



August 2006

## CURRENT ISSUES INFORMATION SHEET 2006/6

### ATO Data: Deductible Gift Recipients: Public Benevolent Institutions

**\*\* DATA UPDATED TO NOVEMBER 2005\*\***

#### **Background**

Public Benevolent Institutions (PBIs) are a sub-category of 'welfare and rights' listed in Division 30 of the Income Tax Assessment Act 1997 (see Appendix 1, page 5). 'Welfare and rights' is a 'general' category of Deductible Gift Recipients (DGR) for the purpose of income tax. A PBI is a nonprofit institution whose dominant purpose is the direct relief of poverty, sickness, destitution, suffering or misfortune and for the benefit of the community, or a section of it (*GiftPack*, May 2003). The Australian Taxation Office has issued a ruling on the definition of PBI in TR 2003/5 which is available on the ATO website <http://www.ato.gov.au>.

The Centre has a five year research partnership with the Australian Taxation Office (ATO). As part of the partnership the ATO has given the Centre access to data it holds on nonprofit organisations (without identifying details) for research purposes. The data is drawn from the endorsement process for Deductible Gift Recipients that began in 1999. Not all organisations that could qualify are required to be endorsed, but those wishing to permit their donors to claim a gift deduction must be endorsed.

In this sheet, only organisations that identified as PBIs are included. The database contains all endorsements as at November 2005. Overall, there were 10,740 endorsed PBIs in the database making up 49% of the 21,957 endorsed DGRs in Australia. A current issues information sheet (2006/3) about DGRs as a category is available at <http://cpns.bus.qut.edu.au>.

#### **Key Findings**

- There are 10,740 PBIs (the largest category of all DGRs at 49%) which had combined receipts of approaching \$17 billion.<sup>1</sup>
- 25% of PBIs had less than \$13,017 in total receipts and 75% had up to \$495,069. The largest PBI had over \$459 million in receipts. There are a large number of PBIs with very small total receipts and some with large receipts.
- Victoria has nearly 18% of PBI main offices located there, reporting nearly 31% of all PBI receipts, but has just a quarter of Australia's population. Western Australia has 16% of PBIs' main offices located there, reporting 10% of all PBI receipts, with only 10% of Australia's population.
- The Northern Territory, unlike the rest of Australia, has PBIs with median receipts (50<sup>th</sup> percentile) of about half a million dollars whereas the national median is \$101,119.
- Over one third of PBIs had 80-100% of their receipts from government sources and two thirds of PBIs received none or a very small percent of their receipts as donations.

#### **Location**

The location of each PBI was determined by its postcode. This indicated the location of the main office of the PBI, not necessarily where it conducts its activities. It is probable that some PBIs operate across state borders, and that some PBIs with an urban main address conduct activities in rural areas.

The categories of urban and rural are taken from the "Postal Area to Remoteness Area 2001 Concordance" (ABS Catalogue No. 9921.0).<sup>2</sup> It should be noted that all of the Northern Territory is classed as rural. Of the 10,740 PBIs, 7,554(70%) had their main address in areas classed as urban, and 3,186 (30%) in rural areas.

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In Table 1, the number of PBI main addresses in each state can be seen, in total and for urban and rural PBIs (for example, there were 1,914 PBIs in Victoria, 1,697 of which were in urban areas and 217 in rural areas. It is expected that the ratio of PBIs to the number of people will be the same nationwide. As such, the percent of PBIs in each state should reflect the percent of persons in each state. This is mostly the case, as the distribution of PBIs roughly followed the population distribution, with the

<sup>1</sup> The financial data relates to the last financial year prior to seeking endorsement.

<sup>2</sup> This measure is used by the Australian Bureau of Statistics in their collection of data. To place PBIs into these 'remoteness areas' the postcodes belonging to their main addresses were employed. The 'remoteness areas' of Australia were defined as 'major cities', 'inner regional', 'outer regional', 'remote', 'very remote' and 'migratory'. The areas 'major cities' and 'inner regional' were combined to form the category of 'urban', and the others formed 'rural'. 86.52% of the Australian population resides in 'major cities' or 'inner regional' areas of Australia ('urban' areas for the purposes of this paper).

exception of Victoria, which contains 24.8% of the population and 17.8% of the nation's PBIs. Also Western Australia had more PBIs than expected, at 16.2%, for its 9.8% of the population.

