

## **Submission to the Productivity Commission Inquiry into Philanthropy**

Thank you for allowing Catholic Social Services Australia (CSSA) to contribute to the discussion regarding the future of philanthropy in Australia.

CSSA is the peak body for Catholic social service providers. Our membership is drawn from organisations operating under the authority of a diocesan bishop or a religious order and from Catholic lay associations. They include CatholicCares and Centacares nationwide and organisations such as MacKillop Family Services, Jesuit Social Services and Marist180.

Charities in Australia are a diverse group, each with its distinct purposes and funding sources. Catholic social service providers depend on a combination of government grants, service fees, and donations to sustain their operations. Additionally, due to their commitment to their faith, many of our member agencies feel compelled to serve in areas of operations that generate losses, forcing them to draw down on their limited reserves.

The tax concessions described on page 19 of the 'call for submissions paper' are an important consideration for CSSA and our members in managing our complex and tight budgeting arrangements.

The concessions provided to our workforce, such as fringe benefits and payroll tax exceptions, play a crucial role in enabling our agencies to compete for and retain talented staff in a highly competitive employment market. It is acknowledged that people working in the social services sector are predominately women and are typically paid less than those working in a role with similar qualifications in a corporate environment. Fringe benefits tax exceptions for staff allow us to partially correct this disparity in pay rates.

In an industry already suffering from significant staff shortages, removing these concessions would make attracting staff even more difficult.

Our member agencies currently benefit from various concessions, such as exemptions on goods and services tax, land tax, rates, stamp duty, and motor vehicle registration. These concessions help to lower our agencies' operating costs, and if they were removed, it would result in a reduction in funding. This reduction could force many organisations to limit their operations or stop operating entirely. This would have a negative impact on the most vulnerable members of our community and may require government to intervene directly at additional taxpayer expense.

Removing tax concessions in an attempt to create a level playing field between charities and for-profit businesses would represent a failure to recognise the significant role charities play in supporting our community.



While for-profit businesses contribute to the community through employment and tax revenue, their primary focus is serving the owners or shareholders of the company. The purpose of a charity is to allocate resources towards supporting people and worthwhile causes that do not generate profits, making them unattractive to businesses. Through this process, charities play a valuable and distinct role in supporting the fabric of society.

The cessation of tax concessions, such as FBT, could significantly impact the viability and effectiveness of Australian Catholic social service agencies, potentially reducing their ability to provide essential services and support to those in need.

Respectfully,

**Monique Earsman**

Executive Director

Catholic Social Services Australia

Thursday, 2 May 2023.