

ACFID Submission to the Productivity Commission's Philanthropy Inquiry

ACFID welcomes the opportunity to provide a submission to the inquiry on the trends in philanthropic giving in Australia. Further information about ACFID's previous submissions that relate to the scope of this inquiry are referenced throughout.

About ACFID

The Australian Council for International Development (ACFID) is the peak body for Australian non-government organisations involved in international development and humanitarian action.

Founded in 1965, ACFID currently has 128 full members and 21 affiliates operating in more than 65 developing countries. The total revenue raised by ACFID's membership from all sources amounts to \$1.83 billion (2020 - 21), \$721 million of which is raised from over 996,000 thousand Australians. ACFID's members range between large Australian multi-sectoral organisations that are linked to international federations of NGOs, to agencies with specialised thematic expertise, and smaller community-based groups, with a mix of secular and faith-based organisations.

ACFID members must comply with the ACFID Code of Conduct, a voluntary, self-regulatory sector code of good practice that aims to improve international development and humanitarian action outcomes and increase stakeholder trust by enhancing the transparency, accountability, and effectiveness of signatory organisations. Covering 9 Quality Principles, 33 Commitments and 92 compliance indicators, the Code sets good standards for program effectiveness, fundraising, governance, and financial reporting. Compliance includes annual reporting and checks. The Code has an independent complaint handling process.

Executive Summary

ACFID welcomes the Productivity Commission's inquiry to explore emerging trends in philanthropic giving in Australia. We welcome the inquiry's aim to identify policies to strengthen charitable giving in Australia, in line with the Australian Government's commitment to double philanthropic giving in Australia by 2030.

The Terms of Reference have assigned the Commission with three areas of focus.

1. Analyse trends in philanthropic giving in Australia and the drivers of these trends.
2. Identify opportunities for, and obstacles to, increasing philanthropic giving in Australia; and
3. Recommend ways to ways to respond to these opportunities and obstacles.

ACFID's submission will focus on points 2 and 3 above.

Philanthropy plays a significant public role in Australian society. Philanthropy is defined as "The planned and structured giving of time, information, goods and services, voice and influence, as well as money, to improve the wellbeing of humanity and the community"¹ [Philanthropy Australia). ACFID's members have mobilised \$892 million dollars in donations from nearly 1 million Australians.¹¹ This has been crucial to the success of our member's work in delivering live saving emergency response, critical poverty alleviation, and broader development work which has enabled 2,586 projects to be delivered in 65 countries, by employing 3,592 people and engaging nearly 9,000 Australian domestic volunteers.

If the Australian Government wishes to double giving by 2030, as articulated in its commitments, there needs to a strong effort to remove barriers for Australians, businesses, universities, civil society organisations and the not-for-profit sector to enhance giving. ACFID and its members are classed as not-for profits as outlined by the Australian Tax Office.

Suggested reforms to address challenges to the long-term prospects of philanthropic giving, are provided through our recommendations below.

SUMMARY OF RECOMMENDATIONS

ACFID is providing a series of recommendations for the Committee to consider as key considerations for understanding trends in philanthropic giving in Australia and the opportunities to enhance giving.

Recommendation 1: That the current Fringe Benefits Tax [FBT] arrangements be maintained, with indexation applied to meet inflation to remedy the declining value of benefits.

Recommendation 2: The Australian Government should expand FBT eligibility to all charities with Overseas Aid Gift Deductibility Scheme (OAGDS)

Recommendation 3: The Australian Government should implement planned payroll giving schemes across all Australian Public Service [APS] departments.

Recommendation 4: The Australian Government should provide dedicated funding and technical support to increase confidence, trust, and knowledge in the not-for-profit sector to uphold best practice cybersecurity approaches.

Recommendation 5: The Australian Government should make greater use, and expand the use of dollar-to-dollar matching, capped at appropriate levels, as a means of publicly bolstering philanthropic giving in important areas of public need, such as natural disasters.

ACFID is more than happy to meet with the Commission on behalf of members to provide more detail if required.

Fringe Benefits Tax [FBT]

Fringe Benefits Tax concessions are crucial to the viability and competitiveness of charities across Australia. Current arrangements are essential in attracting and retaining staff for ACFID and our members. This value proposition for charity employers is critical in a competitive labour market. The FBT concession and other operational concessions allow the sector to do much more with funds we receive from donors. This is especially important for a sector that is critically underfunded.ⁱⁱⁱ Additionally, we would like to see eligibility expand to all charities with Overseas Aid Gift Deductibility Scheme (OAGDS).

