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Ms Karen Godfrey  
Administrative Officer  
Philanthropy Inquiry  
Productivity Commission

Online submission: [www.pc.gov.au/inquiries/current/philanthropy](http://www.pc.gov.au/inquiries/current/philanthropy)

Dear Ms Godfrey,

### Productivity Commission - Review of Philanthropy

### Submission from the Alannah & Madeline Foundation

Thank you for the opportunity to comment on the Productivity Commission's Review of Philanthropy. We are very pleased to share our experience, perspective and comment.

The Alannah & Madeline Foundation fully supports and applauds the Government's ambitions to double giving by 2030. As a 'large' (as per ACNC definition) registered charity, in FY2022 we derived 34% of our total annual revenue from fundraising (individual, community and corporate giving and philanthropy) and a further 40% from donated value in kind.

Without underestimating the challenges, the comparative giving data from other OECD countries strongly suggests we should be able to increase giving in Australia. Leaving the United States aside (there are too many cultural and political differences to be a direct comparison), looking at our closest neighbours, New Zealand, and at the United Kingdom with its similar philosophy and approach to a social safety net, our total giving as a percentage of GDP is seriously lagging. ([2016 Australian total giving](#) as % of GDP – 0.8%; New Zealand in 2018, 1.8% and the United Kingdom 1%.)

We have structured this submission on the Inquiry's paper and Information Requests (IR). The numbering in the remainder of this submission refers to the respective Information Request (IR) in the paper. Where we have no comment to add, we have not responded.

#### Summary of key points from our submission

- We believe the scope of the Inquiry should be focussed on the giving of money to registered charitable causes and organisations.
- Research shows that government support to encourage giving through some form of tax incentive (such as a deduction or tax credit) is efficient, in that it entirely passed on to charities as a donation, with elasticity of around -1.



- The return on various fundraising activities has changed significantly over the last few years and fundraising costs of all kinds have been steadily increasing, with the respective returns steadily reducing.
- The characteristics of the philanthropy dollar in a charity's revenue mix are unique and precious. It is the only social change dollar that can be used as social risk capital.
- Now that Australia has a statutory definition of charity and a single national regulator, all registered charities should have DGR status. It should be part of the process of registration.
- One of the most significant areas of high potential reform is the introduction of an inherited wealth tax with deductibility incentives for charitable bequests.
- The government should incentivise superannuation bequests from balances as an easy and straightforward way to grow legacy giving from superannuation.
- Rating and comparing charity performance is fraught with danger and is unrealistic. What would be much more meaningful is asking charities through their Annual Information Statement (AIS) if they evaluate the effectiveness of their work, and where they do, to publish a link from the ACNC's charities portal.
- Normalising and celebrating giving, giving from all quarters and at all levels, is essential to building a culture and practice of giving which remains part of the Australian psyche. We support a national giving campaign.

## About us

The Alannah & Madeline Foundation was established the year after the Port Arthur tragedy, by Walter Mikac AM in memory of his two young daughters, Alannah and Madeline. Our vision is that all children and young people are safe and inspired with the freedom to flourish.

Over the last 25 years our work has grown and evolved but our purpose remains the same. We have three program streams:

- **Safe and Strong: recovering and healing from trauma.** Linked to our origin story, we have a specialist trauma recovery and therapy service for children who have experienced significant trauma. This has grown in recent years to include working with early childcare providers, kindergartens, and now primary schools to help them build their trauma informed capability and practices. Most of our work in trauma healing and recovery is Victorian based, with our therapists and consultants working from our client's homes and places of work.
- **Safe and Strong: building positive digital citizens.** The Foundation works with schools, families and communities nationally to help children build the digital intelligence, skills and competencies they need to stay safe online and to be active, positive digital citizens. With over 10 years' experience working in the cyber bullying and wellbeing space, as technology has become ubiquitous, our work has developed into building digital intelligence, digital ethics and media literacy for all children aged 3-18.
- **Safe and Strong: bringing children's rights to life.** As a rights-based organisation, this is our policy and advocacy work. Since inception, we have advocated for firearms safety, and we convene the Australian Gun Safety Alliance. In other key policy matters related to our programs, we work closely with the Office of the eSafety Commissioner, the Prime Minister's National Office for Child Safety and other major agencies such as the Australian Federal Police.

