



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

CPNS Current Issues Information Sheet 2008/5

Tax Deductible Giving in 2005 - 2006

Executive Summary

Each year The Australian Centre for Philanthropy and Nonprofit Studies (CPNS) at QUT 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 2005 to 30 June 2006 extracted from the Australian Taxation Office's publication *Taxation Statistics 2005-2006*.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 (e.g., sweets, tea towels, special events) or volunteering. The *Giving Australia* Report estimated the 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 2005-06 was \$1.55 billion (compared to \$1.47 billion for the previous income year). This constitutes an increase of \$84.05 million (or 5.7%) from the previous income year.
- Deductible gifts claimed (\$1.55b) represented 5.8% of all personal taxpayer deductions (\$27.03b). In comparison, Australian taxpayers claimed 4.8% (\$1.3b) of all personal taxpayer deductions in tax agent fees and 48.3% (\$13.1b) of all personal taxpayer deductions 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 2006 was \$370.83 (compared to \$341.60 in the previous income year). This average amount has more than doubled in the last decade.

4. Are more individual taxpayers making deductible gifts?

- No. In 2005-06, 4.2 million Australian taxpayers (or 36.45%) made and claimed tax-deductible donations compared to 38.38% or 4.3 million in the previous year. This goes against a decade trend of rising participation from a base of 33%

¹ The data represents information in tax returns for the 2005-06 year processed by the ATO as at 31 October 2007.

² Report available at <http://www.bus.qut.edu.au/research/cpns/publications/index.jsp#Reports>

and is possibly due to the previous year's impact of the Tsunami. This year's percentage of participation is still higher than the year prior to the Tsunami (36.21%).

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 0.34% of their taxable income. Unlike the participation rate, the percentage of taxable income has risen rather than fallen after the Tsunami year. This trend has been sustained over the past decade from 0.2%

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

- In 2005-06, 2.2 million males (or 36.26% of male Australian taxpayers) made and claimed tax-deductible donations to DGRs of \$937.75 million. This represents 60% of the total tax-deductible donations made and claimed in 2005-06. A total of 2 million females (or 36.66% of female Australian taxpayers) made and claimed tax-deductible donations to DGRs totalling \$618.24 million in 2005-06. The combined average was 36.45% of all Australian taxpayers.
- The average tax-deductible donation made and claimed by Australian male taxpayers to DGRs in 2006 was \$434.73 (compared to \$303.23 for Australian female taxpayers).
- On average, female Australian taxpayers who donate to DGRs give approximately 0.35% of their taxable income compared to 0.33% for Australian males.

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

- A total of 1.4 million taxpayers in **New South Wales** claimed tax-deductible donations to DGRs of \$648.72 million. This amount represented almost 41.69% of the national total. The next largest donor state was **Victoria** whose taxpayers made and claimed tax-deductible donations to DGRs of \$411.8 million, representing 26% of the national total. Queensland taxpayers claimed tax-deductible donations totalling \$219.28 million. This represented 14% of the national total. Together, these three states accounted for 82% of total tax-deductible donations made to DGRs in 2005-06.
- **New South Wales** taxpayers made and claimed the largest average tax-deductible donation to DGRs of \$462.10 compared to the national average of \$370.83. **Australian Capital Territory** taxpayers made the next highest average tax-deductible donation to DGRs with \$386.94, followed by **Victoria** with an average tax-deductible donation of \$363.54. **Queensland** taxpayers made and claimed an average tax-deductible donation in 2006 of \$282.65.
- Taxpayers in **New South Wales** donated an average of 0.42% of their taxable income to DGRs, followed by **Australian Capital Territory** (.38%) and **Victorian** (0.37%) taxpayers. This compares to the national average of 0.34%. Taxpayers in **Queensland** donated an average of 0.26%.

