

# Bulletin

Thursday, 9 April 2009

## Growth in giving

A summary of statistics for tax exempt charities and deductible gift recipients

An ever-increasing number of charities are now facing the harsh realities of competition, as they endeavour to secure a share of donations. In recent years, the generosity of Australians has seen total donations grow at a faster rate than the number of endorsed charities, but as the effects of the global financial crisis filter through the economy, many charities will find it increasingly difficult to maintain these levels of donations.

Latest figures, released by the Australian Taxation Office (ATO) on their website on 19 March 2009, reveal that, as at the end of October 2008, there were 25,292 deductible gift recipients (DGRs). For the 2006-07 income year, individuals claimed a total of \$1,885 million in deductible gifts.



### Gifts claimed by individuals

Table 1 indicates that from the 2004-05 to 2006-07 income years, the total value of deductible gifts claimed by individuals rose from \$1,472 million to \$1,885 million, representing a 28% increase.

The available figures only include gifts or contributions made up to the end of the 2006-07 income year, before the full impact of the global financial crisis took hold. Anecdotal

| Amount of gifts claimed | 2004-05          |              | 2005-06          |              | 2006-07          |              |
|-------------------------|------------------|--------------|------------------|--------------|------------------|--------------|
|                         | No.              | \$m          | No.              | \$m          | No.              | \$m          |
| \$1-\$25                | 1,136,226        | 16           | 1,104,113        | 16           | 1,067,209        | 16           |
| \$26-\$50               | 790,570          | 33           | 793,222          | 33           | 805,437          | 33           |
| \$51-\$250              | 1,418,461        | 178          | 1,315,658        | 165          | 1,346,677        | 169          |
| \$251-\$1,000           | 765,927          | 382          | 783,324          | 391          | 835,798          | 418          |
| \$1,001-\$5,000         | 176,905          | 335          | 173,546          | 331          | 196,408          | 378          |
| \$5,001-\$10,000        | 15,378           | 105          | 15,897           | 108          | 19,020           | 130          |
| \$10,001-\$25,000       | 6,662            | 98           | 6,930            | 102          | 8,400            | 123          |
| More than \$25,000      | 2,688            | 326          | 3,218            | 410          | 4,019            | 617          |
| <b>Total</b>            | <b>4,312,817</b> | <b>1,472</b> | <b>4,195,908</b> | <b>1,556</b> | <b>4,282,968</b> | <b>1,885</b> |

Table 1 – Individuals' gifts claimed, by amount claimed, for the 2004-05<sup>1</sup>, 2005-06 and 2006-07 income years<sup>2</sup>

**MAKINSON & d'APICE**  
LAWYERS

Level 12 135 King Street Sydney NSW 2000 • GPO Box 495 Sydney 2001 • DX 296 Sydney  
Telephone 02 9233 7788 • Facsimile 02 9233 1550 • Email mail@makdap.com.au • www.makdap.com.au

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evidence indicates that the total value of deductible gifts is likely to have fallen in the 2007-08 income year.

Interestingly, Table 1 does show us that over this period most of the increase in donations has come from individuals claiming deductions for more than \$25,000. In 2004-05, this category made up 22.14% of total gifts by value, rising to 26.3% in 2005-06 and 32.7% in 2006-07.

Conversely, the number of individuals claiming donations of less than \$25 has continued to decline.

Not surprisingly, New South Wales has the highest average gift by value at \$572.10 (and the lowest proportion for gifts of less than 0.25% of total income at 52.37%). Interestingly, it is followed by Tasmania at \$486.27, which has a considerably higher proportion (63.8%) of gifts representing less than 0.25% of individuals' total income, but also a significantly higher average value of donations equating to more than 10% of income. Queensland and the Northern Territory have considerably lower average gift values of \$297.89 and \$252.03 respectively.

