



Future foundations for giving

Philanthropy inquiry report webinar transcript

Alex Robson

Welcome everybody to this webinar on the Productivity Commission's final report on the philanthropy inquiry, *Future foundations for giving*.

My name's Alex Robson. I'm the deputy chair of the Productivity Commission. And I'm joined online today by Julie Abramson, who's a commissioner on the project.

What we're going to do today is take you through a few slides in relation to the report, and a bit of housekeeping here. Please keep your microphone mute and we will take questions throughout the briefing and then the questions at the end as well. And that there is the Q&A function there and the team is ready for those.

I'll begin by acknowledging the traditional custodians of the lands on which we're all meeting today and pay respects to Elders, past and present, wherever you are in Australia.

So, as I said, I'm Alex Robson and I'm joined by Julie Abramson, who is the Commissioner on the inquiry. And also online today, although he's now left the Commission, we were very ably accompanied on this inquiry by Associate Commissioner Krystian Seibert. And Krystian will answer some questions as well in relation to this inquiry. He has now moved on to bigger and better things, but we very much appreciate his work as well as Julie's and all of the team that worked on this inquiry, as well as those who made submissions and comments and participants in the hearings.

That's the next slide. Our process for this inquiry is summarised on this slide. So, we were asked by the government to identify opportunities for an obstacle to increasing philanthropic giving in Australia. We engaged in the public engagement process over many months, which included hearings, submissions.

The draft report responds to that and comments and so on. We engaged widely, including with philanthropy, charities and business. We also spoke with agencies in the federal, state and territory governments, as well as people and organisations from an Aboriginal and Torres Strait Islander background.

And the final report recommends ways to respond to the opportunities and obstacles that were identified both in the terms of reference and discussion paper and from submissions. We were guided by those terms of reference and past reviews and importantly, participant input and feedback. And this report was all done in the context of the government's goal of doubling giving by 2030.

So, some key principles or themes on this report, it's a once in a generation inquiry and we really focused on ensuring solid foundations for giving into the future in Australia, noting that all policy choices come with trade-offs in general in this space.



In particular, subsidies for philanthropic giving, can increase giving, but they come at a revenue cost. And that has to be taken into account. And the second big theme in that trade-off space is that regulation provides benefits when done right, but it does require either regulatory resources and it can impose compliance burdens on those affected by the regulation.

So, both of those things necessitated some analysis and judgement. As to what the appropriate recommendations should be, and finally, the two big themes that emerged from the report is that both government and philanthropy have key roles to play in giving into the future.

In Australia, we identified roles for government to overcome, barriers to giving or taking advantage of opportunities. Particularly if there's distortions or those sorts of things that are preventing some giving taking place or getting it to the right areas, or if there's equity issues at stake.

And so there were some policies and tools that only governments have at their disposal, but importantly, we also identified this theme, that philanthropy itself and the philanthropic sector has an important role to play in driving change, encouraging giving and influencing how donors give and who they give to. And so those are some key themes and we'll see them pop out throughout the recommendations that we talked about today.

So, what does the report mean? We split it into broadly 3 areas. One is and this is the part you know, probably one of the biggest parts of the report is around the deductible gift recipient of the DGR system.

So, we've proposed some major reforms of that system. And the idea there is to help ensure that Australians have greater diversity and this, for which organisations they can give to and receive a tax deduction, and also the organisations that can access DGR status, we want to make that system fairer.

The second big thing to come out of the report is strengthening, strengthening the regulatory system so that Australians, you have confidence in the sector. Make it a more consistent regulatory framework and more transparent and really providing that trust and confidence in the system as a whole. And then improving public information on charities and giving going beyond dollars given, and importantly, and better data and information around volunteering.

And as well as helping to ensure that Aboriginal and Torres Strait Islander people and organisations can have improved access to philanthropy on their terms, those are some big three areas and we'll touch on all of them today.

So many of you may have seen our webinar or read the draft report itself and so this slide just summarises the changes between the draft report and the final report. There are some new recommendations in the final report around transition arrangements for DGR reform, particularly on school building funds. We have a recommendation around the minimum distribution rate for public and private ancillary funds.



There's a new recommendation around the ARC and its opportunities to identify. And simplify and harmonise charities' laws. So that's not our comparative advantage, but we think that there's an opportunity there to go further in that area.

