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# The 2022 Global Philanthropy Environment Index Region Report: Oceania

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Edited by the Indiana University Lilly Family School of Philanthropy

## SUMMARY

The environment for philanthropy in the region is generally favorable. Whilst there have been some changes between 2018 and 2020, these have generally been relatively minor, and overall, the environment has remained stable.

Individuals in the region can form and incorporate POs with relative ease and without excessive government interference. Although there are certain areas for improvement, overall, the tax systems in both countries provide reasonably favorable incentives for donating to POs. In the same sense, there are also certain areas where the regulatory frameworks for POs need improvement; however, these frameworks are relatively well designed and administered. There are limitations in place in relation to cross-border philanthropy, particularly regarding the tax deductibility of donations made to POs operating overseas.

Overall, the political, economic, and socio-cultural environments are favorable to philanthropy. The intergenerational transfer of wealth provides an opportunity to grow philanthropy in the region.

It is important for governments to prioritize the completion of reviews of charities legislation and the implementation of responses to these reviews, as well as prioritizing reforms to other aspects of the taxation and regulatory framework for POs. Closer collaboration between government and POs is needed in order to develop strategies to grow philanthropy and build the capacity of POs, and the advocacy role of POs should be more strongly recognised and valued by governments.

## Trends Observed at the Regional Level between 2014-2017 and 2018-2020

Ease of Operating	Tax Incentives	Cross-Border Philanthropic Flows	Political Environment	Economic Environment	Socio-Cultural Environment	Overall
Stable	Stable	Stable	Stable	Stable	Stable	Stable

Source: Indiana University Lilly Family School of Philanthropy, 2022 *Global Philanthropy Environment Index*

## KEY FINDINGS

### I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

To what extent can individuals form and incorporate the organizations defined?

To what extent are POs free to operate without excessive government interference?

To what extent is there government discretion in shutting down POs?

- Consistent with Australia and New Zealand being pluralistic liberal democracies, individuals in the region can form and incorporate POs with relative ease and without excessive government interference.
- There are various regulatory requirements which must be met in order to be registered as a charity, for example, and to access various tax concessions available to such organizations.
- These regulatory requirements can include reporting and governance obligations, and they generally seek to achieve legitimate public policy aims, such as ensuring that charitable funds are used for appropriate purposes.
- The regulatory requirements are administered by public bodies and/or officials that have their powers and responsibilities set out in legislation, are subject to various forms of oversight (including that of parliaments and the courts), and which seek to apply the regulatory requirements they administer in a fair and consistent manner.
- POs can only be shut down in limited circumstances that are set out in law, such as serious non-compliance with regulatory requirements, and such actions can generally be reviewed by administrative tribunals and the courts.
- Parts of the regulatory frameworks applying to POs in both Australia and New Zealand are either under review or subject to reform, and progress conducting these reviews and/or implementing responses is relatively slow.
- Given Australia is a federation, the multiple and inconsistent frameworks for regulating fundraising by POs are unfit for purpose, although some incremental efforts are being progressed to address this.
- In New Zealand, a review of charities legislation is proceeding rather slowly and has been further delayed by COVID-19.

### II. Domestic Tax and Fiscal Issues

To what extent is the tax system favorable to making charitable donations?

To what extent is the tax system favorable to POs in receiving charitable donations?

- The tax systems in Australia and New Zealand are reasonably favorable to those making charitable donations and POs receiving them.
- In Australia, not all charities are eligible to receive tax deductible donations, as a separate eligibility framework applies. There are approximately 60,000 'registered charities', and about half qualify for 'deductible gift recipient' status.
- However, such status is relatively generous to donors, in that the full amount of a donation above USD 1.42 (AUD 2) can be deducted from taxable income, without any caps applying other than a need to have some form of taxable income.
- In New Zealand, donors can claim one-third of a donation's value as a tax credit, with the amount claimable capped at one-third of their taxable income.

- Although such a cap exists, the range of ‘approved donee’ organisations to whom donations can be claimed is broader compared with Australia.

### III. Cross-Border Philanthropic Flows

To what extent is the legal regulatory environment favorable to sending cross-border donations?

To what extent is the legal regulatory environment favorable to receiving cross-border donations?

- Cross-border donations to POs operating overseas can be sent freely both in Australia and New Zealand.
- However, there are limitations on the range of POs operating overseas that can receive donations eligible for a tax deduction or tax credit.
- In Australia, donations made to a ‘deductible gift recipient’ for its own programs overseas or those of its related entities outside Australia are tax deductible, provided that the organization’s operational or strategic decisions occur mainly in Australia.
- It is also possible to establish a PO in Australia which can accept tax deductible donations, to then be passed on to POs operating overseas.
- In New Zealand, charities whose purposes are mainly overseas must apply for ‘overseas donee status’. This can be a complex process that requires the organisation to be specifically named in the tax legislation.
- Cross-border donations can be received by POs in both Australia and New Zealand with few restrictions.

