

Dear Commissioners

As a father & grandfather of several school age children, I am very concerned about some of the proposals within your "Future foundations for giving Draft report".

To me the definition of 'charity' is based on over 400 years of common law, largely based on the Preamble to the Statute of Charitable Uses (known as the Statute of Elizabeth), enacted by the English Parliament in 1601; *Commissioners for Special Purposes of Income Tax v Pemsel [1891-1894] All ER Rep 28* (Pemsel's case) and subsequent court cases (details from treasury.gov.au). Under this definition there are four main pillars (again I am largely quoting from treasury.gov.au):

1. The relief of poverty. Most of such charities are religiously affiliated, I have personally contributed to some including, Salvation Army, Sydney City Mission (now Mission Australia), Rapid Relief Team and a charity that claims to be of "no political, religious or cultural affiliation" namely, The Red Cross, although it's interesting to note that: "Christian beliefs played a role in triggering and inspiring the inception of the ICRC and The Red Cross is the name used in countries under nominally Christian sponsorship, while Red Crescent (adopted on the insistence of the Ottoman Empire in 1906) is the name used in Muslim countries".
2. The advancement of education. As a regular contributor, to these charities I feel that I am helping the government provide a better overall service to the oncoming generation. Meddling with the current status quo, of DGR, will result in a decrease in the voluntary contributions from myself and many of my contemporaries. This will, in turn, result in a surge of students returning to the already over stretched public schooling system and an increase in the funding shortfalls within the public schooling system. Students will also suffer from an overall decreased quality in their education.
3. The advancement of religion. As heirs of the undeniable societal benefits of Judeo-Christian systems of governance, I very much subscribe to this classification and make regular contributions to this cause, mostly out of my tax-paid income. I hope that the commission respects the long established tradition of such causes being maintained under DGR status and does not seek to over throw it to pander to neo social movements.
4. Other purposes beneficial to the community not falling under any of the preceding headings. I assume this would include medical and emergency causes, such as Careflight (which I contribute to every month), Rural Fire Service, St. John Ambulance (acknowledges religious affiliation dating back over 900years), Rapid Relief Team, The heart Foundation, Cancer Council, State Emergency Service and numerous other organisations, to which I have personally contributed. I would commend the commission for keeping these intact.

I would like to refer to the quotations below, from your draft report:

"The Commission's proposed reforms aim to make the deductible gift recipient (DGR) system simpler, fairer and more consistent."

"The Australian Government, in the context of its goal of doubling giving by 2030, asked the Productivity Commission to undertake an inquiry to analyse motivations for philanthropic giving in Australia and identify opportunities to grow it further."

"It is expected that the number of charities with DGR status would increase from about 25,000 charities to somewhere in the range of 30,000 to 40,000 charities."

I feel these are noble targets, but I am very concerned about some issues that are evident in your draft, the first being regarding School building funds. Again below are quotations from your report, I have categorised them A, B and C for comment:

- A. "School building funds for primary and secondary schools and religious education would be the main entities that would no longer be eligible for DGR status under the Commission's proposals. There are currently about 5,000 DGR endorsements for school building funds. Of these, three-quarters are charities and the remaining quarter are government entities, such as public schools."
- B. "The Commission's view is that converting a tax-deductible donation into a private benefit is, in principle, a substantial risk for primary and secondary education, religious education, and other forms of informal education, including school building funds. The potential for a donor to be able to convert a tax-deductible donation into a private benefit is especially apparent for primary and secondary education, particularly where students are charged fees. Potential donors are most likely to be people directly involved with the school and benefit directly from donations, such as students, their parents or alumni. Most other classes of activities in the education charitable subtype, including formal higher education and research activities would remain within the scope of the DGR system."
- C. "The result is a definition which is unclear and confusing, does not meet the needs of contemporary Australian society, and does not necessarily reflect the diversity of organisations which operate for the public benefit."

Item A: Is deeply concerning and indicates a clear bias against long established norms in the granting of charitable status to entities. The commission provides absolutely no tangible or reasonable basis for making these building funds "no longer eligible". I find this shocking and a clear pursuit of an agenda, which is opposed to the Judeo Christian background of our country, it is simply Un-Australian. Also the draft states that "Transition arrangements are needed, but the fiscal cost will be modest" - how this statement was reached is incomprehensible, the costs caused by this proposal, to private and public education, will be astronomical. There is currently a delicate balance, small changes in the DGR system will have an exponential effects on this balance and will lead to an influx of students changing from private schools to public schools. The cost to the already overstretched public education system, is incalculable. There will undoubtable be a drop in the quality of all school education as a result.

Item B: The statements regarding "substantial risk" of a "private benefit" are insulting to the intelligence. How do the authors of the draft think a generous contributor, to a school building fund, who extends themselves to help fund the education of young people, in so doing voluntarily supporting the government in meeting it's education obligations, get a "private benefit" ? I have made substantial contributions to such funds, it most certainly does not provide any "private benefit", this so called "risk" is an extremely concocted idea. Respectfully, I would like to debate this before any reasonable audience, with the authors of your draft report.

Item C: It is deeply troubling that statements are made, stating that the current definition is "unclear and confusing" then extensive wording is included, without articulating any real basis for this. I commend the commissions desire to introduce "diversity", but would strongly caution against including diversity for diversity's sake. To again quote from your draft: "diversity and freedom are core to [philanthropy's] success. It is free of government and political agenda and election cycles." I commend your intention to include as many diverse people as possible in the granting of DGR status, such as, again I quote: "those focused on advocacy and prevention, a wider range of animal welfare charities" and "Aboriginal and Torres Strait Islander people and communities, LGBTIQA+". As a farming background business and family, I feel compelled to alert you to the fact that there are many individuals, who claim alliance with some of the above groups, who are radical activists, are

strongly political and are known to engage in illegal acts, in pursuit of their causes. To pursue diversity without, carefully considering the will of the quiet majority of Australians, is a dangerous, slippery slope.

Further I wish to refer to the example given in Box 1, below is an abbreviated excerpt, from it:

“Box 1 – What is the price of giving? For example, if a person earns \$100,000 and donates \$2,000 to a charity with DGR status, their taxable income will decrease by \$2,000 and their tax paid will reduce from \$22,967 to \$22,317 (all else equal). The effective ‘price’ of giving is reduced from \$1 (without a tax deduction) to about 68 cents per dollar through the deduction because, although the person donates \$2000, they pay \$650 less in tax. Viewed another way, to acquire \$2,000 worth of charitable donations, an entity with DGR status only need convince a person to donate \$1,350, with the balance of \$650 covered by other taxpayers. Drawing \$650 from other taxpayers to encourage \$1,350 to be given to a charity is not costless. It necessarily means the government will have \$650 less to spend on other priorities. There is no free lunch.”

Indeed! The fact that the contributor is voluntarily giving \$2000 of their hard earned income, towards alleviating the government’s liability to educate students, seems to be completely ignored! Also the assertion that there is a “Drawing” of “\$650 from other taxpayers”, ignores the highly likely possibility, that the (taxpaying) contributor will divert income to other projects (e.g. superannuation) to alleviate their tax liability, if denied DGR for a school building fund, serving their progeny. This whole scenario, is quite disingenuous, and treats the earnings of the taxpayer as somehow being property of other taxpayers, before they have made their final tax return, quite an extraordinary contortion of intellect. Furthermore it ignores the well documented inefficiency between tax collection and service delivery, when compared to private sector processing, particularly within charitable organisations, where most processing is done by volunteers.

Kind Regards,

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