Giving funds are key to progressive philanthropy: AIDN’s submission to the Australian Government and Treasury’s proposed reforms to Public and Private Ancillary Funds (“Giving funds”).

July 2025

Executive Summary

In June 2025, the Australian Government and Treasury commenced a consultation process related to proposed reforms to the regulation of Public and Private Ancillary funds. In addition to renaming ancillary funds “Giving funds”, the proposed changes include:

- Aligning the annual distribution rate between public and private giving funds;
- Consideration of a possible increase in the distribution rate for giving funds; and
- Allowing giving funds to smooth the minimum rate of distribution across multiple years.

In this document, the Australian International Development Network (AIDN)[1] makes a submission to the Treasury in relation to the proposed giving funds reforms. With a mission to foster “more” and “better” giving and investing internationally from Australian donors and grant-making organisations, AIDN argues that the need for more progressive philanthropic and grant-making principles have never been more important in the context of 2025’s significant global aid cuts, increasing poverty, the threat of climate change and rising (intergenerational) inequality.

In this policy submission, AIDN:

1) Agrees with the Australian Government's proposed increase to the minimum giving distribution of giving funds from 4% (for PuAFs) or 5% (for PAFs) to a rate of 5-8%, aligning the distribution rate between public and private giving funds, and allowing smooth distribution over three years;

2) In addition to the Australian Government’s proposed reforms, AIDN further argues that the Australian Government should also encourage “spend-down” or “sunset” clauses on giving funds to accelerate the reinvestment of tax deductible funds into the communities, environment and issues of our time;

3) AIDN proposes that the Australian Government should encourage or set a minimum requirement for the relevant endowments/corpus' of giving funds to be invested with impact investment partners. We see this not only as an important opportunity to foster investments with positive environmental, social or governance impact, but to also grow Australia's impact investing market and align with the Australian Government's own impact investing policy objectives.

4) Finally, AIDN agrees with Philanthropy Australia's position that, whilst giving fund reforms are vital, the Australian Government also needs "to prioritise real and tangible action on the Productivity Commission report's centrepiece recommendation of reforming the 'deductible gift recipient' (DGR) system" (Philanthropy Australia 2025).

Image: Cambodia. Credit: Sovannkiry Sim, Unsplash.

1 It should also be noted that AIDN has also submitted this policy submission to Philanthropy Australia as part of their consultation process to ensure that international giving is represented in Philanthropy Australia's submission.

The Context

1. Giving funds, the proposed reforms, and the submission process.

1.A) About giving funds.[2]

Giving funds (currently referred to within the tax law as ancillary funds) are a giving vehicle used in Australia. Commonly used as a structure for a public or private foundation, they enable individuals, families or businesses to make tax-deductible contributions to a fund, which are then used to make grants to Deductible Gift Recipients (DGRs). This includes DGR status organisations both working domestically in Australia and overseas. Contributions to giving funds are also often strategically invested to grow the amount in the fund available over time and ultimately increase the support provided to other DGRs through grants.
Private Giving Funds (PGFs or previously PAFS) are established for private philanthropic giving, commonly used by families or businesses. Public Giving Funds (PuGFs or previously PuAFs) must invite donations from the public and are typically used by community groups, corporate and community foundations, wealth advisers and other organisations. As at 3 March 2025, there were 3,707 giving funds (2,292 PGFs and 1,415 PuGFs) (Australian Government and Treasury 2025 p.2).

Giving funds are subject to extensive regulation applied specifically to them by both the Australian Charities and Not-for-profits Commission (ACNC) and the Australian Taxation Office (ATO). To ensure giving funds meet their philanthropic goal, guidelines made under the Taxation Administration Act 1953 require funds to make a minimum distribution each financial year to item 1 DGRs. A distribution is the provision of money, property or benefits such as concessional loans and loan guarantees. For PuGFs the minimum distribution is $8,800 or 4% of the fund's net asset value at the end of the previous year, whichever is greater. For PGFs the minimum distribution is the greater of $11,000 or 5% of the fund's net asset value (Australian Government and Treasury 2025 p.2).

Image: Tree planting. Credit: Ahmet Kurt, Unsplash.

2 It should be noted that this section has been referenced from Philanthropy Australia's Media Release here (June 2025) and the Australian Government's "Giving fund reforms: distribution rate and smoothing consultation paper" (June 2025).

1.B) The proposed reforms to giving funds.