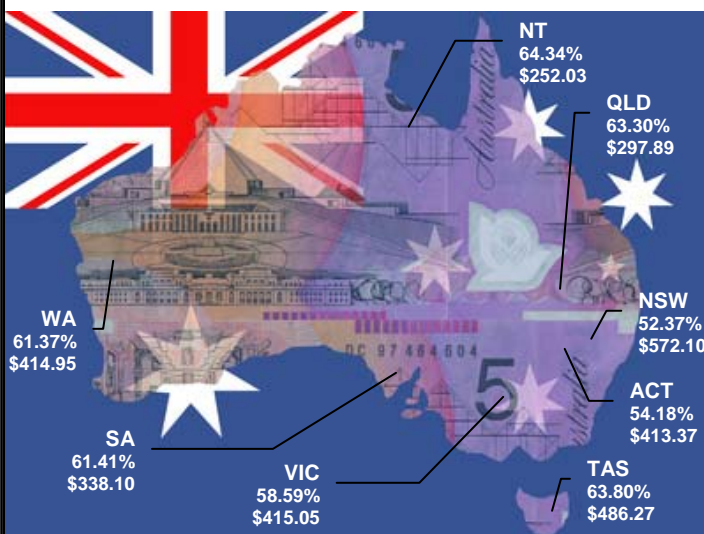
Overall, the participation rate of individual tax payers as donors has remained relatively static at 36.5% in 2005-06 and 36.3% for the 2006-07 income year.

## Refundable franking credits

Franking credits attached to franked dividends received by income tax exempt entities and DGRs may be refundable, provided the eligibility criteria are met.

Table 2 shows that the value of refundable franking credits has continued to grow over the past three financial years, from \$310.9 million in 2005-06 to \$373.3 million in 2007-08, an increase of 20.07%.

However, the last 12 months has seen a sharp decline in the share price of many listed companies, with a number already indicating to the market that they will be reducing the level of future distributions to shareholders (eg dividends), so it is likely that there will be a corresponding decline in the value of refundable franking credits claimed by income tax exempt entities



The diagram above shows the percentage of individuals' gifts (by number) in each state and territory for which their contribution represented less than 0.25% of their total income, and the average dollar value of gifts and donations claimed, for the 2006-07 income year.

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| Amount paid             | 2005-06      |              | 2006-07      |              | 2007-08      |              |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                         | Claims       | \$m          | Claims       | \$m          | Claims       | \$m          |
| Under \$100,000         | 2,893        | 22.1         | 3,144        | 37.2         | 3,216        | 42.3         |
| \$100,001 – \$500,000   | 272          | 58.9         | 307          | 67.5         | 336          | 71.8         |
| \$500,001 – \$1,000,000 | 58           | 39.2         | 56           | 40.0         | 77           | 51.8         |
| Over \$1,000,000        | 53           | 190.6        | 52           | 188.4        | 66           | 207.3        |
| <b>Total</b>            | <b>3,276</b> | <b>310.9</b> | <b>3,559</b> | <b>333.1</b> | <b>3,695</b> | <b>373.3</b> |

Table 2 – Refundable franking credits, by amount refunded, for the 2004-05<sup>1</sup>, 2005-06 and 2006-07 financial years<sup>2</sup>

and DGRs in the 2008-09 financial year, putting further pressure on the financial resources of charities.

## Choosing a charity

As at the end of October 2008, there were 51,671 tax concession charities, an increase of 2.1% on 30 November 2007.

The largest increases in tax concession charities by purpose occurred in health (a 13.6% increase) and natural environment (a 10.9% increase).

There were 25,292 active DGRs, a 3.7% increase.

| Main charitable purpose      | 2007          | 2008          |
|------------------------------|---------------|---------------|
|                              | No.           | No.           |
| Social and community welfare | 23,154        | 23,230        |
| Religion                     | 11,615        | 11,825        |
| Education                    | 8,609         | 8,818         |
| Health                       | 1,608         | 1,827         |
| Culture                      | 1,310         | 1,386         |
| Natural environment          | 420           | 466           |
| Other                        | 3,913         | 4,119         |
| <b>Total</b>                 | <b>50,629</b> | <b>51,671</b> |

Table 3 – Main charitable purpose of tax concession charities (as at 30 November 2007<sup>1</sup> and 31 October 2008<sup>2</sup>)

Potential donors have a wide range of charities to choose from, covering a wide spectrum of purposes, and can select the charity whose objects are best aligned to their aims. In the current economic conditions, with fewer donors able to financially support charities, and those that remain reducing the extent of their donations (at least in the short term), charities will find themselves competing amongst each other for a share of the shrinking pool of donations.



<sup>1</sup> <http://www.ato.gov.au/corporate/content.asp?doc=/content/00117625.htm&page=41&H41> downloaded on 8 April 2009.

<sup>2</sup> <http://www.ato.gov.au/corporate/content.asp?doc=/content/00177078.htm&page=45&H45> downloaded on 8 April 2009.