

5 May 2023

Philanthropy Inquiry  
Productivity Commission  
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Dear Commissioners,

**Re: Productivity Commission Review of Philanthropy**

Anglicare Australia welcomes the opportunity to provide input to the Productivity Commission's Review of Philanthropy (the Review). Anglicare Australia is a Network of organisations with links to the Anglican Church. Many of our member agencies raise funds from philanthropic sources alongside their Government funding, enabling our Network to deliver more than 50 service areas in the Australian community.

**The role of government in supporting philanthropy**

Philanthropy provides an important source of additional funding for community service organisations. Anglicare Australia members raise approximately one third of their income from sources other than government grants, including philanthropic partnerships, bequests and fundraising. Philanthropic funding can support innovative new ideas that help develop the evidence base for services and creatively address wicked social problems. It can fill vital gaps where government funding is unavailable or provide for more freedom for advocacy, evaluation and research.

However, philanthropic funding should never replace adequate, long-term and secure government funding. Often philanthropic funding is short-term or for specific programs that align with the interests of the donor or organisation. Bequests and fundraising are unpredictable and impacted by changes in the economic environment. It is the role of governments to provide essential services and a safety net for all its citizens. Governments should fully fund the services they outsource to community organisations, that they would otherwise be required to provide directly.

Any reforms to encourage philanthropic giving or changes to the tax treatment of donations should be designed to complement stable funding for essential services, not replace it.

### **The Deductible Gift Recipient (DGR) framework**

The paper asks for input on the efficiency, effectiveness and equity of the DGR framework. In 2010, the Productivity Commission noted that Australian tax deductions appear to be generous, but in fact, the scope of organisations that are eligible for these deductions is narrow by international standards.<sup>i</sup> The Commission went on to say that this distorts charitable giving to favour those who are eligible to be DGR, which is less than half of all charities. Anglicare Australia shares the Commission’s view that tax deductibility should be expanded.

*“The Commission believes that gift deductibility should be widened to include all tax endorsed charities in the interests of equity and simplicity. The use of PBI status is no longer an appropriate basis for determining DGR eligibility for charitable endeavour.”<sup>ii</sup>*

Regulation of DGR status is also complex. While the Government’s recent proposed reforms to the DGR register are welcome, there remain over 50 categories of recipient. Despite the complexity and confusion that navigating these categories causes the sector, the current system does not capture the diversity of modern Australian charities and the issues we work on. This is a particular obstacle to emerging charities and those with fewer resources. The regime also disadvantages charities whose work centres on advocacy, which members of the current Government have sought to protect.

To this end, Anglicare Australia supports calls from the Stronger Charities Alliance for more holistic DGR reform by simplifying and extending the availability of DGR status to all charities registered with the ACNC. At a minimum, Anglicare Australia believes that DGR provisions should be reviewed and made consistent with charity laws on advocacy, and with High Court precedents relating to freedom of political communication for charities. There have been previous warnings that any restriction on the ability of a charity to exercise its right to advocate, including through exclusionary DGR regulations, is potentially unconstitutional and could be subject to legal challenge.<sup>iii</sup>

### **The role and effectiveness of Fringe Benefits Tax Exemptions**

In the midst of a cost-of-living and housing crisis, and following bushfires, floods and the COVID-19 pandemic, demand for community services has soared. Low rates of indexation and government underfunding over decades means that community services are unable to meet demand, and funding has fallen below the true costs of service delivery.

At the same time as demand is surging and costs are rising, community service providers are facing a workforce crisis. The care industry is the fastest growing industry in Australia. Aged care, disability, community mental health, family violence and youth sectors are all facing workforce shortages. 47 percent of sector leaders reported that staff turnover is too high, and they face difficulties recruiting and retaining staff.<sup>iv</sup> Helping the sector attract and retain quality staff should be a key focus of this Review.

Fringe Benefits Tax concessions allow community service organisations to provide staff with additional conditions and benefits that are vital to attracting and retaining a high-quality workforce at a lower direct cost to government. They are an enabler of a strong, committed workforce. While community service organisations are underfunded and unable to pay the same wages as government services or other industries, any changes to FBT exemptions risk undermining the amount and quality of services that can be delivered, and the number of people that can get help when they need it.

We encourage the Productivity Commission to consider positively the benefits of and improving access to concessions for charities, including FBT.

We would welcome the opportunity to discuss the matters raised in this letter further, or answer any questions that you may have.

Yours sincerely

Kasy Chambers  
Executive Director

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<sup>i</sup> Productivity Commission (2010) [Contribution of the Not-for-Profit Sector](#).

<sup>ii</sup> Ibid.

<sup>iii</sup> Ibid.

<sup>iv</sup> ACOSS (2023) [At the precipice: Australia's community sector through the cost of living crisis](#)