

**Blueprint Expert Reference Group Submission  
20 December 2023**

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### **About FIA**

Fundraising Institute Australia (FIA) is Australia's national peak body for the \$13.8 billion charitable fundraising sector. We are an industry body with over 7000 members who are charities, not for profits, suppliers of fundraising services, and individual fundraising professionals. FIA, among its other professional fundraising activities champions and facilitates best practice fundraising with a self-regulatory Code of conduct for the sector, the FIA Code. The FIA Code raises the standard of conduct across the fundraising sector, going beyond the requirements of Government regulation.

FIA also plays an important role in engaging regulators on behalf of our members by representing their interests. It is in this capacity that we provide this response to the Blueprint Expert Reference Group. We welcome the opportunity to provide input towards developing a blueprint on priorities for sector-led actions and government reform to ensure a strong and effective NFP sector over the coming decade. We appreciate the opportunity to contribute to this consultation, and we welcome further discussions on the matters that have been outlined in this document.

### **This Submission**

Given our focus on charitable fundraising, this document responds to topics 4, 5, and 6 of the issues paper, particularly those questions pertaining to:

- 4.1.1 Better embedding and preserving the role of advocacy in policy and legislation.
- 4.1.2 Mechanisms needed for the exercise of the NFP sector to be better employed in designing policy and services.
- 5.1.1 The policy and regulatory reforms that would increase giving to charities.
- 6.1.1 A regulatory framework for the sector that overcomes the complexity of our federation.
- 6.1.2 How to improve current legal structures, governance standards and tax concessions.
- 6.1.4 How regulatory data can be better used and shared with the NFP sector and wider public to support future practice.

**1. Responding to Questions 4.1.1, 4.1.2, 6.1.1 & 6.1.2 on improving current legal structures, overcoming the complexity of our federation, and better embedding advocacy.**

**1.1 Completion of the Harmonisation of State-based Fundraising Regulations**

The need to harmonise the Australian charitable fundraising regulatory environment and the progress made to date are addressed with questions 4.1.1, 4.1.2, 6.1.1, and 6.1.2 in view. It should be noted that our position on this has broader applicability to other regulatory issues across the sector beyond the harmonisation issue. However, the harmonisation issue depicts learnings in response to the above questions.

It is widely known that harmonising charitable fundraising regulations across Australia would result in a considerable decrease in compliance expenses, enabling charities to channel more resources towards achieving their causes and investing in additional fundraising strategies. Because charities have had to comply with fundraising regulations in each state where they fundraise, the total annual cost of this compliance across the sector is estimated at \$12 million—a significant amount that can be channeled towards their main charitable objectives.

FIA acknowledges that the government is dedicated to harmonising the charitable fundraising regulatory environment and that the Commonwealth, state and territory Treasurers have agreed to a set of nationally consistent fundraising principles to streamline and harmonise state and territory requirements on charitable fundraiser conduct. Most states have in recent times also adopted a cross border deemed compliance model for fundraising authority and reporting with the ACNC.

While it is encouraging that efforts are underway to reduce red tape and make fundraising more efficient and cost-effective in the charitable fundraising regulatory environment, there are uncertainties regarding how the states will implement the proposed nationally consistent principles and to what extent. In February 2023, the Assistant Minister for Competition, Charities and Treasury stated that each state will release an implementation plan by July 2023 detailing how they will give effect to the principles. However, as of December 2023, this has yet to materialise in any of the states, and there has been no consultation with the sector, except for one state, which has engaged to some extent. The harmonization issue now requires the government at all levels to be more proactive and to demonstrate greater dedication to seeing through to completion their commitment, more so that the push for harmonisation has been ongoing for more than a decade.

*In view of questions 6.1.1 and 6.1.2, this underscores that overcoming the complexity of our federation and improving the current legal structures necessitates increased proactivity, responsiveness, and greater dedication from the government at the commonwealth and state levels.*

The states, while developing their implementation plans, should also engage in proper consultation with the sector, charities, peak bodies, and other stakeholders. This is to ensure that the entire scope of charitable fundraising strategies and channels are meaningfully regulated in a consistent manner across all states in Australia. *This addresses question 4.11, where an accountable commitment from the government, especially at the state level, to seek sector perspectives, consult with and respond to the feedback provided by sector stakeholders will enhance the effectiveness and inclusivity of the decision-making process in shaping the charitable fundraising legal and regulatory environment more proactively.*

Regarding question 4.1.2 of the issues paper, beyond an accountable commitment from the government at all levels to meaningful consultation with the sector, there are other pertinent mechanisms that can enhance designing policy and services including:

- a. *Having a clear communication strategy and maintaining regular communication channels with the sector including maintain feedback loops.*
- b. *Conducting regulatory impact assessment before implementing reform.*
- c. *Building capacity for the sector through funding and training.*
- d. *Partnering and collaborating with the sector.*
- e. *Making data driving reform publicly accessible.*

