unicef AUSTRALIA | for every child

5 May 2023

Julie Abramson
Commissioner
Productivity Commission
philanthropy@pc.gov.au

Dear Ms Abramson

UNICEF Australia welcomes the intent of the Australian Government to grow charitable giving in Australia, and the opportunity to contribute to the Productivity Commission's Philanthropy Inquiry. We support the ambition of the Federal Government as articulated by the Assistant Minister for Competition, Charities and Treasury to double philanthropic giving in Australia by 2030.[1]

UNICEF Australia is an Australian NGO working in Australia and across the world to help children realise their full potential by providing access to clean water, life-saving vaccines, quality education and health care as well as working to ensure every child is safe and protected from harm and is always there during times of emergency.

Charitable giving allows UNICEF Australia to provide this long-term and sustainable change for the world's children and we believe that strong charitable giving means a strong non-profit sector which is essential to Australia's prosperity both domestically and on the international stage. We note our support of Philanthropy Australia's Strategy to Double Giving by 2030.

We are encouraged by work underway in the philanthropy community to find avenues to boost the contributions made including by some of Australia's wealthiest individuals, families, and organisations and believe that this is an important lever to help achieve the stated ambition to double giving by 2030.

In addition to noting our support of Philanthropy Australia's submission, UNICEF Australia has two key additional recommendation to the Productivity Commission Inquiry:

a) Commit to robust examination of options to optimise the Australian taxation system to incentivise smaller value charitable giving at a much greater scale across many Australian households;

Possible options could include having a set rate of tax deduction for all donors which would be at a higher rate for low income earners such as the mechanisms used in New Zealand and Singapore.

b) Adapt and adopt a UK style 'Gift Aid' model that suits the Australian context

We believe that these opportunities are currently under-examined and could yield a significant uplift in charitable giving across the Australian economy.

We note the Gift Aid incentive which has boosted charitable giving in the United Kingdom (UK) and has leveraged an additional $1.3bn to the sector in 2021/2022[2], and is an interesting case study for how taxation systems could be optimised to boost giving to the sector.

Benefits of Tax Relief

In the UK Gift Aid scheme, both the donor as well as the charity retain some form of tax break on donations, applied to a variety of donations.

Whilst many countries offer a rebate as tax relief for donations, studies[3]/[4] have shown that a match-based tax system, as in the UK, is likely to be particularly effective in increasing donations going to charities, with donors more likely to increase their donations under this mechanism.

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Tax Relief Mechanisms
The UK Gift Aid scheme benefits all involved: donors increase the impact of their giving; charities see an increase in funding and improved regular cashflow; and the government gets further simplification of tax filings and possible automation of charitable deductions, along with additional support to charities funded by eligible tax deductions, not increased disbursements.
In Australia in 2019/20, $3.9 billion in donations were claimed in tax relief by individuals with over 4.34 million tax payers claiming a deduction[5]. Not all donors claim a tax deductible donation, with around $5 billion given in cash in 2015/16 per the Australian Bureau of Statistics' (ABS) Household Expenditure Survey compared to only $2.9 billion claimed as a tax deductible donation in the same year.[6] If a Gift Aid type program existed in Australia, and 20% of deductions (as an example) were re-directed to charities, that would result in a re-direct of $780 million in additional revenue to charities.
A matching tax relief model would be simple to introduce – 'check a box' on a charity's payment portal to opt-in. When a donation is made, a donor could check a box to indicate that they would like to opt-in for 'gift aid' and direct the first 20c (for example) of their tax deduction (of a $1 donation) to the charity. If the donor is eligible for more than 20% tax deduction, the additional component would form part of their tax return. With the data already with the tax office, this could be 'pre-filled' in the Australian Taxation Office's (ATO) online tax system. Data would be collated by the charity and invoiced monthly to the ATO for payment. Donors could self-nominate eligibility (e.g. pay enough tax) and random audits could pick up anomalies, with data matching possible from charities to tax records.

Finally, UNICEF Australia notes our willingness to work with others across the sector, and key Government agencies to conduct more detailed analysis and help devise a uniquely Australian system.

We thank you for the opportunity to contribute to this important Inquiry.

Yours sincerely,

Tony Stuart
Chief Executive Office
UNICEF Australia