BHP shares is:**

**\$6.4  
MILLION**

# SUMMARY

This measure will ensure **the viability of the charity** sector which is critical to deliver jobs, economic activity and shoulder the pressure of service delivery for the government.

This proposal activates **'shares for good'** opportunity to reframe investors' motivation and strategy from purely personal gain to **'personal gain and public good'**.

01

## Making it Ease to Give

The additional CGT exemption will act as a tangible, immediate catalyst for increasing private financial donations. It can act as a mechanism to encourage charitable giving.

02

## Develop a Strong Giving Culture

Private funding for charities currently represents approximately 7% of all charitable income with the majority of funding coming from Government. This policy will reduce the net financial burden on the taxpayer.

03

## International Precedent

Other countries with a similar taxation approach (UK, Canada) have taken and maintained measures to increase charitable giving by removing CGT on listed share donations.

04

## What to Expect

Experience from other countries demonstrates that this initiative accelerates current givers and expands potential givers. This empowers Australians to give whilst they are alive and **model the importance of philanthropy for future generations.**

# SUMMARY

## WHY SHOULD WE INCENTIVISE THIS ASSET CLASS?

Because a significant portion of Australians own listed equities.

1

### NEW GIVERS

Encourage new givers, across all different wealth levels

2

### MORE GIVING (\$)

Encourage existing givers to give more

3

### NEXT GENERATION

Encourage & teach the next generation to give

4

### MORE BEQUESTS

if you give whilst alive you are more likely to leave a bequest

5

### WEALTH TRANSFER

Capture a portion of the intergenerational wealth transfer

6

### STRUCTURED GIVING

Encourage more PAFs and PuAfs

7

### GLOBAL RATING

Improve Australia's Global philanthropic rating

## WHY SHOULD WE INCENTIVISE THIS ASSET CLASS?

SUPPORT OUR CHARITIES & THE WORK THEY DO

## NEXT STEPS

Experience of this initiative in Canada and UK suggests, that this simple change to our legislation, would enable a significant amount more transfer of capital to charities by people during their lives.

The international evidence shows that both the number and the value of donations of securities have significantly increased and a broad range of charitable areas, education, health, religion, welfare, the arts, have benefited from it.

The measure was implemented in Canada and the UK, approximately 20 years ago with proven success.

### Recommendation

01

Commission a detailed assessment of the benefits to the charity sector of this proposed measure using domestic and international evidence.



### Recommendation

Trial CGT relief on charitable donations of listed equities for a period of five years

02

As the Canadian Finance Minister Martin, noted in 1992:



**From the data available, it appears that this measure has been an effective additional incentive for people to make donations to charities. This is exactly what the measure was designed to do**



# Accelerating Charitable Giving

through

## Capital Gains Tax Reform on Listed Equities

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*We thank you for the opportunity to  
contribute*

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CONTACT

Nunn Dimos Foundation



SHARES FOR GOOD