And then a new recommendation around the Council on Federal Financial Relations to review and report on progress towards consistent fundraising regulation.

So those are... that's a quick summary of the new recs that were in there before between the draft and final and updates to some of the recommendations between the draft and the final on the organisation to strengthen relationships between Aboriginal and Torres Strait Islander organisations and philanthropic networks.

We have quite a bit of feedback and engagement on that particular recommendation 10.1, so we revised its role and renamed it to be called, proposed to be called Indigenous philanthropy connections. And it's really about those philanthropic networks and access to them.

An update to recommendation on volunteering around annual data collection on volunteering outside the census by the Australian Bureau of Statistics.

And then there's a separate recommendation on public information on ancillary funds that's updated between the draft and the final.

So, our framework for this inquiry was really summarised in this slide. So, on the one hand, we have on the left-hand side the people or organisations that donate the givers who donate either money time or goods or voice or whatever it might be. And ultimately the beneficiaries are over on the right-hand side and that's the community, whether it's individuals or groups and in the middle there, there's charities who are matching resources that come in with the Community needs.

On the other side and the quote-unquote 'good charity' knows how to do that very effectively. That does. You know. And sitting sort of alongside all of that is governments who provide tax support in the form of granting DGR status. There are other government funding programmes that are received by charitable organisations and community organisations.

And then also, naturally, Government passes regulations that affect all of this space as well.

So that's a bit of a conceptual framework as to how we started thinking about for want of a better word, the market for charitable donations and the mix of one side of that market versus the other and the intermediaries that sit in there and how governments can influence that whole ecosystem.

So, there's quite a bit of space in the early parts of the port, devoted to motivations for giving, and this was specifically mentioned in the terms of reference. And so, we looked at different motivations for giving, and this is summarised.

In this slide here, and the important point, there's a few important points here. One is that there's a wide variety of reasons why people give many of those can be many of those reasons can be at the same time or they can be at different points in different people's lives.



Religious faith is a very important motivation for giving for many Australians. And we've noted that throughout the report and the so the policy implication here is that if you are going to have policies in this area.

You have to, you count on the fact that on the giving side there's this range of motivations for giving some of them are amenable to policy change, some of them aren't. Some people will respond to tax incentives, some people won't. And so that's an important consideration going forward. The fact that all these different motivations can be held and some of them can be held at the same time.

So, given those motivations, what's been happening in trends in giving to charities? In Australia, so the left-hand panel here is the real value of total donations. As reported by the ACNC. That's increased by 6.7% on average each year between 2017 and 2021. So overall real donation. Apart from that little dip there in 2016, seventeen, they've been increasing and it increased on average over that time period.

On the other hand, on the right-hand panel there, the other big aggregate is on volunteering, at least formal volunteering and that has declined over time.

And importantly, and again, this was in our terms of reference around volunteering and we have a number of recommendations that touch on the important role of volunteering and you can see there the participation by age in 2020. So older Australians on average tend to volunteer. More and by organisation over in the right-hand panel there it's very much dominated by sport, religious volunteering, you know, connected with religious organisations or activities. There's education and training and community and ethnic groups, but again, there's a wide variety there, of volunteering into organisations, but it gives you a sense. Of the diversity, both in terms of the age distribution of volunteers as well as the volunteers, the diversity by organisation and purpose of volunteering as well.

So, as I said, that one important. Part of the report focuses on the DGR system, and so it's natural then to look at, well, what has been happening over the last couple of decades in relation to tax deductible donations to entities with DGR status.

So, this has been increasing in real terms over that over the last decades. The real values increased by 217% since 2000 and if that trend was to continue, giving would increase by 27% in real terms on the in the decade 2020 to 2030. So real the real sort of aggregate has been increasing. The interesting pattern though is that the proportion of taxpayers that is claiming that deduction has been declining over the last few years. Well over the last decade, really and so, what's been happening with DGR donations is that the aggregate value has been going up.

The number of taxpayers that have been donating, or at least claiming a tax deduction has been going down to the average donation. For those who are donating, has actually increased. So that's an interesting pattern where you have sort of higher individual donations for the people who continue to donate, but a lower number of people in Australia who are actually donating through at



least through the tax-deductible way and that's and that's the best data that we have is from the ATO and these tax-deductible donations.

