



CURRENT ISSUES INFORMATION SHEET 2007/2

Tax Deductible Giving in 2004-05

Each year QUT's Centre of Philanthropy and Nonprofit Studies (CPNS) analyses statistics on tax-deductible donations made by Australians in their individual income tax returns to Deductible Gift Recipients (DGRs). The information presented below is based on the amount and type of tax-deductible donations made by Australian taxpayers to DGRs for the period 1 July 2004 to 30 June 2005 extracted from the Australian Taxation Office's publication *Taxation Statistics 2004-2005*.¹

The figures presented below only represent those amounts donated and claimed as a tax deduction by individual Australian taxpayers in their individual income tax returns. It does not include giving by corporate and trust taxpayers, "non-tax contributions" such as raffles, sponsorships, fundraising purchases (eg, sweets, tea towels, special events) or volunteering. The Giving Australia Report estimated 2005 year total giving using a more liberal definition of gift at \$11 Billion (excluding Tsunami \$300m).² This was comprised of \$5.7 billion from adult Australians, \$2 billion from charity gambling or special events and \$3.3 billion from business sources.

The following is a summary of the significant findings of our research.

1. How much was claimed as gift deductions?

- The total amount donated and claimed as tax-deductible donations in 2004-05 was \$1.47 billion (compared to \$1.16 billion for the previous income year). This constitutes an increase of \$307.32 million (or 26.39%) from the previous income year.
- Deductible gifts claimed were 6.47% of all personal taxpayer deductions. In comparison, Australian taxpayers claimed \$1,219 million in tax agent fees and \$11,930 million for work related expenses.

2. Is tax deductible giving keeping pace with inflation?

- Using a base year of 1978-79, the actual total tax-deductible donations made by Australian taxpayers far exceeds the inflation-adjusted total tax-deductible donations as measured by the Consumer Price Index (CPI).

3. Is the average gift deduction increasing?

- The average tax-deductible donation made and claimed by Australian taxpayers to DGRs in 2005 was \$341.29 (compared to \$300.61 the previous income year). This average amount has doubled in the last decade.

4. Are more individual taxpayers making deductible gifts?

- Yes, in 2004-05, 4.3 million Australian taxpayers (or 38.38%) made and claimed tax-deductible donations. This percentage has increased over the past decade from 33%.

5. Is a greater percentage of an individual's taxable income being gifted?

- Yes, on average, those individual taxpayers who make tax-deductible donations to DGRs donate approximately 0.33% of their taxable income. Once again, this trend has been increasing over the past decade from 0.2%

6. Are male or female taxpayers more likely to claim deductible donations?

- In 2004-05, 2.24 million males made and claimed tax-deductible donations to DGRs of \$876.72 million. This represents 60% of the total tax-deductible donations made and claimed in 2004-05. A total of 2.07 million females made and claimed tax-deductible donations to DGRs totalling \$595.22 million in 2004-05.
- The average tax-deductible donation made and claimed by Australian male taxpayers to DGRs in 2004 was \$391.91 (compared to \$286.74 for Australian female taxpayers).
- In 2004-05, 38.44% of Australian male taxpayers made and claimed tax-deductible donations to DGRs (compared to 38.32% of Australian females). The national average was 38.38%. However, on average, female Australian taxpayers who donate to DGRs donate approximately 0.37% of their taxable income (compared to 0.33% for Australian males).

7. Which state's taxpayers claim the most deductible gifts?

- A total of 1.45 million taxpayers in **New South Wales** claimed tax-deductible donations to DGRs of \$624 million. This amount represented almost 42% of the national total. The next largest donor state was **Victoria** whose taxpayers made and claimed tax-deductible donations to DGRs of \$394 million, representing 27% of the national total. **Queensland**

¹ The data represents information in tax returns for the 2004-05 year processed by the ATO as at 31 October 2006.

² Report available at <http://www.bus.qut.edu.au/research/cpns/whatweresearch/documents/GivingAustraliaFindings.pdf>

taxpayers claimed tax-deductible donations totalling \$190 million. This represented 12.9% of the national total. Together, these three states accounted for 82% of total tax-deductible donations made to DGRs in 2004-05.

