



Queensland University of Technology
The Australian Centre for Philanthropy
and Nonprofit Studies

CPNS Mission

To bring to the community the benefits of teaching, research, technology and service relevant to the philanthropic and nonprofit communities.

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Prescribed Private Funds

Prescribed Private Funds (PPFs) are a tax effective vehicle for individuals, families and corporations to establish a foundation.¹ The term *prescribed private fund* is defined in the taxation legislation and has some similarities with the US private family foundation.

The **sole** purpose of a PPF must be to provide money, property or benefits to funds, authorities or institutions, which are deductible gift recipients (DGRs). A PPF is approved by the Assistant Treasurer and usually takes the form of a company limited by guarantee as a trustee of a charitable trust fund.

How many PPFs have been approved?

As at November 2007 there were 610 PPFs approved or merely waiting formal legislative approval notification.

How much was donated to PPFs in 2006?

For the year ending 30 June 2006, a total of \$342.6m was donated to PPFs.

What is the value of PPFs' assets?

As at 30 June 2006, the value of PPFs was \$820.6m. Given that 174 new PPFs have been formed since that date, it is probable that there is currently over \$1 billion in PPF funds.

How much was distributed to Deductible Gift Recipients?

For the year ending 30 June 2006, a total of \$73.7m was distributed to DGRs. This amount should rise in coming years as PPFs who have arranged with the ATO to accumulate funds during their establishment reach their intended goals, despite recent global market volatility.

How much has been donated to PPFs since 2002?

A total of \$875.6m has been donated to PPFs since 2002.

¹ PPFs were part of the Howard Government's response to the report on philanthropy in Australia by the Business and Community Partnerships Working Group on Taxation Reform dated 26 March 1999.

How much has been distributed by PPFs since 2002?

From 2002 to 2006 a total of \$183.7m has been distributed to eligible DGRs.

Which of the broad categories of DGRs have benefited from PPF grants 2002-2006?

The welfare category which has the largest number of endorsed DGRs (51.5%) has received the most grants from PPFs, being \$67.7m since 2002. This is followed by education with \$33.2m being 20% of the DGR population, cultural with \$13.7m being 14% of the population and health with \$10.4m being just 4.5% of the population. Some categories of DGRs are yet to receive any distributions, such as war memorial repair funds or research in the Australia-Antarctic Territory.

Which of the broad categories of DGRs have benefited from PPF grants in 2006 ?

In 2006 the welfare category remained stable with only slight growth over 2005, and the education category fell slightly. It was the cultural and health categories which experienced substantial growth during 2006 with the cultural category experiencing a 226% increase to \$5.22m and health with a 233% increase to \$5.70m. For the first time in 2006 there were distributions in the DGR sport and recreation category and family category.

Which sub categories of DGR have benefited from PPF grants 2002-2006?

Since 2002 the top five DGR sub categories are Public Benevolent Institutions (\$63.24m), school building funds (\$20.36m), environmental organisations (\$9.48m), public universities (\$8.69m) and approved research institutes (\$4.64m).

Which sub categories of DGR have benefited from PPF grants in 2006?

In 2006 the DGR sub categories which rose significantly over the previous year were prevention of disease in humans up 313% to \$.663m, research institutes up 270% to \$2m, environment up 201% to \$5.79m, public hospitals up 182% to \$3.06m, public universities up 95% to \$3.31m, and public benevolent institutions up 4% to \$23.12m.

The cultural group showed fairly steady growth with combination cultural institutions up 161% to \$.85m, public libraries up 124% to \$.66m, art galleries up 96% to \$.68m and museums up 65% to \$.67m. This would be encouraging news to Artsupport Australia who has enthusiastically supported the promotion of PPFs as a giving device.

In 2006 for the first time there were recorded disbursements to an overseas aid relief fund totalling \$4.76m.

Significant falls are to be found in school building funds down 8% to \$7.66m and necessitous circumstance funds down 64% to \$.33m.

Are there any changes to the administration of PPFs being considered?

Before the recent federal election, Treasury was considering issuing new administrative arrangements with respect to PPFs which included a new explanatory administrative guide and new model trust deeds.