So, another part of the space that we were asked to look at and devoted some time to was on ancillary funds. And this chart shows with private ancillary funds that donations are taking up a larger slice of that tax deductible aggregate that I put up on the previous slide. So private ancillary funds were introduced in 2001. The light line there is the overall donations to DGR charities, the Dark Blue Line is that aggregate separated from private ancillary funds, so the gap there is really the donations to private ancillary funds, and you can see there in dollar terms. So that's been increasing. Over the last couple of decades, so these are becoming an increasingly important vehicle via which individuals donate in a tax-deductible way, at least in Australia, over the over that period.

So back to our three reform pillars. And so, what do we recommend overall and what's the basic theme? So, in the DGR system, which I'll go into in a bit more detail. We've put forward a set of reforms that will alter the way in which or determine alter the way in which it's determined that charities can receive tax deductible donations, and I'll make that a bit clearer in the next few slides.

And the purpose there is to, you know, make that system more fit for purpose. Given this goal of doubling donations by 2030, we think it's important that that system is reformed and actually, you know, serves that purpose going forward and it will help direct. And its direct support to where there's likely to be the greatest net benefits under the changes we recommend.

On the regulatory system, we recommend enhancing the ACNC's powers and creating a better sort of regulatory architecture across the federation. And improving coordination, information sharing among regulators.

On public information on charities and giving and we've recommended policy changes that would improve the way in which that public information is provided and the whole goal that there is to support donor choice on the one hand, as well as accountability of charities on the other. So those are the big three reform pillars of the report.

So, on the DGR system, this is a big area of the report, so I'll spend a bit of time talking about that and then I'll spend a bit of time talking about ancillary funds and then I'll hand over to Julie on regulation and information.

So, there's an important part of the report looks at the evidence around Australia's personal income tax deduction for charitable donations and to the extent to which that's actually incentivising more donations relative to a situation in which we didn't have that tax deduction.

And we used a big data set from the Australian Tax Office and through some a lot of econometric and statistical analysis. At that data we looked at two different models. I won't go into detail in those, but I'm happy to. You know, it's in the report and happy to talk about that a little bit further if people want to know more about the technical detail, but basically the results show that, say, for a



taxpayer who's donates \$100, a 1% decrease in the price of giving which is an increase in the tax deduction. We found that it implies an increase of giving it between 48 cents and 167 cents.

So, the point there is that. The evidence that we looked at suggested that for the, you know, for a very small change in tax arrangements currently in Australia, you would get more giving if it was an increase in the tax deduction.

So that's one sort of thought experiment we're interested in is, well, what would be the impact of changing the existing tax deduction scheme and the important point around those two numbers, the 48 and 167 cents, is that it, it doesn't really give us great evidence as to whether there's a good case to be made for changing the existing tax deduction itself, and so we didn't.

Although we looked at a lot of data and through a lot of statistical analysis, as it wasn't compelling that there was a good case to be made that the tax deduction in Australia, which is, you know, proceeds on marginal rates and you get 100% deduction depending on what your marginal rate is. We couldn't find a compelling case to change that arrangement based on the evidence that we found.

The other thing that we did with this data is to look at, well, what happens if the person's income increases, do they give more? And the answer is yes. So, for example, for a taxpayer earning \$50,000, if they if their income increases by 1%. And they already gave \$100. They would likely give a little bit more between 57 and 86 cents. So, both of these things together first, well, tax taxes matter, and also a person's income matters for how much they give, which is, you know, not surprising, but it's good to have some estimates there based on the best evidence that we have.

So, on the one hand, we didn't, you know, find any compelling evidence that would suggest that we should change the tax deduction itself? The other side of the DGR system is the scope of it and its design with respect to the charitable entities that can actually have access to that DGR system and whether they can accept tax deductible donation.

Options and the three big points we arrived at after looking at that system and listening to people during consultation and hearings were as follows.

So, the first conclusion, we're finding that we arrived at is the DGR system is poorly designed in Australia, it's overly complex. The rationale for some charities not getting DGR status is often unclear. And there's many examples that we can point to. One of them, say for example, is that charities that prevent disease can access DGR status, DGR status, but those that prevent injuries cannot.

So, we put forward then some principles and a framework for introducing a simpler and more consistent DGR system, given the finding that the listing system was poorly designed and overly complex and not. Really fit for purpose. Yes.