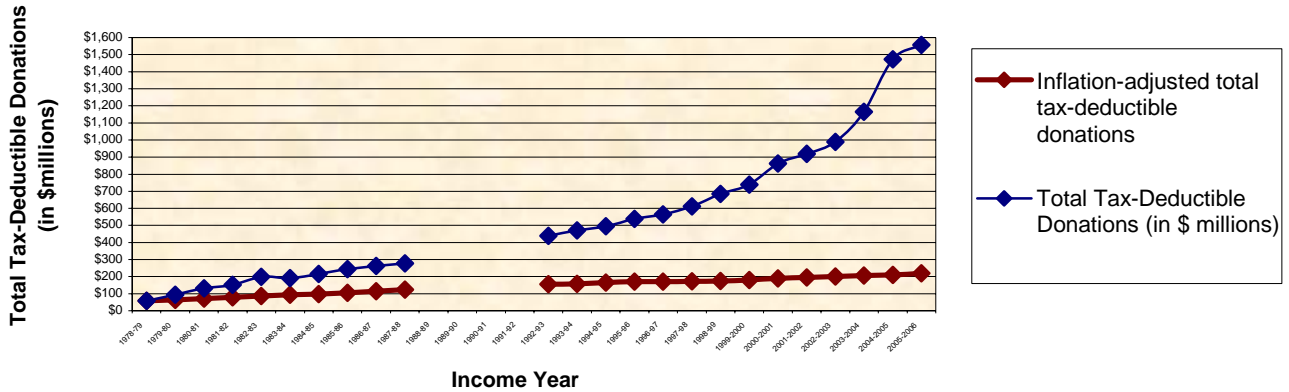
8. How much do the wealthy claim as deductible gifts?

- The more one earns, the more one claims as a tax-deductible donation. Whilst the average tax-deductible donation was \$370.83 in 2006, donating taxpayers earning over \$1 million per year claimed an average of \$47,245.68 (previous year was \$59,350.59) in tax-deductible donations. This represents 1.39% (previous year 1.98%) of their taxable income, compared to the national average of 0.34%. Sixty-two percent (previous year 66%) of taxpayers in this tax bracket made and claimed a tax-deductible donation (national average 36%).
- Compared to the previous year (Tsunami), the participation rate of \$1 million a year and over taxpayers has dropped by 4%, and the average gift has dropped by \$12,104.91. The percentage of their gift to their total income has also dropped by 0.59%. In the Tsunami year, this category accounted for \$176.57m (12% of the total) in claimed gifts and this too has dropped to \$142.45m (9.15% of the total). This trend is also found in the year prior to the Tsunami, where such taxpayers earning over \$1 million per year claimed an average of \$73,355.44 in tax-deductible donations, being 2.43% of their taxable income and with a participation rate of 63%.

Explanations for the Rise in Tax-Deductible Donations

Over the past five years tax deductible giving has increased by 11.6% per annum due in part to the incentives 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 year 2004-05, the increase was 26.39% due in part to the Tsunami donations. It is a sign of a vital philanthropic environment that giving still increased again for this year. Although 116,905 fewer taxpayers claimed a gift deduction, the dollar amount of donations still rose. Chart 1 shows that 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).

Chart 1: Total Tax-Deductible Donations to Inflation-Adjusted Total Tax-Deductible Donations Since 1978/79*



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

Tax Deductible Gifts by Postcode

This year we have included deductible gifts by postcode. **Table 1** identifies the postcode in each state with the highest total claimed deductible gift amount in each state and territory. Again, a clear link can be made in most cases to postcodes which one would expect to contain significant numbers of wealthy taxpayers.

State & Postcode	Places within Postcode	Total gifts claimed
NSW 2027	Darling Point, Edgecliff, HMAS Rushcutters, Point Piper	\$27,368,918
VIC 3002	East Melbourne	\$23,684,365
QLD 4005	New Farm	\$11,956,222
SA 5062	Brown Hill Creek, Clapham, Hawthorn, Kingswood, Lower Mitcham, Lynton, Mitcham, Mitcham Shopping Centre, Netherby, Springfield, Torrens Park	\$6,251,360
WA 6003	Highgate, Northbridge	\$5,080,425
ACT 2602	Ainslie, Dickson, Downer, Hackett, Lyneham, O'Connor, Watson	\$3,303,677
TAS 7021	Lauderdale	\$3,219,230
NT other	Represents unknown/invalid postcodes and postcodes with less than 50 taxpayers.	\$1,176,295

Table 2 identifies the postcode in each state whose taxpayers had the largest average claimed deductible gift. Again, a clear link can be made in most cases to postcodes which one would expect to contain significant numbers of wealthy taxpayers.

