



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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CPNS Current Issues Sheet 2008/6

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 eligible 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 1 July 2008 there were 769 PPFs approved.

How much was donated to PPFs in 2007?

For the year ending 30 June 2007, a total of \$471.7m was donated to PPFs, an increase of 73.8% over the previous year.

What is the value of PPFs' assets?

As at 30 June 2007, the value of PPFs was \$1.2B. Given that 170 new PPFs have been formed since that date, it is probable that there is currently over \$1.5B in PPF funds.

How much was distributed to Deductible Gift Recipients?

For the year ending 30 June 2007, a total of \$117m was distributed to DGRs. This is an increase of 58% over the previous year. The amount distributed to DGRs should rise in coming years as PPFs who have arranged with the ATO to accumulate funds during their establishment reach their intended goals..

How much has been donated to PPFs since 2002?

A total of \$1.2B has been donated to PPFs since 2002.

How much has been distributed by PPFs since 2002?

From 2002 to 2007 a total of \$301.3m has been distributed to eligible DGRs.

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.

Which of the broad categories of DGRs have benefited from PPF grants 2002-2007?

The welfare category which has the largest number of endorsed DGRs (49.4%) has received the most grants from PPFs, being \$96.47m since 2002. This was followed by cultural organisations receiving \$52.8m since 2002.

Which of the broad categories of DGRs have benefited from PPF grants in 2007?

In 2007 the cultural organisations category had significant growth over 2006 (\$33.8M), as well as welfare which grew by \$7.3M.

Which sub categories of DGR have benefited from PPF grants in 2007?

In 2007 the DGR sub categories which rose significantly over the previous year were:

- Public Art Galleries up 4,570% to \$31.7m
- Charitable institutions to promote prevention or the control of disease in human beings up 184% to \$1.9m
- Public Libraries up 182% to \$1.9m
- Necessitous circumstance funds up by 103% to \$0.7m
- Public universities up 50% to \$4.9m
- Public Benevolent Institutions up 26% to \$29m
- International Aid up 23% to \$5.9m
- Environmental organisations up by 14% to \$6.6m

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. In the 2008-09 Budget, the Government announced it would introduce laws to improve the integrity of PPFs, to take effect from 1 July 2009.

What is the nature of ATO compliance activity?

In 2007-08 the ATO reported that it completed 45 reviews of PPF endorsements resulting in 21 cases receiving written advice to implement changes to ensure future compliance with tax obligations. The ATO intends to complete at least 50 reviews in 2008-09 examining, in particular, general adherence to the prescription of the fund, use of offshore investments to gain benefits, inappropriate access to fund property, excessive expenses and benefits by trustees or founders and distributions to non-eligible recipients. In 2007 it appears that up to \$9.2m was distributed to ineligible organisations or persons.

Figure 1: Approved PPF Donations Received, Distributions Made and Closing Value by Year

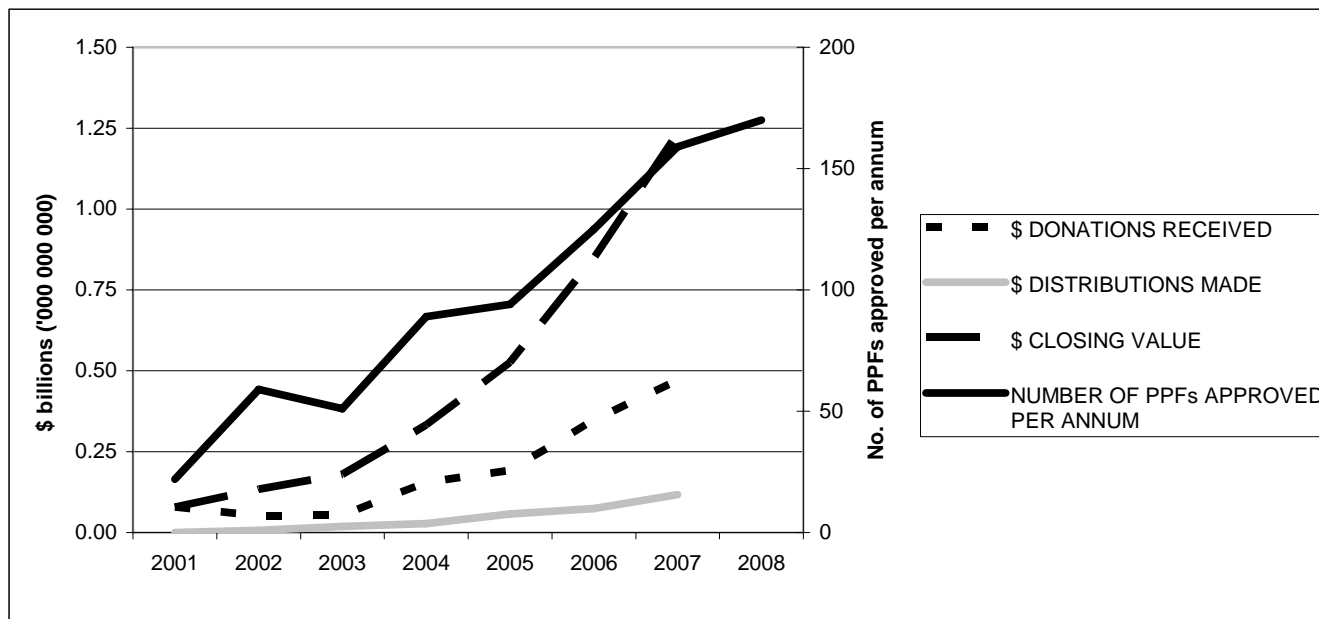


Table 1: Numbers of PPFs, donations received, distributions made and closing values

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	79.1	0.0	78.6
2002	59	81	53.0	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	192.7	57.4	525.9
2006	125	440	348.0	74.2	849.5
2007	159	599	471.7	117.0	1,234.1
2008	170	769			

Table 2: Distributions made to deductible gift recipients by category of recipient

DGR General categories	2002	2003	2004	2005	2006	2007	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Health	549	390	1,382	2,447	5,720	6,467	16,957
Education	851	3,451	4,234	12,596	12,222	7,719	41,075
Research	199	577	1,322	598	2,001	1,359	6,060
Welfare	2,780	8,315	9,593	23,518	23,496	29,765	96,470
Environment	176	541	1,057	1,917	5,797	6,601	16,091
International Affairs	121	417	4,008	4,872	4,831	5,876	20,126
Culture	761	2,549	2,893	2,310	5,204	39,038	52,758
Sport & Recreation					64	41	105
Family					5	10	15
Other	1,268	2,177	2,965	9,159	15,863	20,192	51,626
Total	6,706	18,420	27,458	57,422	74,208	117,072	301,289

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.

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