And so, we started by using a set of or putting forward or proposing a set of principles in Recommendation 6.1, and I'll discuss those principles and the idea here was one was to think



about, well, can we have a set of principles to guide policy? But second of all, it's it can also provide a guide to charities that might be setting DGR status in the future.

As to whether they can have a high degree of confidence that either get DGR status or not, based not so much on, you know, obviously black letter law is important, but the spirit and the principles on which regulations are based is often important as well. And you know, at the moment we don't think the credit system has, you know, a sensible principle-based framework for actually assisting people in that regard.

So as a result of those two findings, if the proposals were implemented, most classes of charitable activity would be in scope. For getting DGR status there would be some excluded classes of charitable activities. And we'll discuss those.

So, the basic idea behind this was that you know of the roughly 60 odd years and charities in Australia, roughly 40% of them have DGR status, and we think if our reforms were implemented, there'd be, you know, several thousand charities that would now be able to access the DGR system. Not only today, but then going forward as well, it would be a much better system.

OK, so the principles that we developed for assessing the DGR system and these were tested during the hearings as well. So, we put forward 3 principles and the scope and they were as follows.

The scope of the reformed DGR system should be based on the following, first of all. There should be a rationale for Australian support because the activity has net community-wide benefits that would otherwise be under supplied. So, this is all about, you know, whether the charitable activity is actually providing net benefits. Counterfactual would be in the absence of the DGR system, those things would be undersupplied. And you know, that's an important principle. And most of the activities, if not all of them that we thought about, would pass that kind of test.

The second principle is that there are net benefits from providing Australian government support for the activity through subsidising through philanthropy as opposed to a different policy tool to support the activity. So, this is one where you have to look at whether there's a better way of actually providing the support given that support is warranted based on the first principle, then how should you provide that support?

And that's really what the second principle is all about is the best way to do it through the DGR system. Or could it be done in a better way through some kind of different policy arrangement?

And the third principle is sort of integrity measure if you like. And it looks at whether there's a close nexus between donors and beneficiaries. After all, you know charity is all about donating to someone else who's less fortunate than you. That's the sort of spirit of it. And so, if there was a close nexus between donors and beneficiaries, you know that's more akin to a private transaction rather than a charitable donation, and an example of that might be a material risk of substitution between these nations in different kinds of situations.



So importantly here what we're talking about is a set of principles that applies to classes of charitable activities. So, the 14 classes of activities that are already in the existing law. And we're not talking about applying this kind of test to individual charities. So, the classes of activities that we're talking about are defined under the ACNC charity subtype classifications, as opposed to the current system, where you've got 50 odd DGR categories and entities have to squeeze themselves into one of those categories or, you know, or trying to find some other way of getting support. So that's an important thing to just note there is that this the application of these principles applies to activities rather than individual charitable entities.

So, what would those reforms mean for charities in Australia? So given the current system, if we talk about the status quo over there on the left-hand column there are some charities that currently don't have DGR status and those that do. So those that do under our reforms, there'd be around 20 thousand and they would retain DGR status under the status quo. There are currently some charities that don't have DGR status and they would continue to be excluded, and that would include activities such as those where it's associated with the sole purpose of advancing religion and those associated with advancing industry.

So, the status quo there is that they currently don't have DGR status and under our reforms that would continue. And there's around 15 to 20,000 charities in that group. On the right-hand column there it's the situation where the status quo would not be maintained, and so in the top right-hand corner there there's between 10 and 20,000 charities who currently don't have DGR status that we estimate would be able to have.

DGR status under our reforms and then finally in the bottom right-hand corner there are charities that currently do have DGR status and under our proposed reforms they would have it withdrawn. And that's mainly around school building. Ones and charities that provide religious and ethics education in government schools, and there's fewer than 5000 charities in this category, so that's a bit of a summary of what the proposed reforms would mean for those different categories of charitable entities in Australia.

So overall for the community, we think that these reforms would simplify the DGR system considerably, given that its principles-based and would apply to activities based on the ACNC subtype classification. And really, the principles are aimed at maximising the community-wide net benefits of public support via this particular mechanism.