### IV. Political Environment

To what extent is the political environment favorable for philanthropy?

To what extent are public policies and practices favorable for philanthropy?

- Both Australia and New Zealand have stable political and economic environments, with pluralist and liberal democratic cultures.
- Overall, the political environment in both countries is favorable for philanthropy.
- POs are relatively free in terms of engaging in public policy and democratic processes and play a key role delivering public services in aged care, health, education, and other social services.
- Tensions can arise when POs and governments disagree on certain issues, and the advocacy role of POs can sometimes be the focus of criticism by governments and politicians.
- Whilst there are some limitations imposed by the taxation and regulatory frameworks for philanthropy in both Australia and New Zealand, generally, the policy environment is stable and favorable for POs.

### V. Economic Environment

To what extent is the economic context favorable for philanthropy?

- Both Australia and New Zealand are high-income countries with stable and strong economies.
- Prior to the COVID-19 pandemic, both countries experienced consistent economic growth with low unemployment.

- As with many similar countries, there are challenges associated with wealth and income inequality.

## VI. Socio-Cultural Environment

To what extent are socio-cultural values and practices favorable for philanthropy?

- Socio-cultural values and practices in Australia and New Zealand are favorable for philanthropy.
- Public trust in POs is relatively high, and they play a key role at both a local community and broader national level.
- Although both Australia and New Zealand may not have the same established philanthropic cultures of the United States or the United Kingdom, in particular when it comes to foundation creation and high net worth individual giving, this is changing over time.

## VII. Future of Philanthropy

Summary of the future development trends in the philanthropic landscape

- Over the coming years, a large intergenerational transfer of wealth will take place in Australia and New Zealand. It is estimated that that over the coming two decades, approximately USD 2 trillion (Philanthropy Australia, 2021) and USD 1 trillion (Gaynor, 2021) will be transferred in each country respectively. This may lead to an increase in the flow of donations to POs, as well as the creation of more foundations.
- However, in both Australia and New Zealand over time, fewer people have been donating—or at least they are not claiming tax deductions or credits—although the amount they are donating on average has been increasing (Philanthropy Australia 2021, and JBWere 2020).
- Therefore, it remains to be seen how these developments and trends will impact the level and shape of philanthropy in the coming years. It does however underline the need to examine different policy levers to encourage philanthropy, as well as ensure that POs are well-positioned to engage with new and existing donors.
- More broadly, whilst the taxation and regulatory frameworks for POs in Australia and New Zealand are generally favorable, there are a number of areas which need improvement. But this can be a very slow process, with reform of these frameworks generally not being a high priority for governments. This is evident in terms of the delays to the review of charities legislation in New Zealand and the limited progress in implementing responses arising from a similar review completed in Australia in 2018.
- Related to this, although the frameworks for POs engaging in advocacy to further their purposes are relatively favorable, particularly in Australia, this is an area which can be a source of tension between governments and POs, and also one where the courts are continuing to shape the evolution of the law in relation to such activities.
- Finally, how POs respond to changes in service delivery models used by government will continue to be a challenge as these become more competitive and for-profit organisations increasingly enter this space as well.

## Key recommendations to improve the environment for philanthropy in the region

- Governments should prioritize the completion of reviews of charities legislation and implementation of responses to these reviews, as well as prioritizing reforms to other aspects of the taxation and regulatory framework for POs where there is strong evidence for change
- Government and POs should work together to develop strategies to grow philanthropy, with a focus on both the level of giving and the level of participation in giving, and to build the capacity of POs, including in areas such as workforce development and the use of technology.
- The advocacy role of POs should be recognised and valued by governments, both in terms of how such activity is permitted and encouraged under the law, but also in terms of how government engage with POs as part of policy development processes.

## VIII. Philanthropic Response to COVID-19

What are the areas where the nonprofit sector and philanthropy play a role in responding to COVID-19 in the region?

What are the innovations and new trends in the nonprofit sector and philanthropy related to COVID-19 responses?

What have been the main impacts of COVID-19 on the philanthropic environment in the region?

What are the anticipated impacts of COVID-19 on the philanthropic environment in 2021?

- POs played a key role as part of the response to COVID-19 in the region.
- This included supporting the public health response to COVID-19 as well as providing welfare and other forms of assistance to those impacted by the health, economic, and other consequences of the crisis.
- Various philanthropic trusts and foundations shifted their funding approaches, and in some cases focus areas, in response to COVID-19, with some developing specific programs responding to identified areas of need emerging because of the crisis.
- Philanthropic peak bodies also play a role in shaping this response (Seibert et al, 2021).
- The inability to hold in-person fundraising events or activities impacted giving, and there is early evidence showing a marked decrease in giving in 2020 (JBWere 2021).
- Many POs increased their uptake of digital technologies during the crisis, and new collaborations emerged seeking to address the various impacts of COVID-19.

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