

## A step in the right direction, but a longer road ahead: AIDN responds to the Australian Government and Treasury's 2026 Giving Funds reforms.

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### About AIDN

AIDN's primary purpose is to advocate 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 "more" and "better" giving means today. We do this through coordinating, encouraging and facilitating initiatives between the private sector, corporate, government, philanthropists and investors ultimately leading to greater international engagement from Australia.



Image: Volunteers during the pandemic. Credit: [Joel Muniz](#) on Unsplash.

## Executive Summary

In June 2025, the Australian Government and Treasury commenced a consultation process related to proposed reforms for the regulation of Public and Private Ancillary funds (renamed “giving funds”). Proposed reforms included aligning the annual distribution rate between public and private giving funds, a possible increase in the minimum distribution rate (from 4% for PuAFs and 5% for PAFs to 5-8%) and allowing giving funds to smooth the minimum rate of distribution across multiple years.

In July 2025, AIDN responded to this consultation process with our own policy submission. In addition to agreeing with the Australian Government’s proposed reforms, we outlined a number of further policy reforms that we believe are essential for Australia to emerge as a global leader in progressive philanthropy. We suggested encouraging “spend-down” or “sunset” clauses on giving funds, and setting a minimum requirement for the relevant endowments/corpus’ of giving funds to be invested with impact investment partners. We also continued to advocate for reform of the ‘deductible gift recipient’ (DGR) system more broadly.

Following the consultation process, in February 2026, the Australian Government announced it will improve support for Australian charities by increasing the distribution rate for both types of giving funds to 6% and expanding the number of organisations that can seek endorsement under the community charities deductible gift recipient category.

In the context of global aid cuts, climate change, increasing poverty and inequality, AIDN welcomes this increase in the minimum distribution rate, the alignment between public and private giving funds and the improved ability for smoothing the distribution rate over multiple years. We are also pleased to see the inclusion of several new charities under an expanded community charities DGR category. Together, this will mark an increase in the amount of money going to urgent causes both domestically and internationally.

Nevertheless, AIDN stands steadfast in our belief that this is just one step in the right direction. The Australian philanthropic sector still has a long road ahead to emerge as a global leader in philanthropy. We will continue to advocate for additional policy reforms to maximise the impact of Australian giving funds, including through:

- 1.Reform and simplification of the DGR system;
- 2.Discussion of the benefit of sunset clauses; and
- 3.Raising awareness of a minimum impact investment distribution.

## Policy Submission

**Timeline and AIDN's response to the Australian Government and Treasury's 2026 giving funds reforms.**

### 2025 Consultation Process

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

- 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.

### AIDN's 2025 Policy Submission

In July 2025, AIDN responded to this consultation process with our own policy submission. With a mission to foster “more” and “better” giving and investing internationally from Australian donors and grant-making organisations, we proposed an increase to the minimum giving distribution of giving funds from 4% (for PuAFs) or 5% (for PAFs) to a rate of 5-8%. We argued for an alignment in the distribution rate between public and private giving funds, and for allowing a smoothing distribution process over three years.

We also argued that the Australian Government should simultaneously encourage “spend-down” or “sunset” clauses on giving funds to accelerate the reinvestment of tax deductible funds into communities, environment and the most urgent issues of our time. Moreover, 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.

Underpinning our submission was our ongoing position that the ‘deductible gift recipient’ (DGR) system more broadly also needs to be reformed to create a larger market of DGR1 recipients.

## Australian Government announces new giving fund reforms in 2026

Following the consultation process in 2025, in February 2026, the Australian Government announced that it will improve support for Australian charities by increasing the distribution rate for giving funds and expanding the number of organisations that can seek endorsement under the community charities deductible gift recipient category.

The government will set the minimum annual distribution rate for both private and public giving funds at 6% of net assets. This will ensure that more benefits flow to charities now to help them to provide their services, while still allowing giving funds to invest and provide benefits into the future.

The government is also making changes that will allow giving funds to support large projects with charities without making excessive draw downs on their capital, by allowing them to smooth distributions over a three-year period.

The new rate will apply from the first financial year following amendments to the giving fund guidelines, and existing giving funds will not need to meet the new distribution rate for two years.

The government is also adding 34 organisations to the ministerial declaration for community charities, representing the biggest update to the community charity deductible gift recipient category since it was established in 2024. You can see the full list of organisations [here](#).



Image: Life is educational. Credit: [Sovannkiry Sim](#) on Unsplash.

