



Future foundations for giving

Proposed reforms to the deductible gift recipient (DGR) system:



The **DGR** system provides a **tax deduction for giving to certain charities**. The system benefits taxpayers who donate and recipient charities, and is a key policy lever to incentivise giving.

The DGR system creates inefficient, inconsistent and unfair outcomes:

<p>There is no coherent policy rationale for why certain charities are eligible for DGR status and others miss out.</p>	<p>DGR eligibility requirements can inadvertently limit access for some smaller charities, which also tend to be more reliant on volunteers.</p>	<p>The complexity of the system continues to increase as new DGR categories are added in a piecemeal manner.</p>	<p>Charities that have multiple purposes may need DGR endorsement for each eligible activity, so accessing DGR status can be complex.</p>
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The scope of the reformed DGR system should be based on the following principles (draft recommendation 6.1):

	<p>There is a rationale for Australian Government support because the activity has net community-wide benefits and would otherwise be undersupplied.</p>
	<p>There are net benefits from providing Australian Government support for the activity through subsidising philanthropy.</p>
	<p>There is unlikely to be a close nexus between donors and beneficiaries, such as the material risk of substitution between fees and donations.</p>
	<p>The Commission used the principles to assess classes of charitable activities, not individual charities. Applying the principles means most, but not all classes of activities, would be eligible for DGR status.</p>





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The deductible gift recipient (DGR) proposed reforms would have **four possible outcomes** for charities:



Charities retaining DGR status

Most charities that **currently do have DGR status**, including public benevolent institutions, health promotion charities, animal welfare, environmental, cultural and formal higher education charities.

More than 20,000 charities are in this group.



Charities not gaining DGR status

Charities undertaking activities including **advancing religion, advancing industry**, as well as some **aged care, childcare and education charities** would remain outside the DGR system.

About 15,000 to 20,000 charities are in this group.



The Commission's draft report:



Is also **recommending supporting changes** to require charities to be registered by the Australian Charities and Not-for-profits Commission with all applicable charity subtypes and legislate a definition of what constitutes a public benevolent institution (draft recommendation 6.2).



Invites **feedback on its proposed reforms to inform the final report**, including views on: the role and operation of the specific listing process (information request 6.1), the case for changing reporting obligations for charities with DGR status (information request 6.2), transition arrangements for implementing the reforms in draft recommendation 6.1 (information request 6.3) and how giving behaviour could change (information request 6.4).

Changes to DGR status for ...

Charities gaining DGR status

Charities that **currently do not have DGR status**, such as those focused on advocacy and prevention, a wider range of animal welfare charities and many charities run solely by volunteers.

An estimated 10,000 to 20,000 charities could gain DGR status.



Charities with DGR status withdrawn

Mainly charities that **have DGR status for school building funds or to provide religious education** in government schools.



Fewer than 5,000 charities are in this group.