## **2 Responding to Question 5.1.1 on the policy and regulatory reforms that would increase giving to charities, Question 6.1.2 on improving legal structures on tax concessions, and Question 6.1.2 on improving governance standards.**

### **2.1 Increased Tax Incentives for Donations**

Increasing tax deductions for donors is a strategy to further address the decline in philanthropic giving. According to a Queensland University of Technology (QUT) report, the proportion of the Australian population giving is at a 40-year low when measured as a percentage of taxpayers claiming a donation, at 26.7%, down 5% on the previous year.<sup>1</sup> Naturally, it is a given that people are more likely to donate if they are offered more tax incentives for doing so. *It is also worth noting that other countries have more favourable tax structures for donors, which makes charitable giving more appealing for their donors. For instance, Gift Aid in the UK is a tax incentive scheme that enables claims of 25p for every £1 donated if the individual has paid the UK income and/or Capital Gains Tax in that year.* The Australian Government can adopt such a scheme or similar alternatives to further encourage more philanthropic giving. The tax deduction strategies for donations as implemented in other countries could also be studied to enhance existing tax incentives for Australian donors.

### **2.2 Superannuation Reform**

Superannuation reform aimed at increasing giving to charities is twofold: *i) enabling super bequests to a nominated charity as a beneficiary upon death, and ii) removing the tax penalty on super bequests.*

Currently, Australians do not have the option to nominate a charity as a beneficiary to their super upon death. But Australians should be given the option to allocate a portion of their super to a charity upon their passing and the associated tax penalty should be removed. This would unlock billions of dollars in charitable donations in the coming years. The government has the option of either mandating that all super funds must provide their members with this choice or legislation can be introduced giving superannuation funds the option to offer charity nominations to their members, if the superannuation fund desires to do so.

Regarding the tax penalty, currently, to leave some of their super to charity, Australians must first arrange to transfer the funds from their super to their estate through the ‘binding death nomination’ process, then complete their Will specifying that these funds should go to a nominated charity. This incurs a 17% tax burden on the estate, significantly reducing the amount of giving to a charity.

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<sup>1</sup> [An Examination of Tax-Deductible Donations Made By Individual Australian Taxpayers in 2018-19 : ACPNS Working Paper No. 74 | QUT ePrints](#)

## **2.3 Deductible Gift Recipient (DGR) Reform**

### **2.3.1 Designating the ACNC as the DGR Authority**

The current process of obtaining DGR status can be time-consuming and costly for charities given the paperwork involved. *The Government should consider designating the Australian Charities and Not-for-profits Commission (ACNC) as the primary authority for administering the DGR process. Having now been in operation for an extended period and being the Commonwealth's regulatory body for charities, the ACNC is well established to fulfill this responsibility and can be further equipped if need be.* This would streamline the DGR application process and alleviate charities' concerns about paperwork burdens and costs associated with DGR applications.

### **2.3.2 DGR Status for all Fundraising Charities/Not for Profits**

The scope of eligibility for DGR status should be extended to not for profits and all charities that fundraise. This is grounded in the fact that having DGR status is a significant factor in attracting public support for charitable and philanthropic causes. This would increase philanthropic giving and enhance the capacity of more charities and not for profits in executing their causes. Moreover, this position considers the fact that not all charities engage in fundraising, alleviating some concerns about the financial implications for the Government. Overall, expanding the eligibility criteria for DGR status to all fundraising charities would be beneficial for charities, donors, and the broader community.

## **2.4 Encouraging Best Practice Fundraising and The FIA Code**

Trust is the cornerstone for a charity's credibility and standing as well as the overall reputation of the charity sector before donors and the public. This is critical in influencing and incentivizing how much and to what extent donors are encouraged to give. Donors tend to support charity and philanthropic organisations they perceive and experience as honest, transparent, and committed to upholding elevated ethical standards in their fundraising practice. Charities that have established a reputation for high ethical conduct are better positioned to both attract and keep their donors in the long run.

The FIA Code, as an example, obliges all charity member organisations to comply with the ethical standards on fundraising conduct set out in the Code. There is also an expectation for them to fundraising in line with the suite of FIA Practice Notes on various aspects of fundraising conduct. The FIA Code further requires training for FIA charity member organisations in best practice fundraising with the FIA Code training, and pursues compliance monitoring through FIA's mystery shopping and complaints handling programs. Additionally, there are other FIA-led professional development programs and educational courses that facilitate the acquisition and exchange of charitable fundraising knowledge for fundraising practitioners in their professional development.

*Encouraging all charities and organisations that fundraise to be involved with or be members of self-regulatory bodies, like FIA, would contribute to improving governance standards and maintaining trust and confidence, which is crucial for the continued success of giving to charities and its appeal to donors and the public.*

## **2.5 Strengthening the Capacity of Charities**

Many charities, usually the smaller charities, face challenges in expanding their philanthropic initiatives due to insufficient capacity to enhance their effectiveness and efficiency in raising and using donations. *Support for adopting donor management technologies and transition from the use of cheques in receiving donations* are discussed here.