It follows that the percent of PBIs in urban and rural areas should be comparable to the percent of the population in these areas. This is not the case. In total, 70% of the nations PBIs have their main address in urban areas, where 86.57% of the population resides. Thus there are fewer PBIs in urban areas than expected by the urban population. Conversely, rural Australia claims approximately 30% of the nations PBIs, and only 13.43% of the population.

In urban Victoria there are 17.8% of the nation's PBIs, fewer than expected by Victoria's 24.75% share of the population. Conversely, Western Australia has more PBIs in rural areas than expected, with 11% of the nation's PBIs compared to 1.8% of the population.

Table 1. Location of PBIs and population (urban, rural and total)

	URBAN			RURAL			TOTAL		
	Number of urban PBIs	Percent of total PBIS	Percent of total population	Number of rural PBIs	Percent of total PBIS	Percent of total population	Total PBIs	Percent of total PBIs	Percent of population
NSW & ACT	2,975	27.7%	32.49	689	6.4%	2.79	3,664	34.1	35.51
QLD	1,403	13.1%	14.84	673	6.3%	4.27	2,076	19.3	18.69
VIC	1,697	15.8%	23.22	217	2.0%	1.36	1,914	17.8	24.75
WA	559	5.2%	7.96	1,180	11.0%	1.80	1,739	16.2	9.79
SA	675	6.3%	6.52	124	1.2%	1.25	799	7.4	7.79
TAS	245	2.3%	1.54	79	0.7%	0.88	324	3.0	2.43
NT <sup>3</sup>	-	-	-	224	2.1%	1.08	224	2.1	1.03
<b>Total</b>	<b>7,554</b>	<b>70.3</b>	<b>86.57</b>	<b>3,186</b>	<b>29.7%</b>	<b>13.43</b>	<b>10,740</b>	<b>100</b>	<b>100</b>

## Receipts

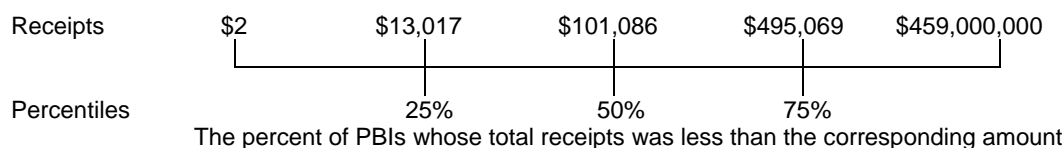
The endorsement form requested information on the total receipts of PBIs.<sup>4</sup> 8,758 had combined receipts approaching \$11 billion (see Table 2). This is 27.7% of the total receipts for all DGRs. The total receipts of individual organisations were very spread out with some being very small and some very large, so an average of total receipts can be misleading. The data are better analysed by percentiles.

Table 2. Receipts: minimum, maximum and sum

Number of PBIs who responded	8,758
Minimum total receipt	\$2
Maximum total receipt	\$459,000,000
Sum of the total receipts for the 8,758 PBIs	\$10,967,767,989

The percentiles (Figure 1) are the values within the distribution below which a certain percent of the scores fall. The 50<sup>th</sup> percentile, also known as the median, tells us that 50% of the PBIs had yearly receipts between \$2 and \$101,086. The 25<sup>th</sup> percentile shows that 25% of the PBIs had total receipts of less than \$13,017. The majority (75%) of total receipts received were under \$495,069. However, as the maximum receipts of \$459,000,000 illustrates (see Table 2), the receipts for the top 25% of organisations covered an extended range.<sup>5</sup>

Figure 1. Total receipts (percentiles)



## Receipts by state

The number of PBIs with their main office in each state, as well as the percent of persons in each state is shown above (Table 1). Below in Table 3, the proportion of the total national receipts generated by PBIs for each state is displayed. To obtain the percent of the total national receipts in each state, the sum of PBI receipts in each state was divided by the total sum of national PBI receipts.