In 2018, we partnered with Kate and Tick Everett, after the tragic suicide of their daughter, Dolly. With them we worked to establish Dolly's Dream.



- Safe and Strong: Dolly's Dream, changing the culture of bullying. The purpose is the same, but the programs and services (Parent Hub, telephone help line, school, and community workshops etc.) are specifically designed for remote, rural, and regional families and communities, to meet their unique needs and contexts.

## IR 1. Defining Philanthropy and Inquiry's Scope

We support Philanthropy Australia's definition of philanthropy as "the giving of money, time, information, goods and services, influence and voice to improve the wellbeing of humanity and society". Colloquially, we often talk about the giving of 'time, treasure and talent' for public benefit.

Noting the parallel development of a national volunteering strategy (time, and in many instances talent), we believe the scope of the Inquiry should be focussed on the **giving of money** (treasure) to **registered charitable causes and organisations**. Limiting it to 'charitable' giving ensures the Inquiry stays focussed on public and community benefit, as per the statutory definition of 'charitable'; it limits any confluence of giving and private or limited benefit (beyond the well evidenced pro social benefits of giving itself). That's not to say giving which triggers some form of personal benefit is not positive, but rather it can morph into personal interest or return very easily.

Keeping the scope of the Inquiry to doubling 'charitable' giving by 2030 ensures the primary focus on genuine public benefit. It can also be more easily measured and tracked through tax data.

Even this scope is challengingly broad and complex: from (i) growing everyday mass individual donations to charitable causes, to (ii) encouraging the reactive one-off giving in response to natural disaster relief and other significant events, to (iii) enabling collective giving through workplaces and giving circles, to (iv) planned and structured individual or family giving through vehicles such as Private Ancillary Funds (PAFs) and / or Public Ancillary Funds (PuAFs) or other Trust structures.

## IR 2. Vehicles, Trends and Motivations for Giving

### 2.1 Elasticity of giving

In 2019, Philanthropy Australia tried to measure the elasticity of giving in Australia through analysis conducted by Deloitte Consulting. Similar studies have been conducted elsewhere and the results are broadly consistent: they all demonstrate that a tax incentive for giving (such as a deduction or tax credit) is entirely passed on to charities as a donation, with elasticity of around -1.

(For example: [Working Paper Template \(unimelb.edu.au\)](http://unimelb.edu.au) and [The Price Elasticities of Charitable Contributions: A Meta-Analysis on JSTOR](#))

What is interesting, is the comparison between systems which incentivise giving through rebates (such as a tax deduction, which lowers the cost of giving to the giver) and those which incentivise via matching (such as the United Kingdom's Gift Aid). Data suggests that contributions under matching subsidies are higher than contributions under rebate subsidies.

(For example: [The price elasticity of charitable giving: New experimental evidence - ScienceDirect](#))

Australia's system has been built on rebates (tax deductions). The successful introduction of PAFs (then Prescribed Private Funds) in 2001 certainly turbocharged high net wealth giving, and the ability to gain a full tax deduction upon donating into the PAF was, and still is, a major factor in its success.



## 2.2 Cost of revenue generation

The Call for Submissions asks for information on the costs to not-for-profits of securing revenue from different sources.

At the Foundation, a summary of our estimated income return on cost (2022) is summarised below:

- Individual giving: \$1.60
- Community fundraising: \$1.11
- Philanthropic grants and gifts: \$4.95
- Corporate & partnerships: \$6.43

The return on various fundraising activities has changed significantly over the last few years. Prior to the pandemic, patterns were changing, for example seeing a decline in major event return (such as gala balls) and an increase in popularity of challenge and community events. The pandemic has changed the mix again, and we are still trying to assess what is the 'new normal'.

What is clear, however, is that fundraising costs of all kinds have been steadily increasing and the respective returns steadily reducing. Grant funding, whether from government or other grants, rarely (if ever) is indexed to the true cost of delivery (whether that's for salaries, goods or other activity costs). This is exacerbated at the moment by inflation (sharply increasing the costs of charities to carry out their business) and the rising costs of living (when people do not *feel* financially confident or secure, giving declines rapidly).

