



SUBMISSION TO

THE PRODUCTIVITY COMMISSION DRAFT REPORT

- FUTURE FOUNDATIONS FOR GIVING

Prepared by Suellen Holmes on behalf of
Christian Outreach Centre trading as
International Network of Churches
February 2024

This submission is made on behalf of the International Network of Churches (INC), which is a Pentecostal Christian movement registered with the Australian Charities and Not for Profit Commission and consists of over 120 churches in all states and territories of Australia, one private higher education provider, four prep – year 12 co-education independent Christian registered schools and nine approved childcare services. The INC Movement also consists of other charity activities within the group that provide charitable support in many areas of our diverse communities. INC collectively represents over 25,000 regular church attendees, over 5,000 students, 900 childcare places, and thousands of volunteer hours every week. INC was listed as the fastest growing religion in the 2016 census.

RECOMMENDATION TO REMOVE DGR STATUS FOR SCHOOL BUILDING FUNDS

This submission requests the deletion of the recommendation to remove what is a long-established avenue for DGR giving into primary and secondary school building funds. The draft report from the Commission Inquiry indicates that the basis of this exclusion and removal of DGR status is "the potential for a donor to be able to convert a tax-deductible donation into a private benefit."

School Building Funds are strongly supported by alumni (who have no current benefit from the school) and local communities that are not current parents of the school. The vision of these independent schools is to provide quality education to the local catchment area, manage student fees to be accessible to a broad range of families in that catchment, and open the opportunity for the wider supporter base of alumni and local communities to contribute to the burden of capital works and maintenance of those buildings. In many cases, the start-up of a new school campus depends on donors giving to capital works that will never have family members enrolled in that school.

Our schools do not have compulsory building donations, and there is no benefit given to those who choose to donate as a parent or penalty for those who do not give to a building fund. Deductible donations to a school building fund do not materially affect the fees payable by parents. Recurrent operating costs are separated from capital works funding. For those parents and guardians who can contribute to a school building fund, the removal of the DGR status will materially affect their ability to donate when they are already making significant sacrifices to pay

school fees, which already reduces the burden on the tax system at the level of the cost of education to the government for their children.

The four schools are in the building phases of their campuses, and school building fund donations across all four have been greater than \$1 million in recent years due to the level of development activity. This amount is spread over many donors, many of whom are not current parents. Removing the DGR benefit would significantly impact the amount donated, translating to an increased burden on the schools' capital works in light of escalating construction costs. A reduction would, in effect, substantially hamper the schools' ability to expand the general learning areas available, limiting the local community's ability to choose an independent education due to a lack of available enrolment spaces in these schools.

Located in Gympie, Sunshine Coast, Brisbane, and Toowoomba, with a new second campus in the works for Highfields (Toowoomba region), each of these schools is under pressure to open more streams and serve the local community. Private donor support improves their ability to do this.

These school campuses bring many community benefits to its catchment area. The schools regularly make available their facilities for community events and gatherings. The capital works that school building fund donations support outlast any student enrolment. At a minimum, a building is used for twenty years, when it is usually refurbished to complete another twenty years of service. This timeframe of usefulness provides a strong return on giving investment for the donor.

For these reasons, the Commission is asked to remove the recommendation for removing DGR for school building funds.

RECOMMENDATION TO REMOVE CHARITABLE SUBTYPE OF ADVANCING RELIGION AND RELIGIOUS EDUCATION

The recommendation to expressly exclude activities around advancing religion and religious education is a puzzling example of targeted activity considered not a public benefit but a private benefit to that subset of the community. The reference to "additional government support for the practice of religion through the DGR system" does seem to ignore the significant benefits that religion provides to the Australian community. Faith communities offer numerous benefits to the

broader community, including fostering a sense of belonging, care, and support in times of crisis or hardship in the wider communities, encouraging giving and volunteering beyond themselves, and contributing to the social welfare support system of our communities in ways the government alone cannot bear.

Regardless, many aspects of religious activities are funded from donations without tax benefit to the donor who contributes from taxed income. Therefore, this should be maintained in the few areas where a DGR benefit currently exists. Maintaining this status contributes to the Commission's goal to increase philanthropic giving. Removing the status will not cause these donors to seek other charities to redirect their giving; it will simply mean that the charity will receive less donation income and reduce its impact in the community, increasing the burden on the government to replace those support services to the broader community.

CONCLUSION

Australia is a diverse country with a strong community cohesiveness and giving foundation. Australia's religious organizations continue to contribute significantly to the services and facilities of our local communities. The Commission is charged with recommending a way to increase philanthropic giving and not hinder it. The two recommendations highlighted in this submission will only burden charities and donors already fighting the cost-of-living pressures with their desire to be philanthropic. Removal will likely decrease the amount a donor contributes, but it will not likely cause them to switch to a different charity as the Commission anticipates. Their motivation stems from the connection to the cause and the relationship built as a community, alumni, or parent/guardian rather than the mere tax benefit. The tax benefit profoundly enables them to give more in line with the Commission's terms of reference set by the Australian Treasurer.