We think there'd be a more diverse range of charities that would have access to DGR, and it would mean a wider range of causes and beneficiaries could benefit from philanthropy in Australia, and it would provide donors with more choice. It would also assist charities that have multiple purposes. As well as charities which have a sort of smaller. Grassroots to characterization as well as we estimate, I think it's 5 or 6000 volunteer run charities would now have access to the DGR system where it's currently they don't, so there's a pretty sizable impact there on volunteer run and volunteer LED charities, we think.



Going back to the trade-offs, so public support obviously costs revenue and given that we're increasing, we think the number of entities here that would be able to access tax deductible donations that comes with a revenue cost. But we think overall that those effects are relatively modest. With the caveat that there's obviously uncertainty attached to the estimates, but we think. The overall cost would be relatively modest for the reforms that they're putting through here and that trade off, we think. Is worth the revenue cost here given that a lot more entities would now have access to the DGR system.

Importantly, I just want to emphasise here this last point on this slide. So, around school building funds, the intent of the proposed reform, there is not to reduce government support for schools. We think there's a very important role for government to support the provision of infrastructure in both private and public schools in Australia.

The purpose of the recommendation and the spirit of it is really that comes in under that the 2nd and 3rd principles is that we think there's could be better ways to provide that support outside of the DGR system and recommendation 6.3 says that alternative arrangement should be developed in that regard.

So, in terms of the process of getting to the final report recommendations in between that and the draft in the report.

We received widespread support for a principle-based approach as well as support for broader access to DGR status. In particular, the moves to simplify the DGR system around a single endorsement for all eligible activities undertaken by a charity.

There was concern expressed the proposed withdrawal of DGR status for school building funds and religious and ethics education in schools. And many participants focused on that particular recommendation in the draft, and there was also concern about not extending DGR status for activities such as those for the sole purpose of advancing religion.

Overall, though, our judgement was based on what we heard in the hearings and on the evidence that we looked at was that the proposed approach in the final report around those particular issues is broadly maintained between the draft and the final.

However, we did, as I mentioned earlier, provide some additional guidance on alternative arrangements for the support of school infrastructure, noting again that we think it's not a matter of the dollars per say, it's exactly how the board is provided and we think there's better ways of doing that outside the DGR system.

Onto ancillary funds. So, these are structured giving vehicles where an individual or donor can direct money or assets into a funds rather than directly to a charity. They provide donors with an upfront tax deduction. They can be private or public. And then trustees distribute the fund donations to charities and the important point here is that there's this timing gap between when a donation occurs and when the distributions occur. And that's really where a lot of our focus was.



Given that there's this upfront tax deduction and give it, the distributions occur over time. Do we have that balance right in terms of the current arrangements?

Just to give you an idea of the size of these things, once again, private ancillary funds in Australia, the donations accumulatively worth 11.4 billion. Net assets are worth 11.6 billion. The average distribution rate is 8% and overtime that means that charities have received distributions of 5.2 billion public ancillary funds. You can see those similar figures down there in the row below that.

So, these big dollar amounts, lot of assets are in the system and are working their way through the system. And the question that we really looked at is you know, do we have the just minimum distribution rates settings right given that there's so much. Accumulated and the potential benefits of the distributions, you know, quite sizable going forward.

So, we think given the evidence that we looked at and what we heard in hearings and submissions and applying again a principles-based approach, we think that the government should set the minimum distribution rate at some point between 5% and 8%. We didn't have a final sort of figure on that, but we think there's a case that a good case to be made increasing those minimum distribution rates and the point really here is around. You know whether those distributions should be received sooner or later, and there's always trade-offs and we think that, you know, before doing or making such a change, there should be further consultation undertaken on the decision on the final rate. So that's recommendation 8.1.

We also think this might sound like a minor thing, but you know the name ancillary funds, you know, it's not really, it doesn't really characterise that well in the public's mind what these things actually are. So, we recommend a name change to better reflect their role and purpose to giving funds rather than ancillary funds.

And we also think that the government should enable smoothing of the minimum distribution rate overtime of up to three years, subject to integrity measures to ensure that overall distributions are maintained.

So, this is all about giving these funds a bit of flexibility. The so when funds are really needed, they might go above the minimum, but then in later years if distributions are not needed, they could go below on average over three years. If they meet the minimum then subject to integrity measures, you know that's probably a good thing that they. Can smooth that volatility overtime with respect to the rules that they have to follow?