As mentioned above, in FY 2022, the Foundation derived about 34% of its total revenue from some form of giving (as per list above). In addition, we derived 13% of total revenue from raffles and promotions. Raffles and promotions are not 'giving' – the buyer is deriving a benefit or a good from the exchange (such as a chance to win a raffle prize). Nevertheless, the fact that the promotion or raffle is being run to generate revenue for a charity is a significant influencer in the exchange.

## 2.3 Advantages and disadvantages of philanthropy as a source of revenue

The characteristics of the philanthropy dollar in a charity's revenue mix are unique and precious. It is the only social change dollar that can be used as social risk capital: it is free to fund innovation, to pilot, to fail and try again. It can offer multi year confidence that an initiative, or program or core operating costs can be supported, in order to achieve the desired impact. There has been a plethora of research on what 'effective' philanthropy looks like, and its diversity and freedom are core to its success. It is free of government and political agenda and election cycles: it can fund activities and costs that are unattractive or 'out of bounds' to other revenue sources or funders; it can be multi-year and unrestricted in its use.

There are absolutely costs to sourcing and servicing philanthropic grants, and trade offs that need to be assessed. Philanthropists and the professionals who support them are themselves diverse with a wide range of practices. But when the philanthropic dollar is deployed using all its innate freedom and characteristics, it increases its value to the charity significantly.

## IR 3. Role of Government in Philanthropy

We do not believe that philanthropy should be a substitute for government: it should not fund what government is charged with funding in terms of its policy mandate and responsibilities. It can certainly be a collaborator or partner with government, and the classic example often used, is when philanthropy can fund the seeding and / or piloting of initiatives that are then proven to deliver positive social, environmental or cultural change. Once results are established, government can pick up the scaling, or the policy change, or the reform and design of universal services, to enable sustainable and transferable systemic change.

Government is the main system and scale catalyst here. The other opportunity for system and scale catalyst, is the design and operation of business, where the core purpose of business is extended beyond shareholder



returns, to include social, cultural and environmental responsibilities (at the very least to require harm minimisation). But that's for another Inquiry! Even if we are successful in doubling giving by 2030, 1.6% of GDP will not cut it.

The three design principles for the tax and transfer system (efficiency, equity and simplicity) apply equally to the design and regulation of a tax concession system which encourages charitable giving and philanthropy.

We would posit that there is a fourth principle to both, accountability. For both tax expenditure and charitable giving and expenditure (where there has been the benefit of a tax concession or deduction) – there is explicit contribution from the community in the form of tax paid and received by government, and in the case of concessions and deductions, tax income forgone by government. As such, government and charities should be accountable and transparent to the community in their use of these 'public' funds.

One of the criticisms of philanthropy, in particular high net wealth philanthropy, is that it is undemocratic. It affords the individual the power to pursue their community interests whether these align with government priorities or not. We can be confident that where tax deductions are involved, 'public benefit' is being met due to the statutory definition of charity and charitable tax regulations.

The Inquiry paper asks whether government support for philanthropy should vary between causes. Taking the statutory definition of charity as our baseline, is there a case for government to drive giving in particular directions, which support their particular policy objectives and priorities? There has been debate about whether tax deductions could be increased to incentivise giving towards specific causes which align with the priorities of an elected government. The short election cycles, the tax system principle of simplicity and the evidence around the elasticity of giving, all suggest this would be an overly complex and cumbersome approach.

#### IR 4. DGR Framework

The complexities of definition between being a registered charity, and being endorsed with deductible gift certificate status, are overly confusing. Now that Australia has a statutory definition of charity and a single national regulator, all registered charities should have DGR status. It should be part of the process of registration.