It was argued above that the ratio of PBIs to each state's population could be expected to be the same over the whole country and, as such, the percent of PBIs in each state should reflect the percent of persons in each state. For the most part this did occur, although Victoria had more PBIs than expected (Table 1). Similarly, it might be expected that the percent of total national receipts generated by each state should follow the percent of charities located in each state (which follows the population distribution). If there are differences between the financial wealth of entities in each state, the percent of receipts should reflect differently across the states.

<sup>3</sup> All of the Northern Territory is classed as rural.

<sup>4</sup> PBIs listed their total receipts from their most recent year of accounts at the time of application. For 51% of PBIs this was the tax year 1998-1999. For 28% the tax year was 1999-2000, and for 11% the tax year was between 2001 and 2004.

<sup>5</sup> A public benevolent institution which listed its total yearly receipts as \$902,662,000 was assumed to be an error and was excluded from this analysis of total receipts.

New South Wales and the Australian Capital Territory have the largest share of the national PBI receipts, at 33.3%. Victoria also had a large share of the national PBI receipts, with 30.5%. This is more than would be expected as there resides 17.8% of the PBIs and 24.8% of the population are based there. Conversely, the percent of total national receipts belonging to Queensland is only 13.9%, whereas 19.3% of PBIs are located in Queensland (as well as 18.7% of the population). Similarly, Western Australia has 10% of the PBI receipts, which is less than expected as 16.2% of PBIs are based there. However they have only 9.8% of the population.

A quarter of the Northern Territory PBIs have receipts under \$89,984, whereas for the other states the 25<sup>th</sup> percentile ranges from \$4,560 for Western Australia to \$27,750 in South Australia. Similarly, the median (50<sup>th</sup> percentile) for the Northern Territory is significantly higher than for the other states: half the Northern Territory PBIs have yearly receipts under \$518,848, whereas nationally the median is \$101,086. What this tells us is that where other states and the nation as a whole have many PBIs with small total receipts, almost none of these reside in the Northern Territory. There, all PBIs have high annual receipts. The percentiles for Victoria are higher than the national percentiles, although not as dramatic as the Northern Territory. At the other end of the scale, the Western Australian PBIs are much lower than expected, their median being \$36,736.

Table 3. Receipts by state

	NT	NSW & ACT	VIC	QLD	SA	WA	TAS
Number of respondents	188	3,074	1,624	1,587	691	1,311	282
Minimum	\$800	\$2	\$3	\$2	\$65	\$3	\$79
Maximum	\$17,245,988	\$393,292,565	\$459,000,000	\$203,544,842	\$30,420,107	\$71,119,000	\$69,886,782
Percent of national receipts	2.6%	33.3%	30.5%	13.9%	7.0%	10.0%	2.7%
Percentile							
25th	\$89,984	\$12,297	\$23,578	\$12,409	\$27,750	\$4,560	\$24,399
50th	\$518,848	\$82,000	\$190,608	\$101,400	\$117,343	\$36,736	\$171,500
75th	\$1,736,292	\$395,269	\$967,176	\$419,843	\$571,699	\$330,000	\$659,625

Table 4 illustrates the percent of total receipts in each state, for rural and urban areas. Victoria claimed 30.5% of the nation's total receipts (Table 3). From Table 4 it can be seen that 25.8% of total receipts is reported by urban PBIs in Victoria and 2.4% by rural Victorian PBIs (Table 5).

Table 4. Receipts by state (urban and rural)

	Urban: percent of total receipts	Rural: percent of total receipts
NT	-	2.4
NSW & ACT	36.6	1.7
VIC	25.8	2.4
QLD	10.8	2.1
SA	5.9	0.6
WA	4.0	5.3
TAS	2.1	0.3
<b>Total</b>	<b>85.2</b>	<b>14.8</b>

## Sources of total receipts

On the endorsement form applicants were asked questions relating to the source of their funds and expenses. They were asked to give information on the percent of their total receipts received as donations, membership subscriptions, and government grants or payments. They were also to note the percent of their receipts expended in fundraising and distributions to other DGRs. The response rate for these items was poor and cannot be relied on. Only the results for the receipts received as donations and government grants is presented.

### Sources of total receipts: Donations

#### Donations received (\$)

The endorsement form requested information on the total receipts of PBIs (in dollars) and the percent of total receipts received as donations. From this the dollar value of donations can be calculated.<sup>6</sup> This is presented in Table 5. The donations received by organisations was very spread out with some very small and some very large, so an average of donations can be misleading. The data is better analysed by percentiles.