On superannuation, this was a complex issue. We did get quite a bit of feedback on this one. We think it should be as simple as possible to make a request to a charity through superannuation, but given the complexities of that area, we think that that would be best progressed through improvements to the overall regulatory framework for binding death nominations, and there's other issues to consider in that framework, and we finally, on finding 8.1, we don't think there's any case for reducing superannuation taxes for bequests, given the concessional. Treatment of superannuation already that's in the system.



So that's it from me and I'll hand over to Julie now. Thanks.

Julie Abramson

Ohh, thanks very much. Alex, if you could just have the next slide, can I also thank our colleague Krystian who I know is on the line today and I'm sure he'll keep us honest on our on our answers. So, thanks very much Krystian.

As Alex said at the beginning, one of the things that we did change slightly from draft to final, was the way in which we framed the Indigenous philanthropy. The connections because we realised that using the name foundation had made it sound like this was a grant-giving organisation and that had not been what we were thinking of in terms of the way it might function.

It was very clear to us from conversations that we had that accessing philanthropy can be very difficult for some organisations. Some Indigenous organisations do it very well but others had difficulty doing that. And so, what we came up with, it's really about capacity strengthening and it's got two sides to it.

So, it's also about philanthropic givers also being aware of some of the issues in this space and that's why we ended up with philanthropy connection. We also when we put out our draft report, we're concerned knowing that this would need to be Indigenous led and Indigenous designed.

How far we should go with talking about some of the principles and we were encouraged by our conversations. Yes, please put some principles forward. So, the principles that. Underpinned it, we thought that this connections organisation needed to be controlled by Aboriginal and Torres Strait Islander people, with a majority of Aboriginal and Torres Strait Islander board.

We thought that the government needed to contribute an endowment to assist in making the organisation financially sustainable and guarantee its independence. But the important thing was we did get some feedback that people were worried. Mainly I think because we used the word foundation that there would be a crowding out of other organisations and that is not the intention and we're also recommending an evaluation after 10 years. Could have the next slide please.

The other issue I should say we know we've got quite detailed questions in the Q&A. We are not ignoring you. We will try and deal with some of that, some at the high level, but some of the more detailed questions we might need to come back to you. I will deal with one issue though. There is a question about the fact that the government has already responded, at least on the school building funds.

We provide our reports to government is always absolutely a matter for the government as to what it chooses to do. So, in terms of the regulatory system, one of the things that we noticed is that charities regulation for those of you who are involved in it, it's really complex because the ACNC whilst it registers or charities, it doesn't have enforcement powers in respect of all of the entities. It's bound by the Constitution to federally regulated. Entities, so whilst we also have some proposals about strengthening the powers of the ACNC, it seemed to us building some regulatory architecture was very important.



The states retained quite a role in some areas of charities regulation and we thought that an intergovernmental agreement. And this particular forum that we're recommending would be very helpful. Now I know it always sounds like not a particularly exciting reform, but sometimes that's where the Productivity Commission does its best work because we talk about the structures that stand behind it. So, we think that that's very important, that forum we would envisage would also be involving the Attorneys-generals at a state level, because mostly they're the ones that are responsible for, for charities regulation on the second point on accountability and governance requirements, we know that.

Our view about the removal of a basic religious charity has in some quarters actually been quite a controversial one. What we were trying to do or what we've said is we could not see a policy reason why there should be different governance arrangements and we did examine this quite closely with and very carefully to what a number of you said to us.

But at the end of the day, our view was this is voluntary. You do not actually have to register as a charity. You do that for a range of reasons, and one of the main ones is taxation issues. There are large religious organisations already within the system on the constitutional point, we examined all of the constitutional issues that were raised with us. Obviously, that be a further process if the government decided that it wanted to go further on this particular point. But we were mindful of the concerns you raised with us and we put in some what we regard as protections. Well, here are some things that maybe should, if this was to be accepted, this is the way in which it should be done.

The final point here was that we wanted to provide charities with a bit more clarity about the regulatory regime and those of you that deal with the tax office would be familiar with private rulings. We also thought test case funding would be quite useful, could have the next slide, please.

So basically, we actually found when we looked at this that the regulatory system was basically sound. We did think about the future. So, we thought about online gift donations and we had something to say about that in the report. It's that's more of a watch, this space.

