

Philanthropy Review

The Productivity Commission
Australian Government

5 May 2023

To whom it may concern:

I welcome to opportunity to provide comment on the important topic of philanthropy. I have had varied experience working in the charity sector over the last two decades, including working for several charities, serving on boards, fundraising, and other volunteer activities.

General comments

I believe that it is extremely important to recognise the valuable contributions of the charity sector and to promote greater confidence in this sector. Charities often play a vital role in addressing a wide range of social, environmental and humanitarian issues. Charities operate in areas that are often under-resourced, underfunded or overlooked by government and corporate sectors. Charities are often the only lifeline for vulnerable groups such as animals, the elderly, the disabled and the socially disadvantaged. Charities often operate at the grassroots level, delivering services and support to communities where there are no other options available. Charities often deliver services at an extremely cost-effective manner when compared to government and the for-profit sector.

I also welcome reforms to fundraising laws to create simplified nationally consistent rules for charities. I understand the government has already committed to some of these reforms. It is also important to create a consistent framework nationally that takes into account both the charity sector and also individuals and other unregulated fundraising.

I encourage the Commission to look at opportunities to highlight the effectiveness of charities as noted in the Terms of Reference. It can be complex to evaluate the varied work of charities, but when done well, such evaluation can provide confidence to donors that their donation is spent as effectively as possible. However, consideration must be given to organisations that focus on advocacy and policy change as well, and not just service based charities.

DGR status

Deductible gift recipient (DGR) status is an important mechanism that enables donors to claim tax deductions for their donations to eligible charities. This status provides a powerful incentive for individuals and businesses to support charities financially, which in turn enables charities to deliver more services and programs to those in need. By expanding DGR status to more charities, including animal protection charities, the government can demonstrate its support for the charity sector and send a strong signal that it values the work of charities and recognises their contribution to the community.

Furthermore, charities are much more accountable than a crowd-funding page run by an individual, for example. Charities are subject to rigorous reporting requirements, financial audits and regulatory oversight to ensure that they are using their resources effectively and transparently. Charities also have to meet certain governance standards and codes of conduct to ensure that they are operating in an ethical and responsible manner. By promoting DGR status for more

charities, the government can help to raise public confidence in the charity sector and reduce the risk of fraud, mismanagement or misuse of funds. At the moment charities could be seen as effectively “competing” with individuals running unregulated crowd-funding campaigns or regular donations (platforms such as Patreon) online with little to no accountability. Unfortunately, there is little visible education work being done to educate donors about the risks of donating to unregulated sources and the benefits of donating to registered charities.

All charities registered with the ACNC have several requirements for governance and reporting, but many are forced to do so without the benefits that come with DGR status. Not being able to register for DGR status can limit a charities ability to access many fundraising opportunities including:

- Donations from individuals seeking to reduce tax
- Government grants
- Workplace giving
- Corporate donations and partnerships
- Some trusts, foundations and grants
- Paypal Giving Fund
- Social media donation platforms such as Facebook and Instagram
- Bequests in wills (although not prevented, not having DGR status may limit)

Charities that are unable to register for DGR status due to arbitrary categories set up years ago potentially miss out on accessing billions of dollars. For example, an advocacy charity that advocates for protection of the environment may be eligible but an animal protection organisation that advocates for better welfare for animals will not be eligible.

Final comment

Related to DGR and charity status, it is important to put in place measures to ensure the process to strip charities of their charity status or DGR status without proper cause is removed from politics. The removal or threatened removal of such status has in the past been used as a weapon to seek to silence advocacy charities - especially those whose aims do not necessarily align with the government of the day - particularly groups advocating to fight climate change, environmental destruction or animal cruelty in the agriculture sector.

In summary, I welcome the enquiry and look forward to productive reforms to increase philanthropic funding to the charity sector. I encourage this review to seek to widen the criteria around DGR status as part of this review.

Thank you for considering these views. I look forward to commenting further after the draft report is released.

Yours faithfully,

Chay Neal