At the time of writing, inflation in Australia is at 7.1%^{iv}, this has created significant challenges to all sectors across the economy. High inflation is having a severe impact on the ability of Australia's international development sector to carry out vital humanitarian and development assistance due to increased costs.

Tax policy reform in Australia is a key lever for social change, and governments can lead in growing capacity for the sector. The current fringe benefit exemption of \$15,900 (\$30,000 grossed up)^v was introduced in 2001 and has never been indexed, despite usual increases in the Consumer Price Index and the high inflationary environment Australia is currently in. This lack of indexation has substantively diminished the take home value of these benefits and eroded the sector's ability to attract and retain the talent within the sector required to maintain a diverse, active, and thriving sector workforce. Adding to this the anticipated effect of indexation being applied to the Higher Education Loan Program, which recipients under the scheme are not eligible to reduce their income via FBT, the charitable sector's core offering is simply incapable of delivering much needed relief to frontline workers.

ACFID calls for reforms to ensure that FBT benefits are indexed to meet inflation to ensure a thriving civil society sector.

Recommendation 1: That the current Fringe Benefits Tax [FBT] arrangements be maintained, with indexation applied to meet inflation to remedy the declining value of benefits.

Recommendation 2: The Australian Government should expand FBT eligibility to all charities with Overseas Aid Gift Deductibility Scheme (OAGDS) status.

Deductible Gift Recipient [DGR] status of Australian Charities.

The current Deductible Gift Recipient [DGR] policies are clunky, confusing, and difficult to manage for government departments and Australian charities. These measures are out-of-step with similar jurisdictions in the OECD. The complexity of current arrangements contribute to higher costs for to the ATO and The Australian Charities and Not-for-profits Commission (ACNC), donors and recipients, as well as creating barriers to access for smaller organisations.^{vi} Currently, there are 52 categories of DGR, which allow not-for-profit organisations to receive tax deductible donations from public donors, which provides a significant organisational funding stream and increases opportunities for grants and additional philanthropy.^{vii} Proportionate regulatory arrangements for the not-for-profit sector are crucial to the viability of our members and allow them to carry out crucial international development and humanitarian assistance.

ACFID strongly welcomes proposed reforms for the DGR registers, helping create uniform consistency across the system and reduce red tape. However, consideration must also be given to the limitations of these categories themselves, which can result in some organisations from accessing a critical and reliable funding source.^{viii}

ACFID is also pleased to see that adjustments have been made to the proposed amendments to the Overseas Aid Gift Deductibility Scheme (OAGDS). However, ACFID remains concerned that most of the benefits of these changes will not be realised, due to lack of clarity in provisions relating to changes for the OAGDS. This could possibly have the effect of creating additional administrative and legal burden for many charities, including ACFID members.^{ix}

Additionally, reforming DGR for not-for-profits provides further philanthropic funding opportunities to support the sector compliance requirements, including self-regulatory (such as the ACFID Code of Conduct) and other compliance regimes governed by law or statutory requirements.^x

Planned Giving

To enhance philanthropic giving within Australia, the Government should strongly consider implementing planned payroll giving across Australian Public Service Departments. Planned giving, including workplace giving through payroll, is important to charities and the not-for-profit sector as it provides a regular flow of funds to carry out important work.^{xi}

Planned payroll giving or “workplace giving” is defined as the process of making regular tax-deductible donations through the payroll system.^{xii} There are numerous benefits to the scheme, such as donations being deducted from pre-tax salaries, which therefore reduces an employee’s individual taxable income.^{xiii}

Currently, there are limited payroll giving opportunities across federal, state and territory public service departments.^{xiv} The Australian Government should consider establishing a planned payroll giving scheme across all Australian Public Service [APS] departments. As of 31st December 2021, the APS had 155,796 employees.^{xv} This represents a significant portion of the labour market. If the Australian Government can lead from the front and implement this across the wider economy, this can result in a precedent being set, with state and territory departments and other non-government employers possibly implementing similar schemes.

This would be of significant benefit to charities and the sector more broadly, as increased participation in planned giving will likely stimulate the overall level of giving. This will also lead to leveraged goodwill, better performance from the sector as not-for-profits build and grow capacities to undertake evaluations and articulate impact. Therefore, this will also enable greater public and business support.^{xvi}

Furthermore, there is precedence across the private sector with major employers such as the ‘Big 4’ consulting firms PricewaterhouseCoopers, Deloitte, KPMG and Ernst & Young having versions of their own schemes as company policy.^{xvii}

Ultimately, this will assist the Australian Government advance their commitment to double philanthropic giving by 2030.^{xviii}

Recommendation 3: The Australian Government should implement planned payroll giving schemes across all Australian Public Service [APS] departments. ACFID suggests rolling out this scheme as a pilot, then implementing initiatives to incentivise private sector employers.

