Australian International Development Network

Significantly reducing the incentive to give: AIDN responds to new capital gains tax policy reform in relation to Australian philanthropy.

June 2026

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.

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Executive Summary

On 12 May 2026, the Australian Federal Budget 2026-27 was released. This included a proposed minimum rate of tax on capital gains to 30 per cent.

On 28 May 2026, the provisions of the Treasury Laws Amendment (Tax Reform No. 1) Bill 2026 and Income Tax Rates Amendment (Tax Reform No. 1) Bill 2026 were referred to the Economics Legislation Committee for inquiry and report by 19 June 2026. Submissions were opened in response to these policy changes between 28 May to 9 June 2026.

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In line with Philanthropy Australia, in this policy submission, AIDN raises concerns in relation to the impact of proposed changes to the taxation of capital gains on Australian philanthropy.

High income earners have generously increased their giving in Australia over the last decade. This has often occurred through the creation of Australia's Private Ancillary Funds (giving funds). These giving funds are regularly catalysed by entrepreneurs during liquidity events who choose to seed their foundations with half of their capital gains because, previously, a donation of half the capital gain removed any tax liability on the sale proceeds. Under the proposed new system, the donation will no longer offset the capital gains tax liability in the way it previously could, significantly reducing the incentive for philanthropic giving at this time.

The Australian Government has a stated objective to double giving by 2030. While we appreciate that significant taxation is a challenging undertaking, we believe that these changes will have an unintended detrimental impact on the flow of financial support for Australian charities.

Policy Response

Minimum Rate of Tax on Capital Gains

The stated rationale for the proposed minimum rate of tax on capital gains to 30 per cent in the 2026-27 Federal Budget is to:

- Reduce the benefit of taxpayers deferring capital gains realisation to years where their marginal tax rates are low, and
- Ensure that gains are subject to a tax rate closer to the rate they faced during their working life.

According to Budget documents[1], the 30 per cent rate has been selected because it is commensurate with the tax rate paid by most workers.

AIDN's Concerns in Relation Proposed CGT Reform

AIDN is concerned that this policy reform will have the unintended effect of disincentivising the Australian philanthropic community to both give and create structured philanthropic funds (such as Private Ancillary Funds or 'giving funds'). This will have wider economic, social and cultural impacts on the Australian community due to reduced funds being donated to DGR status organisations – who are doing meaningful and critical work both in Australia and overseas:

1) 'Liquidity events', including the sale of an asset such as shares in a listed company or a private business, usually result in a capital gain. Where the proceeds from this capital gain is donated to a charity or a giving fund endorsed as a deductible gift recipient (DGR), the value of the gift is deductible from taxable income.

2) Through our work fostering "more" and "better" giving and investing to international causes, AIDN has witnessed that this tax incentive is a common prompt for Australians to consider whether they wish to adopt a more structured approach to philanthropy (such as 'giving funds') following liquidity events. High income earners have generously increased their giving in Australia over the last decade, particularly through giving funds.

[1] Budget 2026-27 Fact Sheet, Negative Gearing and Capital Gains Tax Reform.

3) However, the introduction of a minimum tax on capital gains will create a floor under this tax incentive. It means that even if a person donates all of the proceeds from a capital gain, it will still be subject to a minimum 30% rate of tax. This contradicts the principle that proceeds gifted to an entity endorsed as a DGR is not taxable. Refer to Case Study #1 and Case Study #2 for a worked example of the unintended impact of this new policy on Australian philanthropy[2].

4) It also creates an inconsistency in the treatment of different sources of income for the purposes of gift deduction. It should be noted that no such minimum rate of tax applies to income from wages that are donated to DGR status organisations.

In line with Philanthropy Australia, AIDN would value the opportunity to work with the Treasury to devise a targeted amendment that will address the unintended consequences of the proposal on Australian philanthropy.

Case Study #1

Under previous Capital Gains Tax law:

Australian businessperson and philanthropist, Jane Doe, sells an asset for $40 million AUD.

The selling of this asset leads to a capital gain of $30m.

Under previous capital gains laws (50% CGT discount), only half of the capital gains is taxed. This results in a taxable gain of $15m.

Jane Doe decides to donate $15m so that this taxable income is now zero.

In cash terms, Jane Doe:
- Received $40m.
- $30m was profit or capital gains.
- $15m was donated.
- This leads to a net cash gain of $25m ($15m + $10m of original capital).

[2] NB: The case studies included in this document were not included in AIDN’s official submission to the Economics Legislation Committee.

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Case Study #2

Under proposed new CGT bill resulting from the 2026 Federal Budget commencing 1 July 2027:

Australian businessperson and philanthropist, Jane Doe, sells an asset for $40 million AUD.

The selling of this asset leads to a capital gain of $30m.

Jane decides to donate $15m.

However, now she pays a minimum tax of 30% on the entire $30m capital gain, even though 50% of the gain was donated.

In cash terms, Jane Doe:
- Received $40m.
- $30m was profit or capital gains.
- $15m was donated.
- $30m was taxed at 30% resulting in a tax bill of $9m.
- This leads to a net cash position of $16m ($40m - $15m - $9m = $16m).

In sum, under the previous rules, donating $15 million could reduce the tax on the gain to zero. Under the proposed rules from 1 July 2027, the same $15 million donation will now leave the taxpayer with a $9 million tax bill. The donation would therefore no longer offset the capital gains tax liability in the way it previously could. This will significantly impact Australian philanthropy

Please direct inquiries or requests to:

Julie Rosenberg,
Executive Director, Australian International Development Network
Email: julie@aidnetwork.org.au