- **New South Wales** taxpayers made and claimed the largest average tax-deductible donation to DGRs of \$429.83 compared to the national average of \$341.29. **Australian Capital Territory** taxpayers made the next highest average tax-deductible donation to DGRs with \$369.67, followed by **Victoria** with an average tax-deductible donation of \$338.76. **Queensland** taxpayers made and claimed an average tax-deductible donation in 2004 of \$242.47.
- Taxpayers in **New South Wales** donated an average of 0.42%, followed by **Australian Capital Territory** taxpayers who donated 0.38% of their taxable income to DGRs. This compares to the national average of 0.346%. Taxpayers in **Victoria** donated an average of 0.37% of their taxable income to DGRs, whilst **Queensland** taxpayers donated an average of 0.25%.

8. How much do the wealthy claim as deductible gifts?

- The more one earns, the more one claims as a tax-deductible donation. Whilst the average tax-deductible donation was \$341.29 in 2004, donating taxpayers earning over \$1 million per year claimed an average of \$59,350.59 (previous year was \$73,355.44) in tax-deductible donations. This represents 1.98% (previous year 2.43%) of their taxable income, compared to the national average of 0.346%. Sixty-six percent (previous year 63%) of taxpayers in this tax bracket make and claim a tax-deductible deductible donation (national average 38%). It appears that more taxpayers earning over \$1 million are now making tax deductible gifts resulting in an overall increase of \$21.42 m over the previous year, but the average deductible gift has dropped by \$14,004.85.

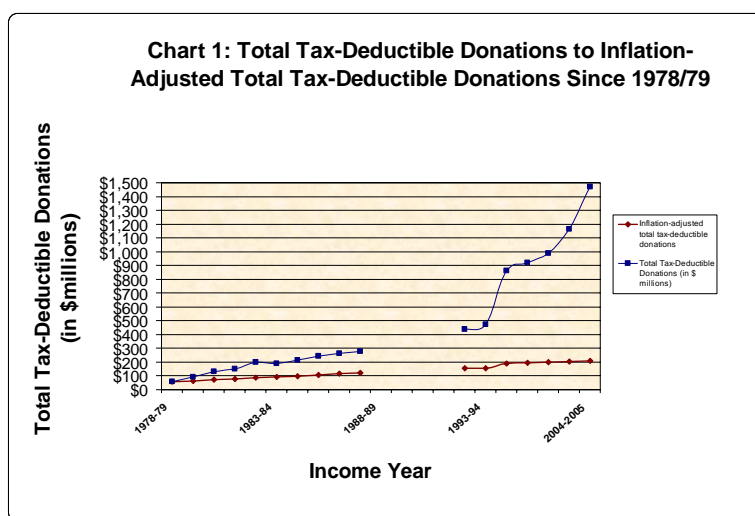
Explanations for the Rise in Tax-Deductible Donations – the Tsunami

Over the past five years tax deductible giving has increased by 11.37% per annum due in part to the incentives announced by the Prime Minister to encourage philanthropy such as Prescribed Private Funds (PPFs) and deductibility of property valued by the Commissioner of Taxation at more than \$5,000.

In the latest year 2004-05, the increase was 26.39%. Was this all due to the Tsunami donations? The amount of Tsunami donations claimed as tax deductions is unknown, but it is known that \$273.8m was donated by individuals (taxpayers and non tax payers). Our estimate taking into account various factors such as differences in time periods, non-taxpayers and taxpayers who do not claim gift deductions is that the increase over the previous year **less Tsunami donations** is between 18.63% and 21.69% increase.³ This represents an increase between 7.26% and 10.32% above the five year average. In any case, even if all the Tsunami donations were claimed as gift deductions there was still a 2.73% increase over the previous year.

Fundraisers and policymakers fears at the time of the Tsunami that individual donors would suffer “fatigue” and non-international aid DGRs would be adversely affected appear to be misplaced. The strong indications are that giving was elastic (expanded) to meet the challenge of the Tsunami and in fact increased further due to the public focus on giving. The Giving Australia 2005 study supports this trend for all giving, not just that which was tax deductible. While these are aggregate figures and some individual organizations did experience a drop in giving, it does refute the claim that Tsunami donations would seriously deplete giving to other causes.

The chart below shows the actual total tax-deductible donations made by Australian taxpayers since 1978 far exceeds the inflation-adjusted total tax-deductible donation as measured by the Consumer Price Index (CPI).



* Disclosure of tax-deductible donations were not required in income tax returns from 1988-1992.

The Information Sheet was issued on 1 May 2007. Events, policies and laws alter rapidly – you should take independent advice before acting on any matter raised in this publication.

³ Our assumptions for this estimate are fully outlined in CPNS Working Paper No. 37, 2007.