In June 2025, the Australian Government and Treasury commenced a consultation process related to a set of proposed reforms for the regulation of Public and Private Ancillary funds. These proposed reforms flow directly from the recommendations in the Productivity Commission's (PC) philanthropy inquiry and report "Future Foundations for Giving" released in July 2024. In addition to renaming both Public and Private Ancillary funds "Giving funds", the proposed changes include:

- Aligning the annual distribution rate between public and private giving funds;

- The consideration of a possible increase in the distribution rate for giving funds - based on the Productivity Commission's suggested rate of 5-8%. (It should be noted that the government proposes providing five years notice before any new distribution rate applies); and

- Allowing giving funds to smooth the minimum rate of distribution across multiple (3) years. For example, this would allow a giving fund with a minimum annual distribution of $100,000 to give $300,000 in year one, $10,000 in year two and $10,000 in year three. This would allow giving funds to have more flexibility when it comes to meeting the funding needs of DGRs with, for example, infrastructure projects or social investment programs (Australian Government and Treasury p.8).

2. AIDN's Submission

2.A) About AIDN.

AIDN advocates for "more" and "better" international giving and investing from Australians. We encourage collaboration, highlight the good and urgent work being done in the sector, and foster an environment for the exploration of what "better" and "more" giving and investing means today. We do this through coordinating, encouraging and facilitating initiatives, including 'Insight Tours' in-country, between the private sector, corporate, government, philanthropists and investors, ultimately leading to greater international engagement from Australia.

2.B) AIDN's response to the proposed giving fund reforms.

For AIDN, the proposed giving fund reforms could have significant implications for the critical and transformative role that philanthropy can play in our society. With a mission to foster "more" and "better" giving and investing internationally from the Australian market, AIDN believes that the need for more progressive philanthropic and grant-making mechanisms has never been more important given 2025's global aid cuts, increasing poverty, the threat of climate change and rising inequality. We believe it is high-time to:

1. Increase the minimum distribution of giving funds.

In AIDN's most recent response to the Australian Government's Federal Budget 2025-2026, AIDN outlined how, following the slashing of ODA budgets (including the US, the UK, Netherlands, and Belgium), the stakes have never been higher when it comes to funding health, peace, climate change, gender equality and education globally. In the same policy response, AIDN also highlighted how, despite this devastating context, there is a unique opportunity for the Australian government to emerge as a global leader in the international development sector. This opportunity also exists for Australian philanthropists. And it is in this context that AIDN supports the Australian Government's proposed reform of increasing the minimum distribution of giving funds.

On one hand, AIDN appreciates the risk of disincentivising the creation of giving funds by over increasing the minimum distribution. Indeed, as Philanthropy Australia noted in their own media release: "[We] think [that] the current arrangements work well, so [we] don't see the need to increase or decrease the minimum distribution, especially given the risk of unintended consequences, such as disincentivising the establishment of new giving funds". Nevertheless, given AIDN's purpose and audience, we will continue to encourage foundations and donors, particularly those looking at international giving, to consider a higher rate of distribution than the minimum requirements (be it 5% or above).

AIDN further acknowledges that an increase in the minimum distribution rate would likely lead to concerns surrounding the premature expiration of giving funds. In response to this concern, AIDN would like to highlight that: even if a giving fund had a corpus of $10 million, earning only 5% return on investment, and was required to distribute 6% or $600,000 a year - it would still take 36 years to expire. It is important to remember that, in an ever-expanding economy, there will be many foundations that will emerge in the future that could replace giving funds that *may* expire. Think only of the impact of the Canva Foundation which was founded in just 2013.

2. Encourage spend-down or sunset clauses.

Spend-down or sunset clauses are a subject of long-held debate in the philanthropic sector. But with global needs only on the rise, they are becoming an increasingly salient topic in 2025. Spend-down or sunset clauses refer to funds or grant-making organisations that have an end-date for "spending-down" their assets. In turn, it is argued that this accelerates the reinvestment of tax deductible funds into relevant communities, environment and issues in a highly-focused and efficient manner (Atlantic Philanthropies 2016).

Examples of Australian grant-making organisations with spend-down clauses include the Judith Neilson Foundation, YajilarraTrust and the Metamorphic Foundation. More recently, Bill Gates announced that he will spend the majority of his $200 billion Gates Foundation endowment in Africa as part of a spend-down ahead of the foundation's closure by 2045.