## **AIDN responds to Australian Government's new 2026 giving fund reforms**

Overall, AIDN welcomes the latest giving fund reforms. Given 2025's global aid cuts, increasing poverty, the threat of climate change and rising inequality, AIDN believes that the need for more progressive philanthropic and grant-making mechanisms has never been more important. In particular, we welcome:

### **An increase in the minimum distribution of giving funds and smoothing processes.**

AIDN is pleased to see that the government will set the minimum annual distribution rate for both private and public giving funds at 6% of net assets. In a context where there is close to \$16.4 billion held in Australian giving funds, this reform will secure an increase in funds being directed to important causes.

AIDN also welcomed the new process that will allow giving funds to smooth the minimum rate of distribution across multiple (3) years. This will 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](#) p.8). For example, these reforms will 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.

AIDN was pleased to see the government make this change despite potential concerns that if the minimum distribution rate is set too high this may disincentivise the creation of giving funds or concerns surrounding the premature expiration of giving funds. AIDN welcomed the Treasury's logical analysis "that a fund receiving market returns that distributed 6% of its net assets each year could last for decades even without further contributions to its assets".

### **Updates to the community charity deductible gift recipient category.**

AIDN further supports the ministerial declaration that 34 organisations will be added to the community charities deductible gift recipient category, representing the biggest update to the DGR category since it was established in 2024. The DGR system determines which charities can receive tax deductible donations and grants from giving funds. This increase of 34 organisations is a step in the right direction for creating a larger market of DGR1 recipients.

### **Outstanding recommendations from AIDN.**

Nevertheless, while AIDN welcomes the aforementioned policy reforms, we believe that the Australian philanthropic sector still has a long road ahead to ensure that sufficient funds are being rapidly and efficiently facilitated to urgent causes both domestically and internationally.

1. In particular, and as outlined in our 2025 [Giving Funds policy submission](#), AIDN will continue to support the 2025 Productivity Commission's centrepiece recommendation that the DGR system needs to be reformed more broadly ([Philanthropy Australia 2025](#)).

On one hand, AIDN welcomed recent expansions of the DGR system to include organisations that focus on advocacy and (now) community charities. However, at present, around half of Australian charities still remain ineligible. This includes community-run charities such as neighbourhood houses, those supporting LGBTQIA+ rights and many advocacy charities.

Moving forward, and as outlined in our previous [response to the Productivity Commission's 2025 report "Future Foundations for Giving"](#), we believe that there remains a need to simplify, streamline and reform the process for charities to be granted DGR status. At present, it is onerous and complex, particularly for smaller charities with less governance and administrative capacity.

Moreover, we will continue to seek clarification on how the recommendations in the [Future Foundations for Giving report](#) will impact charities operating with two or more purposes. One ongoing issue with the current DGR system is that organisations can only obtain DGR status for one particular purpose at a time. This causes issues for organisations that work across multiple purposes, even if these multiple purposes have significant cross-over or are naturally related. For example, a corporate foundation may be interested in addressing the dual purposes of both poverty alleviation and environment causes. Despite the fact that it is increasingly shown that climate change and poverty are inherently intertwined ([World Vision](#), [OECD](#)), the corporate foundation would need to set up two different charities to address these two different causes.

2. We further believe that the Australian Government should encourage "spend-down" or "sunset" clauses on giving funds. Spend-down or sunset clauses refer to funds or grant-making organisations that have an end-date for "spending-down" their assets. Examples of Australian grant-making organisations with spend-down clauses include the [Judith Neilson Foundation](#), [Yajilarra Trust](#) and the [Metamorphic Foundation](#). We believe that encouraging sunset clauses on giving funds will accelerate the reinvestment of tax deductible funds into relevant communities, environment and issues in a highly-focused and effective manner.

3. We would like to see the Australian Government 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 of grant-making organisations, should be invested in a way that optimises the risk:return:impact trade-offs. This reform would be in line with the Australian Government's own policy priorities of growing the Australian impact investing market, as outlined in the Australian Government's [International Development Policy \(2023\)](#), [Development Finance Review \(2023\)](#) and [Humanitarian Policy \(2024\)](#).

## Conclusion

In AIDN's [response to the Australian Government's Federal Budget 2025-2026](#), we outlined how, following the slashing of ODA budgets in 2025, 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 and philanthropy sector.

The latest alignment and increase in the minimum distribution rate for Australian giving funds, in addition to new smoothing processes, are the first step on this path. We also welcome the expansion of the charity deductible gift recipient category.

However, AIDN believes that further reforms are required in order for Australia to emerge as a global leader in philanthropy and ensure that more money is being rapidly facilitated to urgent causes. We believe that additional policy reforms including the simplification of the DGR system, sunset clauses and a minimum impact investment distribution rate could unlock this potential.



Image: two boys. Credit: [Ismail Mohamed - SoviLe](#) on Unsplash.

Please direct inquiries or requests to:

Julie Rosenberg,

Executive Director, Australian International Development Network

Email: [julie@aidnetwork.org.au](mailto:julie@aidnetwork.org.au)