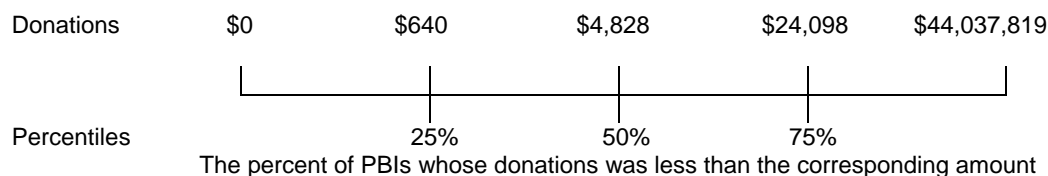
Table 5. Donations: minimum, maximum and sum

Number of PBIs who responded	7,449
Minimum donation received	\$0
Maximum donation received	\$44,037,818.64
Sum of the donations received for the 7,449 PBIs	\$772,315,875.69

The percentiles (Figure 2) show us that 50% of PBIs received under \$4,828 in donations. 75% of PBIs received between \$0 and \$24,093 in donations. As the maximum donation receipt of \$44,037,819 indicates the top 25% of donations covered an extended range.

<sup>6</sup> In calculating a dollar value from the percent of receipts (percent received as donations or government grants) and the total receipts, we rely on the scores of percent received, and total of receipts, being accurate. This may not be so. The number of applications who did not respond to these questions also limits the validity of these dollar values. Interpretation of this data should take this into account.

Figure 2. Donations (percentiles)



**Donations received: percent**

Although the dollar value of donations received is informative, it is worthwhile to look at the donations received as a percent of total receipts (the original information provided by the applicants).

For just under two thirds of PBIs the percent of total receipts received as donations was very small or non-existent (under 10%). The remaining PBIs were evenly spread out up to 100% (refer to Figure 3 and Table 6).

Figure 3. Percent of total receipts received as donations (percentiles)

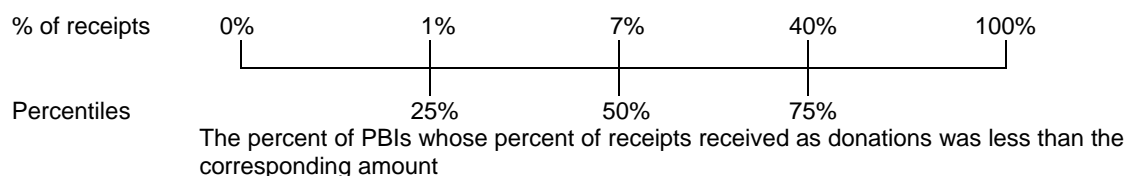


Table 6. Donations: frequency and percent

	Percent received as donations	
	Frequency	%
0	1,008	13.4
1-10%	3,286	43.7
11-20%	664	8.8
21-30%	412	5.5
31-40%	308	4.1
41-50%	228	3.0
51-60%	204	2.7
61-70%	187	2.5
71-80%	198	2.6
81-90%	167	2.2
91-100%	860	11.4
<b>Total</b>	<b>7,522</b>	<b>100</b>

**Donations by state**

If the PBIs in each state received the same proportion of their receipts as donations, the percent of donations in each state should reflect the percent of national receipts in each state (see Table 3). This did not occur, as the percent of donations in New South Wales and the Australian Capital Territory and in Victoria is different from the percent of receipts in each state (Table 7). Queensland is underrepresented in donations as well as total receipts, receiving approximately 13% for these, despite having 19.3% of the nation's PBIs.

The largest sum of donations is located in New South Wales and the Australian Capital Territory, with 46% (Table 7). This indicates that nearly half of their receipts were received in the form of donations.

Table 7. Donations by state

	NT	NSW & ACT	VIC	QLD	SA	WA	TAS
Number of respondents	122	3,130	1,664	1,756	633	1,455	248
Percent of national donations	0.4%	46.0%	25.6%	13.0%	7.0%	6.9%	1.1%

**Sources of total receipts: government grants**

**Government grants received (\$)**

The endorsement form requested information on the total receipts of PBIs (in dollars) and the percent of total receipts received as government grants. From this the dollar value of government grants can be calculated. This is presented in Table 8.<sup>7</sup> The government grants received by organisations was widely distributed with some very small and some very large, so an average of grants can be misleading. The data is better analysed by percentiles.