But we did think that putting this regulatory framework together behind the scenes would be important, especially if something failed and there was a need for the regulators to be seen to be working cooperatively together.

The other thing is that, as we've discussed before, it was important for us that we thought there was more transparent and consistent regulation of charities. Also, we were very aware of the fundraising regulatory reforms and that we thought that there needed to be a body which oversaw that, that was going to plan. And as my colleague Krystian said to us at the time, one of the issues can always be a consistency over time. So, we've particularly asked that, that continue to be reviewed could have the next slide please.

Volunteering was very important. Alex spoke at the very beginning about that we had seen falling rates of, of volunteering. One of the issues and thank you very much to the volunteering groups who provided a great deal of information and support to the inquiry, is a lot of regulation and



regulatory duplication. So, it sounds like a kind of a small reform, but we think it's quite an important one. We said to governments, please keep this in mind when you're designing policies because we heard of a number of examples where policies directly cut across each other.

In terms of public information on volunteering. We were very pleased to see that the government has agreed that I think it's a general social survey. I'm looking at Alex here. That's the one that they have said to fund because the ABS it has the ability to do this and with the ABS it's usually a funding or a constraint. So, we're really pleased to see that.

Excuse me, we also wanted to ask listed companies to publicly report on the volunteering in their corporate reports. The other issue too is that one of the issues is that not everybody regards what they do as volunteering. This was particularly true in culturally and linguistically diverse communities because that was simply about, well, it's family or it's the way in which we cooperate as a community. So, we're encouraging the ABS to look further at this so that we are capturing that and to be fair, the ABS is aware of those issues. Could have the next slide please.

So, on the public information on charities, there was a question in the chat about that. We think that the ACNC can do more to enhance the usefulness of information it provides. And certainly we, we'd be asking registered charities to report incomes from bequest because when we went looking for information on requests, it's actually very hard to find because as you all know, it's in probate officers and it's not it, it would be quite a job to try and collate that type of information.

But to the question that we had in the chat about information at the end of the day it seemed to us that reporting on effectiveness is important, but really it wasn't something that we would be mandating. It didn't matter to all people who donated. It matters a lot to some, but not to all. And there's a cost benefit equation. So, and I think that there is also. Some developments in that space, we were very clear and we were clear in the draft report that we didn't see administrative costs as a reliable measure of effectiveness either.

We also thought that the transparency of corporate giving should be improved. We'd like to see listed companies publicly reporting on their donations of money, goods and time, and we'd like to see the ATO collecting data on corporate giving to entities with DGR status.

And I think that team that brings us to the end of the presentation, I think. Less is enough. Exactly. So, thank you. So, we might have a go at answering some of the questions, Alex, that we've got in, in the chat and Krystian, you never get away from us because we're going to ask you if you might help out with some of the questions as well.

Alex Robson

There's a question from anonymous around when the government might consider our recommendations and introduce appropriate legislation. Yeah, why don't we? You know, that's a matter for government. So, we yeah, we don't really have any comment to make on that one.



There's a question from Margaret. I think it's addressed to you, Julie, but maybe Krystian would like to jump in on this one on regulations on charities that have two years of losses on their profit loss statement and the low equity, and how can they retain their charity status? Did Julie or?

Julie Abramson

I think I am. I'm happy to answer it. We will never look at a particular instance. We're not a regulatory body in that regard and that's really a matter for the ACNC. I mean, I think that that's the best that we can say about that. We do think as I said that there should be some more information available. Krystian, apparently, we have turned your mic and your camera on. So, if you'd like to add.

Krystian Seibert

Hi everybody. Yeah. I mean it's about sort of providing information for those in the community and donors to make their own decisions based on how they interpret that information and they make their own judgments about who they donate to. So, it's about providing better information that is tailored to the needs of donors, which is a key focus of the discussion on public information in Chapter 9, and I've been answering a couple of questions in the in the Q&A chat as well. So, you might have a little surprise. From me there, OK.

Alex Robson

Next one's from Russell on half minimum distribution rates and so long-term earnings are between 7 and 8%, half would solidly decline if the minimum rate was 8% and reach a point where it has to come to a close. So is the intent to close down pass.

No, that's not the intent. Of that, at all. We did look at a range of data on actual distributions and so that's why we're very mindful with that recommendation to provide government with a range of between 5 to 8% and then say well, we think there's a case for either maintaining the status quo or increasing the minimum distribution rate, but really that needs to be the subject of further consultation.