Cyber-resilient, future-fit

The recent proliferation of cyberattacks in Australia, such as the Medibank and Optus attacks that impacted close to 20 million people, have brought cyber threats to the forefront of public awareness.^{xix} Furthermore, according to UK research, charities are more vulnerable to cyberattacks for a multitude of reasons, such as less resources, higher use of volunteers and that charities are also more likely to rely on staff using their own devices, which are harder to secure and managed compared to a centralised IT system.^{xx}

Technology and not-for-profit organisation Infxchange highlighted similar challenges in their 2022 *Digital Technology in the Not-For-Profit Sector report*^{xxi}, with 51 percent of organisations citing resourcing challenges to their implementation of sophisticated cyber security arrangements.^{xxii}

The charitable sector is not immune to the risks and challenges faced by the wider Australian business community in meeting the expectations of the Australian public and their right to the protection of their personal data. For Australian businesses, data breaches risk eroding consumer spending. For Australia’s charity sector, cyber-attacks pose long-term risks to the confidence of a generous Australian public in donating to the critical relief services the sector provide. As overall charitable giving continues to decline while the numbers of people in need of the services delivered both here and abroad continues to increase in the face of a burgeoning cost of living crisis, these risks have significant ramifications for the sector.

It is incumbent upon the Australian Government to invest in cyber capability within the charity sector that creates confidence, trust, and long-term capability. Given the constrained environments in which charities continue to operate, substantive, ongoing investments from the Government in this capability constitutes a public good. This serves to deliver on Australia’s commitment to defend against cyber-attacks, whilst investing in keeping the Australian public’s data safe longer-term, and upholding trust in the sector at a critical juncture.

Recommendation 4: The Australian Government should provide dedicated funding and technical support to increase confidence, trust, and capability in the not-for-profit sector to uphold best practice cybersecurity approaches.

Government support to charities and dollar-to-dollar matching

Both dollar-to-dollar matching whereby the government matches each dollar of public donation to a cause, and government giving to charities which then encourages public giving through providing a sense of legitimacy to the cause, can have a significant impact on maximising the reach of donations.

The Australian Government supported charities in 2011 by matching public money raised through Horn of Africa appeals by AusAID-accredited not-for-profits for a fixed period of time. A total of \$10 million was provided in matched funding by the Government, with a cap of \$1.5 million per organisation, significantly amplifying the support provided to those affected by the famine^{xxiii}. In 2017, the Government dollar-to-dollar matched public funding provided to The United Nations High Commissioner for Refugees' Rohingya Emergency appeal^{xxiv}. In 2022 the Government contributed \$2 million to the Emergency Action Alliance's Ukraine appeal^{xxv}, and \$5 million to the Horn of Africa's Hunger appeal^{xxvi}. While these two latter contributions were not positioned as dollar-dollar matches, the Government's contributions added significant credibility to these appeals, resulting in increased public donations.

There is therefore experience of ad hoc successful examples of Australian Government commitment to support charities to maximise public donations to a particular cause, however this should be systematised, as is more so the case in other countries such as the United Kingdom^{xxvii}. The Australian Government should consider scaling up this approach to increase charities' funds to deliver programs^{xxviii}. These initiatives could also focus on specific causes such as climate mitigation and adaptation programs undertaken in the Pacific.

Recommendation 5: The Australian Government should make greater use, and expand the use of dollar-to-dollar matching, capped at appropriate levels, as a means of publicly bolstering philanthropic giving in important areas of public need, such as natural disasters.

Endnotes

ⁱ <https://www.philanthropy.org.au/learn-about-philanthropy/glossary/>

ⁱⁱ <https://www.philanthropy.org.au/learn-about-philanthropy/glossary/>

ⁱⁱⁱ MercyWorks Australia, "Submission to the Productivity Commission: *Inquiry into Philanthropy*"

^{iv} <https://www.forbes.com/advisor/au/personal-finance/inflation-rate-australia/>

^v Zabar, Joe & Jefferson, Benjamin (2022) "Improving the utilisation of the fringe benefits tax concession by Public Benevolent Institutions" (working paper) ANU Crawford School of Public Policy, p.