[Philanthropy Australia](#) expresses this well when it refers to the 2010 Productivity Commission's recommendation:

*“As the PC recommended in 2010, all of Australia's charities (almost 60,000 organisations) should have DGR status (allowing the public to donate and get a tax deduction). All policy institutions freely admit the rules that permit one charity to get DGR status (eg. direct poverty relief), but may disallow another (e.g. preventing poverty) were developed in an ad hoc manner with no clear policy rationale. The policy purpose of providing tax incentives to encourage giving is to support charitable activities that provide a positive public benefit. All charities do this, so all should be given DGR status, which would boost the funds they can attract for their important work. It would cut red tape for government and charities, and bring us in line with nations like the US, UK and New Zealand where giving is higher than in Australia.”*

#### IR 6. Unnecessary Regulators Barriers

6.1 The Foundation strongly welcomes two recent Government commitments to:

- harmonise fundraising and deliver one national set of regulation (Leigh and Pearson 2023)
- develop nationally consistent requirements for working with children checks (DSS 2022).

As a national children's charity, both these developments make our processes much more efficient and reduce our relevant implementation costs.





6.2 The paper canvasses emerging risks or regulatory gaps including cyber security, privacy and donor protection. There is no doubt that these matters are taxing charities (as they are all other organisations) and are requiring increasingly significant investment in attention and resources.

We do not believe these are clear regulatory gaps specific to charities: rather they are evolving realities of how we all live, transact and engage in all aspects of our lives. Regulation does need to reflect contemporary ways of living and we do have important catch up in regulation across the board.

What it does mean, however, is that the fundamental cost of doing business for charities is increasing significantly. And unlike commercial organisations, we do not have the ability to increase prices or seek cheaper suppliers (especially where for social and community service organisations like ours, our professionally qualified staff are our critical asset). Therefore, attitudes to funding enabling costs of doing business need to change: in government, philanthropy and with donors, where the refrain 'we don't fund operating costs' is still all too prevalent.

### 6.3 Regulatory barriers which may limit donor choice and flexibility.

One of the most significant areas of high potential reform is the introduction of an inherited wealth tax with deductibility incentive for charitable bequests. At the moment, and continuing over the next 17 years to 2040, \$2.6 trillion is passing from one generation of current wealth holders to their children. This is existing wealth, sitting in bank accounts and assets, and is passing to a new generation of wealth owners.

Australia is one of the wealthiest nations on earth and wealth at the top end is rising rapidly. Wealth among the Top 200 has increased from \$209 billion to \$555 billion between 2016 and 2022, or from an average of \$1.05 billion to \$2.77 billion per wealth owner. What is interesting about this growth in wealth is that most of it has come from (i) growth in the value of the assets already owned, and (ii) new assets acquired from this growth in value (as opposed to new value creation from innovation and productivity). It is effectively fixing a perpetuating wealth divide between the families who own these assets, and those who do not.

Culturally, Australians are not big charitable bequestors. [Research](#) shows that only 12% of Australians leave a charitable bequest in their will. If we can incentivise more wealth owners to leave more charitable bequests, we will turbo charge giving in a way no other initiative or stimulus will achieve. Just 5-10% of the current transferring wealth to charity through a bequest would unleash \$130-\$260 billion, helping to catapult Australia to being among the leading philanthropic nations in the world.

We know this is a disputed area of tax reform. It was one of the suggestions in the 2010 Henry Tax Review and has been a gap in our tax reform agenda for a while. But with the well-considered trigger thresholds and clarity around defining assets to exclude (for example the primary family home) and include, it is an obvious opportunity, on many fronts. There are a number of structures which could facilitate this, such as a Living Legacy Trust (similar to the US Charitable Remainder Trust), which would provide transparency and accountability, and effectiveness of operation.

A related area is the 2019 recommendation proposed by [Philanthropy Australia](#) to incentivise superannuation bequests from balances. It is an easy and straightforward way to grow legacy giving from Superannuation. Many retirees leave substantial inheritances from their unspent superannuation. If a retiree decides to use these funds to leave a bequest to a charity, this is generally taxed at a minimum of 15% upon their death, which is a disincentive to giving.