We did ask all these questions of people throughout the inquiry and but we, you know, we just didn't have enough evidence there to be able to recommend. A number and there are very important trade-offs there as you know Russell. So that's the flavour of that recommendation. It's not the intent at all to close them down.

On the other hand, you know it's not you know, it's not the intent either from our point of view to, a path which, if its intent is not to, you know, stay around in perpetuity to actually have that happen. You know if that is the intent. You know that's fine. And the system should enable that. But you know the purpose of having a path is not to get the tax deduction and then have funds to sit there forever and never be distributed. If that wasn't the original intent of the people setting it up. But I know Krystian or Julie, you want to add to that?



Julie Abramson

No, I did want to deal with the question which was quite a precise one about the value shifting rules. Look, this was a really complicated area and I'll be really frank with you in a big report like this. We can't get to everything, but we have flagged that it is quite complicated. As far as I'm aware, the tax office would also be. Be aware that it's an issue, Krystian. I don't know if you've got anything to add there. We did see it and we did understand it, but it's very complex.

Krystian Seibert

It is complex and there is, as the question points out, some commentary on it. But it's, yeah, I think it's a question of that sort of you know, getting into this detail and just make and you know the risk of sort of unintended consequences, but it we did make some comments and discussion around it that, you know, perhaps can serve a purpose in terms of some further discussion with Treasury and the ATO as well.

Julie Abramson

And the other thing I can add, which is a little thing about the way we operated the PC. So, we actually had a secondee from the ATO. So, our secondees, we like to think are, not that I'm putting him in the frame for this, but that they do go back understanding more about some of the issues for industry. And I think that that can be quite helpful when there are developments.

Alex Robson

There's a question here from Doreen on collaborating on the better ways to support school infrastructure beyond philanthropy. So, Doreen, on page 196 of the report table 6.2, we outline some other potential options there, noting that the government has already not accepted that recommendation, but you can go to the report and look at some alternative options ranging from government grants to block style capital funding, a different kind of tax deduction match grants.

There's a range of alternatives that are that are proposed there that you know we think. You know, in terms of that recommendation would work better than the current arrangements, but as we said the and the government has already said that they won't be adopting that recommendation.

Julie Abramson

There's just one thing. There are a few comments around things which go to the regulatory space. There was a question about the definition of charity, etcetera. One of the reasons for the Australian Law Reform Commission, we would be very grateful if they could be given a reference because I think some of these issues, they would do a very good job at looking around Australia, what is the definition in this state? What is the definition in that state? And they'll be able to do that very legal work and they work consistently in those type of areas about harmonising things. So that is why that I would encourage people if the government does follow up on that, to make sure that you make, if those are your concerns, you make sure that that the government is aware of that in terms of a referral.



Alex Robson

There's a couple of questions here from Anne Robinson. Krystian, I might direct them towards you. One is around support for removing DGR from political think to think tanks. So, this was something I think we talked about in that process of putting together the final report and the other one was around the distinction between purpose and activity. Which I think you've addressed before.

Krystian Seibert

Yeah, I addressed the purpose and activity one in the chat just to say that that, yeah, we refer to activities because government subsidise activities rather than purposes and we use that to then determine what the scope of the DGR system should be and eligibility would be based on registration with an ACNC subtype.

And you know, you have to be eligible for that. So, it's not that, you know, it would be about assessing every individual activity. But when you're looking at a high level to see what's in what's out, the framework focuses on activities because that's what governments subsidised and the DDR system is a government subsidy. There's a footnote on page 154 about that.

And just on think tanks and those sorts of entities, it'll depend on where they're, how they're registered as a charity in terms of whether they're eligible. But more generally, it doesn't necessarily apply to think tanks necessarily, but the DGR reform proposals in the report would make it easier for many advocacy and research organisations participating in public policy development to be eligible for DGR status.

Alex Robson

OK. I think we're out of time. So, we might wrap up. So, thank you to everybody who's attended online and thanks again to Julie and Krystian and the rest of the team. And yeah, we'll stop it there and conclude today's presentation, so thanks very much.

Julie Abramson

Thank you and thanks for helping us with the questions Krystian most appreciated. Thank you everyone.