State & Postcode	Places within Postcode	Av. Gift per gifting taxpayer
SA 5354	Bakara, Bakara Well, Fisher, Greenways Landing, Langs Landing, Marks Landing, Naidia, Punyelroo, Sunnydale, Swan Reach	\$25,860.61
QLD 4000	Brisbane, Spring Hill	\$15,543.52
NSW 2027	Darling Point, Edgecliff, HMAS Rushcutters, Point Piper	\$11,873
VIC 3000	Melbourne	\$6,844.63
WA 6000	City Delivery Centre Perth, Perth GPO	\$4,172.72
TAS 7000	Glebe, Hobart, Mount Stuart, North Hobart, Queens Domain, West Hobart	\$1,027.26
ACT 2601	Acton, Black Mountain, Canberra, City	\$809.61
NT 0852	Arnold, Baines, Barunga, Beswick, Beswick Creek, Binjari, Birdum, Bradshaw, Buchanan, Bulman, Weemol, Creswell, Daguragu, Daly Waters, Delamere, Dunmarra, Edith, Eley, Eley Station, Florina, Flying Fox, Gregory, Gulung Mardruk, Gurindji, Jilkminggan, Kalkarindji, Katherine, Lajamanu, Larrimah, Limmen, Manbulloo, Maranboy, Mataranka, Mcarthur, Miniyeri, Ngukurr, Nitmiluk, Numbulwar, Pellew Islands, Pigeon Hole, Robinson River, Sturt Plateau, Tanami East, Timber Creek, Top Springs, Uralla, Venn, Victoria River, Victoria River Downs, Warumungu, Wave Hill, Wilton, Yarralin	\$402.78

Table 3 indicates the postcode in each state with the greatest participation rate by all taxpayers in that postcode. This appears not to be related to wealth of taxpayers.

Table 3: Highest PERCENTAGE of Taxpayer's claiming a Gift 2005-06 by Postcode for each State		
State & Postcode	Places within Postcode	% of taxpayers claiming a gift
NSW 2295	Fern Bay, Stockton	63.41%
VIC 3407	Balmoral, Englefield, Gatum, Pigeon Ponds, Vasey	62.01%
SA 5461	Balaklava, Bowillia, Dalkey, Erith, Everard, Central, Goyder, Halbury, Hoskin Corner, Mount Templeton, Saints, Stow, Watchman, Whitwarta	59.51%
QLD 4816	Alligator Creek, Balgal Beach, Barringha, Brookhill, Buchanan, Calcium, Carruchan, Clemant, Crimea, Crystal Creek, Cungulla, Ellerbeck, Greenvale, Hidden Valley, Homestead, Julago, Kennedy, Macrossan, Majors Creek, Malpas-Trenton, Mingela, Mount Elliot, Mutarnee, Nelia, Nome, Palm Island, Paluma, Pentland, Prairie, Ravenswood, Reid River, Rollingstone, Ross River, Savannah, Sellheim, The Cape, Toomulla, Toonpan, Torrens Creek, Woodstock	59.44%
ACT 2605	Hughes, Curtin Garran	54.57%
WA 6720	Cossack, Point Samson, Wickham	52.17%
TAS 7016	Risdon Vale	50.24%
NT 0832	Bakewell, Bellamack, Gunn, Johnston, Mitchell, Rosebery, Rosebery Heights, Zuccoli	43.27%

Finally, **Table 4** presents the median of the average gift based on postcode in each state.³ The median is the middle of a distribution: half the scores are above the median and half are below the median. A median that is lower than the statistical average (mean) indicates that the distribution of responses is skewed, with several large responses inflating the average.

Table 4: Median of the average gift based on postcode in each state					
State	Gifts or donations (no.)	Gifts or donations (\$)	Average Gift Deduction	Percentage of tax payers making a gift to total tax payers	Total gifts given as a percentage of taxable income
NSW	1,300	395,861.00	273.11	40.63%	0.25%
VIC	435	103,480.00	205.84	39.64%	0.23%
QLD	685	135,398.00	200.44	34.03%	0.19%
SA	238	56,372.50	211.20	34.34%	0.18%
WA	154	43,455.00	224.42	27.06%	0.14%
TAS	284	59,195.00	177.65	31.40%	0.22%
NT	238	53,620.50	211.42	31.38%	0.13%
ACT	2,990	1,352,988.00	363.97	48.48%	0.32%
TOTAL	525	121,120.00	220.21	36.45%	0.22%

The Information Sheet was issued on 7 May 2008. Events, policies and laws alter rapidly – you should take independent advice before acting on any matter raised in this publication.

Electronic copies of the complete working paper CPNS 40: An Examination of Tax-Deductible Donations made by Individual Australian Taxpayers in 2005-06 are available from the Publications page at www.cpbs.bus.qut.edu.au or via ePrints <http://eprints.qut.edu.au/archive/00013517/>.

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³ We are unable to analyse all individual deductible gifts by medians as the data is available only in an aggregated form for individuals, unlike postcodes.