As per PA's [Policy Priorities for a More Giving Australia](#):

*“Modelling by the Grattan Institute shows the median retiree will leave an inheritance of \$190,000 in today's dollars, or 33% of their savings at retirement, in addition to any home they own. As this is data for the median retiree, there are some who will leave much larger inheritances. Under existing laws, any funds which are distributed to a non-dependent are taxed at up to 15% plus the 2% Medicare Levy (however the taxation of superannuation is complicated and there are certain variations to this tax treatment).”*



*In addition, an individual cannot use a 'Binding Death Nomination' to make a superannuation bequest – these can only be used to gift superannuation to a dependent or the person's estate (once gifted to their estate, it can then be given as a bequest to a charity). These requirements create a disincentive to make a superannuation bequest to a charity. Given that some individuals may still have relatively large superannuation balances at their death, we should be making it easier for them to gift some of this to charities.*

*Two changes would help achieve this.*

*Firstly, individuals should be allowed to use a binding death nomination to nominate a charity with 'deductible gift recipient' (DGR) status to receive a bequest directly from their superannuation upon their death. This could be capped at a certain percentage of their superannuation balance to ensure that the first priority remains the provision of support to a dependent.*

*Secondly, any superannuation bequest to a charity with DGR status should be exempt from taxation, consistent with how donations from a person's income are treated during their lifetime. These changes would not impact any existing taxation arrangements for superannuation during an individual's lifetime."*

## IR 7. Consumer Information on the Effectiveness of Not-For-Profit Organisations

The ACNC, as the sector's single national regulator, has been a game-changer for charities and for the communities who work with them, benefit from them and give to them. A strong, independent, properly resourced regulator is essential to an impactful and flourishing sector (a sector which represents about 8% of GDP and employs 11% of Australia's working population).

Leaving aside all the help, information and guidance provided, the charities portal is an outstanding public resource. Any increased expectations regarding public charitable reporting should be added to the ACNC's portal, enhancing and not duplicating what is already working.

However, the question of 'rating' and comparing the effectiveness or impact of one charity's program against another, is fraught with danger and unrealistic. Even at a seemingly simple level, for example comparing two pathways to employment programs in terms of outcomes and success rates, is extremely complex and probably meaningless (participant eligibility, length of time out of the workforce or unemployed, availability of appropriate jobs within reasonable travel distance to home, access to public transport, educational background, etc., etc). The cost (to the charity) of trying to comply with these sorts of comparisons is prohibitive (especially given the current difficulty charities experience attracting any funding for meaningful evaluations).

A number of the overseas comparator services are revenue generating engines for companies who charge charities to be included or charge users to access the information: not in line with our principles of equity, simplicity and accountability. The charitable sector should not be an opportunity for profit making without delivering genuine value to the sector and the community.

What would be much more meaningful and helpful, is asking charities through their Annual Information Statement (AIS) if they evaluate the effectiveness of their work, and where they do, to publish a link from the charities' portal to the relevant report or summary of the evaluation and outcomes. This way, the community and donors can see whether a charity undertakes evaluations and assessment or not, and where they do, has access to the insights and learnings, which in turn increases everyone's understanding of the issues and opportunities for sustainable positive change. A caveat here, however, is that both government and philanthropy need to step up to fund this evaluative work before we can expect charities to undertake it and publish it.



## IR 10. Public Strategies to Increase Status of Giving

Normalising and celebrating giving, giving from all quarters and at all levels, is essential to building a culture and practice of giving which remains part of the Australian psyche. Australians are extraordinarily generous and responsive when disasters happen – stepping in to help, donating generously. But we do lag behind more regular giving levels, and this is particularly exacerbated in the high net wealth community (where giving level are much lower than in other OECD countries).

A recent [report](#) from CSI and the University of WA shows that a commitment by the 200 wealthiest Australians to donate 1% of their wealth to charity would generate an extra \$5.55 billion for the sector, boosting revenue by 3.2% and donations by 44%.

We would absolutely support a national giving campaign to encourage giving. But previous studies have shown that to generate high net wealth giving, peer asks and ventures are more likely to be successful (reference the [Giving Pledge](#) and [Women Moving Millions](#)).

One final suggestion, which Treasury did look at a couple of years ago, is based on nudge theory: where individuals are ‘nudged’ into making a tax-deductible charitable donation when they complete their tax returns, through the inclusion of specific questions and opportunities, built into the tax return process itself.

## Conclusion

The Foundation welcomes this Inquiry and the goal of doubling giving by 2030. We appreciate the opportunity to contribute our experience and views. We would be very happy to discuss further if helpful and can be contacted via the details below at any time.

Yours sincerely,

Sarah Davies AM  
CEO