### **2.5.1 Digital and Donor Management Technologies**

Digital fundraising channels and technologies such as advanced donor management systems and software applications have become essential tools for charities to acquire and retain donors. Donors now expect to have multiple channels and platforms to connect with charities and donate at their convenience. The availability of these digital platforms has also led to an increase in competition among charities. However, smaller charities face obstacles in adapting such technologies due to limited financial resources and competing priorities. Investing in technology management systems requires significant funds, which conflicts with a charity's priority of allocating donated funds to beneficiaries. Thus, providing investment assistance to smaller charities is critical in helping them keep pace with managing donor experience. Investment assistance can include providing access to grants or other forms of financial aid to help with the implementation of these technologies. Providing assistance to educate and train charities' staff and volunteers in building their technical capacity would also lighten the burden associated with integrating digital technology. These measures would enable these charities to stay efficient, connect with more donors and supporters, and increase their community impact.

### **2.5.2 Transition from Cheques to Digital Payment Methods**

Data from the Benchmarking Project shows that regular giving via online donations grew 114% between 2012-2021.<sup>2</sup> But some charities require assistance in facilitating digital payments for donors and educating them on how to use these options easily. This is especially in assisting elderly donors transition to giving via technology enabled means. As of 2021, the average age of single giving donors was about 70 years.<sup>3</sup>

With the government's intention to phase out the use of cheques by 2030 and some banks already imposing restrictions on their use, charities that rely on donations via cheques would experience a decline in giving. In a recent FIA survey,<sup>4</sup> we found that several charities still rely heavily on cheques as a method of receiving donations. 12% of the respondents indicated that they receive over 50% of their annual donations via cheques, while 17% receive between 30%-50% of annual donations via cheques. Some charities receive as high as 80% of their annual donations via cheques. One organisation noted receiving 959 cheques in 2022, and another noted receiving \$1 million annually through cheques. The survey also reinforced that senior donors are the demographic that still largely donate using cheques mostly due to their inadequate digital literacy or lack of trust in online payment methods.

*Therefore, support can be provided to charities that assist them in integrating easy-to-use payment options, as well as enabling them to educate their senior donors about the workings and safety of online payment*

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<sup>2</sup> This is based on data from 37 charities. See, The Benchmarking Project < <https://www.benchmarkingproject.org/>>.

<sup>3</sup> The average of single giving donors in 2021 was 69.92 years. This is based on data from 37 charities. See, The Benchmarking Project < <https://www.benchmarkingproject.org/>>.

<sup>4</sup> 122 FIA member charities responded to the survey on the impact of cheques withdrawal.

*systems. Banks could also be nudged to develop educational campaigns for senior donors that focuses on the safe and effective use of online payment methods, working collaboratively with charities to achieve this.*

### **2.5.3 Data privacy and Security Enablers**

Given recent cybersecurity attacks and data breach incidents within the sector, it is imperative to strengthen the data privacy and security capabilities of charities. Charities are already grappling with the challenges of allocating their limited financial resources from donations between fulfilling their charitable objectives and managing operational responsibilities. To reinforce the capacity and preparedness of charities, support from the government, in the form of financial assistance and collaboration with the sector on capacity building, training, the development of guidance on data management, and other assistance is critically required. Charities will also require similar support in their transition to implementing imminent changes to the Privacy Act in view of the recent Privacy Act Review.

## **3 Responding to Question 6.1.4 on how regulatory data can be better used and share with the NFP sector and wider public to support future practice**

### **3.1 ACNC Standardising Charity Reporting on Bequest Income**

Currently charities report income to the ACNC in their Annual Information Statement without a separate line item for bequests or gifts through testamentary giving. *There is no accurate quantification of bequest income in Australia and there is need for a baseline number to strategically approach fundraising through this channel. Official accounting through ACNC would allow benchmark data for charities and all decisions being made on increasing gifts in Wills over the next decades.* As now recommended by the Productivity Commission in its November 2023 draft report, requiring Australian charities to make a minimal change to the way they report annual income would make a big difference to quantifying bequest giving. To implement this reform:

- a. The government should require the ACNC to have charities record bequest income as a separate line item, not combined with other types of income.
- b. Require all charities (regardless of size) receiving bequest income to report through ACNC.
- c. Coordinate the reporting of ACNC totals with FIA/Include a Charity to provide an accurate snapshot of bequest income for a given year.

### **3.1 Regulatory Reform Should be Supported with Accessible Data**

Making available and publicly accessible the data driving regulatory changes in the sector is essential to informing, justifying, and optimising the change. By consistently making such data available for every reform initiative, charities, peak bodies, and stakeholders can engage more effectively in the reform process. Transparent and accessible data enhances the decision around regulatory changes, promotes accountability, and facilitates understanding among all the involved parties.