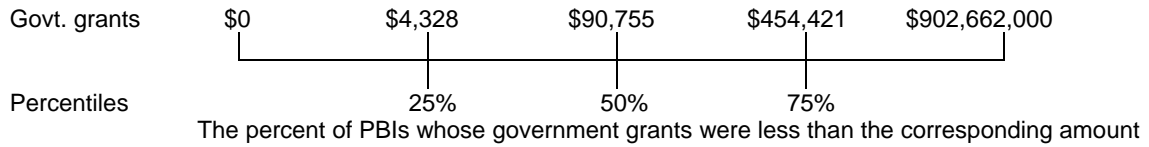
<sup>7</sup> In calculating a dollar value from the percent of receipts (percent received as donations or government grants) and the total receipts, we rely on the scores of percent received, and total of receipts, being accurate. This may not be so. The number of applications who did not respond to these questions also limits the validity of these dollar values. Interpretation of this data should take this into account

**Table 8. Government grants: minimum, maximum and sum**

Number of PBIs who responded	6,732
Minimum government grant received	\$0
Maximum government grant received	\$902,662,000
Sum of the government grants received for the 8,302 PBIs	\$6,865,611,351

The percentiles (Figure 4) show us that 50% of PBIs received under \$90,755 in government grants, and 75% of PBIs received between \$0 and \$454,421 in donations. As the maximum grant receipt of \$902,662,000 indicates, the range in size of government grants was very large.

**Figure 4. Government grants (percentiles)**

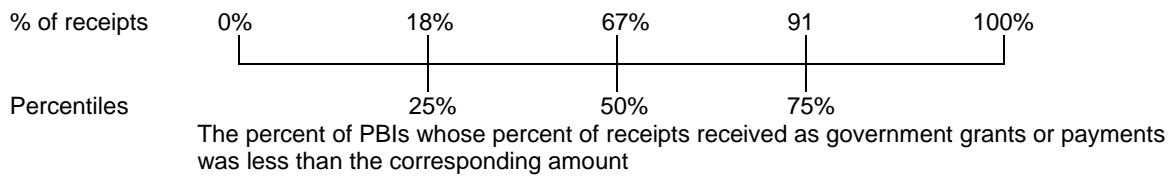


**Government grants received: percent**

Although the dollar value of government grants received is informative, it is worthwhile to look at the grants received as a percent of total receipts (the original information provided by the applicants).

For approximately 48% of PBIs, 71-100% of their receipts were received as government grants. Around a fifth received 10% or less as government grants. Although the majority of PBIs received a large proportion of their receipts as government grants, there was a smaller, but still notable, percent that did not (refer to Figure 5 and Table 9).

**Figure 5. Percent of total receipts received as government grants and/or payments (percentiles)**



**Table 9. Government grants: frequency and percent**

	Percent received as government grants and/or payments	
	Frequency	%
0	773	11.3
1-10%	718	10.5
11-20%	319	4.7
21-30%	316	4.6
31-40%	281	4.1
41-50%	299	4.4
51-60%	422	6.2
61-70%	439	6.4
71-80%	799	11.7
81-90%	711	10.4
91-100%	1,735	25.5
<b>Total</b>	<b>6,812</b>	<b>100</b>

**Government grants by state**

Victoria had the greatest percent of government grants, closely followed by New South Wales and the Australia Capital Territory (Table 10). Victoria has a proportionally greater share of the nation's government grants, with 35.1% and only 17.8% of PBIs with their main address in Victoria. As with total receipts and donations Queensland had proportionally less government grants than expected, as 19.3% of PBIs have their main address in Queensland.

**Table 10. Government grants by state**

	NT	NSW & ACT	VIC	QLD	SA	WA	TAS
Number of respondents	203	2,553	1,508	1,720	633	1,420	265
Percent of national government grants	3.1%	29.0%	35.1%	10.9%	7.5%	11.4%	2.9%

## **Appendix 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