In addition to supporting an increase in minimum distribution, AIDN believes that the Australian Government should encourage "spend-down" or "sunset" clauses on giving funds. By encouraging sunset clauses on giving funds, the Australian Government, and our sector more broadly, has a unique opportunity to emerge as a global leader and ensure that more money is facilitated rapidly to the communities and environments that need it most. This has never been more true than in the context of 2025's global aid cuts.

Image: Kunduz City. Credit: Wanman uthmaniyyah, Unsplash.

3. Promote the role of impact investing to maintain the corpus.

Creating a giving fund is only one step towards grant distribution to worthy causes and making an impact. For many philanthropists, it is also vital to strategically invest and manage your giving fund to ensure that the fund grows over time - which can, in turn, increase your capacity for future donations (Financial Spectrum 2024). Since giving funds are designed for long-term giving, many philanthropists prioritise growth investments, such as shares, and diversify investments by spreading them across asset classes. This allows giving funds to withstand market fluctuations but also produce a steady rate of return (Financial Spectrum 2024).

However, managers of giving funds are also increasingly choosing to not only align their donations from the giving fund to their values but also align their investments - by opting for socially responsible or ethical investment funds (Financial Spectrum 2024). AIDN would like to see the Australian Government foster this shift and set a minimum requirement for the relevant endowments/corpus' of giving funds to be invested with impact investment partners. Impact investments are investments made with the intention to generate positive, measurable social or environmental impact alongside a financial return (GIIN 2025). Australia harbours very significant capital reserves for a nation of its size, and given this fact, the +$50bn of endowment capital on the balance sheets of grant-making organisations, these should be invested in a way that optimises the risk:return:impact trade-offs. This position was also recently advocated for by Paul Reynolds - CEO at Save The Children (Philanthropy Australia 2025 - Reynolds).

Crucially, growing the Australian impact investing market has also become an increasing policy priority of the Australian Government. In the Australian Government's International Development Policy (2023) and Development Finance Review (2023) several impact investment policy focus areas were recommended including: the deployment of concessional development finance for climate-resilient infrastructure, the expansion of development finance, private capital mobilisation, scaling up blended finance and the Emerging Markets Impact Investment Fund (EMIIF). Australia's most recent Humanitarian Policy (2024) likewise included numerous references to the need for impact investing and private sector capital mobilisation.

AIDN believes that by encouraging giving fund holders to align their investment strategies with impact investments, the Australian Government has an important opportunity to both foster more investments with positive environmental, social or governance returns and achieve its own policy objectives related to impact investing.

4. Prioritise urgent changes to the DGR system

AIDN agrees with Philanthropy Australia's position that, whilst giving fund reforms are vital, that the Australian Government also needs "to prioritise real and tangible action on the Productivity Commission report's centrepiece recommendation of reforming the 'deductible gift recipient' (DGR) system" (Philanthropy Australia 2025).

The DGR system determines which charities can receive tax deductible donations and grants from giving funds. Currently, around half of charities are ineligible. This includes community-run charities such as neighbourhood houses, those supporting LGBTQIA+ Australians and advocacy charities. As Maree Sidey explained in Philanthropy Australia's Media Release: "The costs of inaction on DGR reform will be borne by all those charities left outside of the system, given they will continue to be cut off from sources of support, including from giving funds".

AIDN likewise pointed out the need for DGR reform in both our initial Response to the Productivity Commission's "Draft: Future Foundations for Giving" last year, and in our Final Response to the "Final Report: Future Foundations for Giving". Whilst AIDN welcomed the expansion of the DGR system to include organisations that focus on advocacy, AIDN continues to advocate for a more progressive DGR system. In particular, we seek further clarification on how the recommendations in the Future Foundations for Giving report will impact charities operating with two or more purposes - particularly those operating internationally. As highlighted in both our Responses, a continued issue identified with the current DGR system is that organisations can only obtain DGR status for one particular purpose at a time.

3. Conclusion

In the context of 2025's global aid cuts, climate change, increasing poverty and inequality, AIDN believes that the need for more giving and grant distribution has never been greater. By increasing the minimum distribution, encouraging spend-down clauses and fostering impact investment strategies for giving funds, Australia has a unique opportunity to emerge as global leader in philanthropy and ensure that more money is being rapidly facilitated to urgent causes. The Australian Government can play a vital role in facilitating this opportunity by securing progressive and innovative grant distribution mechanisms for giving funds.

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