Further, the New South Wales and Victorian Governments have passed legislation allowing the distribution of funds by PPFs to certain non-charitable DGRs such as some government controlled cultural facilities and hospital foundations. The relevant legislation is the *Charities (Amendment) Act 2006 (Vic)* and the *Charitable Trusts Amendment Act 2006 (NSW)*.

Table 1: General Categories of DGR

Health

- Public hospital
- Nonprofit hospital
- Public fund for public and non-public hospitals
- Public authority for research
- Public institution for research
- Health promotion charity

Education

- Public university
- Public fund for the establishment of a public university
- Higher education institution
- Residential educational institution
- Commonwealth residential educational institution
- Affiliated residential educational institution
- TAFE
- Public fund for religious instruction in government schools
- Roman Catholic public fund for religious instruction in government schools
- School building fund
- Public fund for rural school hostel building
- Life education company

Research

- Approved research institute
- The Commonwealth

Ancillary fund

Welfare and Rights

- Public benevolent institution
- Public fund for benevolent institutions
- Public fund for persons in necessitous circumstances

Defence

- The Commonwealth or a State
- Public institution or public fund for members of the armed forces

Environment

- Public fund on the Register of Environmental Organisations

Family

- Public fund for approved marriage guidance organisation

International Affairs

- Overseas aid fund

Sport and Recreation

- Guides branch
- Scout branch

Cultural Organisations

- Public fund on the Register of Cultural Organisations
- Public library
- Public museum
- Public art gallery
- Institution consisting of a public library, public museum and a public art gallery or of any two of them

Prescribed Private Funds 2001-2006 Summary

Table 2: Numbers of PPFs, donations received, distributions made and closing values

Date	Number of PPFs approved in the year	Total number of PPFs approved	Donations received (\$m)	Distributions made (\$m)	Closing value (\$m)
2001	22	22	78.7	0	78.6
2002	59	81	53	6.7	133.7
2003	51	132	53.1	18.4	179.3
2004	89	221	155.7	27.4	332.0
2005	94	315	192.5	57.4	525.1
2006	125	440	342.6	73.7	820.6
2007	164	602			
2008	10*	610			

*NB: These figures reflect the information held by the Tax Office at 14/11/2007

Table 3: Distributions made to deductible gift recipients by category of recipient

DGR General categories	2002	2003	2004	2005	2006	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Health	534	390	1,382	2,445	5,691	10,442
Education	851	3,451	4,234	12,596	12,124	33,256
Research	199	577	1,322	598	1,999	4,695
Welfare	2,780	8,315	9,593	23,499	23,553	67,740
Environment	176	541	1,057	1,917	5,788	9,479
International Affairs	121	417	4,008	4,871	4,772	14,189
Culture	761	2,549	2,893	2,310	5,224	13,737
Sport & Recreation					64	64
Family					5	5
Other	1,268	2,177	2,965	9,159	14,534	30,103
Total	6,690	18,417	27,454	57,395	73,755	183,711

Notes

1. The information in these tables will change slightly over time as outstanding returns are keyed in or other information comes to attention.
2. Most PPFs are still in the capital accumulation phase so there is expected to be a notable difference between donations received by PPFs and distributions made during this time. It is also expected that PPFs will retain a level of capital as a corpus so that they are able to sustain an acceptable level of distributions into the long term. A capital accumulation plan is a settled part of the approval process.
3. Note that the total number of PPFs approved will not necessarily tally with those listed in regulations as regulations will not necessarily be completed until some time after the approval date (i.e. date Minister signs off).
4. 1 July 2001 was the first date that PPFs could be approved, however the first PPFs were not approved until the final weeks of the 2001 financial year. These PPFs were not required to complete a statistical return for that year and were not expected to make any distributions. Information about donation into PPFs for 2001 was verified on the 2002 return.

CPNS acknowledges the co operation of the Australian Taxation Office under its research Memorandum of Understanding with the Centre in providing these figures.

This CPNS Current Information Sheet was current as at 7 February 2008. Events, policy and laws alter rapidly and you should take independent advice before acting on any matter raised in this publication.