^{vi} McGregor-Lowndes, Myles (2023) "Are any more Recommendations worth implementing from nearly 30 years of Commonwealth Nonprofit Reform Reports?" (working paper) Queensland University of Technology, p.14

https://eprints.qut.edu.au/237821/33/Are_there_any_more_recommendations_worth_implementing.pdf

^{vii} <https://probonoaustralia.com.au/news/2023/01/ato-to-control-all-dgr-categories-under-proposed-reform/>

^{viii} <https://probonoaustralia.com.au/news/2023/01/ato-to-control-all-dgr-categories-under-proposed-reform/>

^{ix} See ACFID's submission to the Senate Economics Committee: *Treasury Laws Amendment Bill 2023: Deductible Gift Recipient Registers Reform* for further detail on Deductible Gift Recipient recommendations.

^x International Women's Development Agency submission to Productivity Commission: *Inquiry into Philanthropy*

^{xi} Department of Prime Minister & Cabinet "Increased workplace giving: What works at work?" evaluation report, 2018 <https://behaviouraleconomics.pmc.gov.au/projects/increasing-workplace-giving>

^{xii} <https://www.plan.org.au/you-can-help/partner-with-us/workplace-giving/>

^{xiii} <https://www.amaze.org.au/get-involved/workplace-giving/>

^{xiv} McGregor-Lowndes, Myles (2023) "Are any more Recommendations worth implementing from nearly 30 years of Commonwealth Non-profit Reform Reports?" (Working paper) Queensland University of Technology, p.26

https://eprints.qut.edu.au/237821/33/Are_there_any_more_recommendations_worth_implementing.pdf

^{xv} [https://www.apsc.gov.au/employment-data/aps-employment-data-31-december-2021/size-and-shape-aps#:~:text=At%202013%20December%202021%2C%20the%20largest%20number%20of%20APS%20employees,whole%20APS%20\(Figure%202.5\).](https://www.apsc.gov.au/employment-data/aps-employment-data-31-december-2021/size-and-shape-aps#:~:text=At%202013%20December%202021%2C%20the%20largest%20number%20of%20APS%20employees,whole%20APS%20(Figure%202.5).)

^{xvi}McGregor-Lowndes, Myles (2023) “Are any more Recommendations worth implementing from nearly 30 years of Commonwealth Non-profit Reform Reports?” (working paper) Queensland University of Technology, p.26

https://eprints.qut.edu.au/237821/33/Are_there_any_more_recommendations_worth_implementing.pdf

^{xvii} <https://www2.deloitte.com/au/en/pages/about-deloitte/articles/deloitte-foundation.html>, <https://jobs-au.pwc.com/au/en/culture-and-benefits>, <https://eystepitup.com/> & <https://info.kpmg.us/news-perspectives/corporate-citizenship/impact-of-employee-giving-campaigns.html>

^{xviii}<https://www.andrewleigh.com/labor-to-double-philanthropic-giving-by-2030-media-release#:~:text=An%20Albanese%20Labor%20Government%20would,fairer%20and%20more%20connected%20country.>

^{xix} <https://www.abc.net.au/news/2023-04-21/optus-hack-class-action-customer-privacy-breach-data-leaked/102247638>

^{xx} <https://probonoaustralia.com.au/news/2023/01/charities-more-vulnerable-to-cyber-attacks/>

^{xxi} <https://probonoaustralia.com.au/news/2023/01/charities-more-vulnerable-to-cyber-attacks/>

^{xxii} <https://probonoaustralia.com.au/news/2023/01/charities-more-vulnerable-to-cyber-attacks/>

^{xxiii} [Govt to Match Horn of Africa Donations ‘Dollar for Dollar’ - PBA \(probonoaustralia.com.au\)](https://probonoaustralia.com.au/news/2023/01/charities-more-vulnerable-to-cyber-attacks/)

^{xxiv} <https://www.facebook.com/australia4unhcr/videos/10155611379390469/>

^{xxv} <https://www.foreignminister.gov.au/minister/marise-payne/media-release/additional-support-ukraine>

^{xxvi} <https://ministers.dfat.gov.au/minister/pat-conroy/media-release/humanitarian-assistance-horn-africa-and-yemen>

^{xxvii} <https://www.gov.uk/international-development-funding/uk-aid-match>

^{xxviii} Council for Advancement and Support of Education “Select Government Matching Fund Programs: An Examination of Characteristics and Effectiveness” 2009, Council for Advancement and Support of Education