

2 March 2026
(Submitted [online](#))

Submission to the House of Representative's Standing Committee on Communications, the Arts and Sport inquiry into arts and cultural philanthropy

Justice Connect welcomes the opportunity to provide our views to the Committee on steps to improve philanthropic support for the arts and cultural sector.

Our submission will focus on the fourth term of reference concerning incentives and disincentives for philanthropic giving and private support, arising from tax, regulatory, administrative settings and other government measures. In particular, we'll concentrate on the Deductible Gift Recipient (**DGR**) system and *not-for-profit* arts and cultural organisations (**arts and cultural organisations**).

About Justice Connect and our expertise

In the face of huge unmet legal need, [Justice Connect](#)'s vision is a world in which legal support is within everyone's reach. We have been serving the community for more than 25 years. We are a registered charity and accredited community legal centre.

Our specialist, national [Not-for-profit Law](#) program provides free and low-cost legal assistance to a diverse range of not-for-profit organisations. Of the more than 1,800 enquiries we receive annually, many relate to navigating access to philanthropic and other funding.

Our overall recommendation

Reforming the DGR system is critical to increasing the level of philanthropic giving and private support to arts and cultural organisations in Australia.

DGR endorsement encourages philanthropic giving, yet some arts and cultural organisations are locked out.

A solution for reform already exists.

The Productivity Commission's [Future Foundations for Giving](#) report outlines a clear, evidence-based pathway to simplify the DGR system so that most charities, including arts and cultural charities, are eligible for DGR endorsement.

DGR endorsement encourages philanthropic giving, yet some arts and cultural organisations are left out

Recent reviews commissioned by the Government have identified the current DGR system as a key barrier for enhancing and amplifying the work and impact of the not-for-profit sector through philanthropic giving.¹

DGR endorsement opens up critical funding opportunities from grant makers, philanthropy and the broader community by providing a tax deduction for giving. These tax-based incentives deliberately seek to steer donations and, with them, other resources toward certain charitable purposes and activities and away from others.²

Unfortunately, many organisations - including arts and cultural organisations - are locked out of this vital additional support because the DGR system is overly complex, ineffective and unfair.

The DGR category most relevant for arts and cultural organisations is covered by item 12.1.1 of division 30-100 in the *Income Tax Assessment Act 1997* (Cth) (**the Act**) - 'cultural organisations.'

Under this category, organisations must be a registered charity with the Australian Charities and Not-for-Profits Commission (**ACNC**) and have a principal purpose of promoting literature, music, a performing art, a visual art, a craft, design, film, video, television, radio, community arts, arts or languages of Indigenous persons or movable cultural heritage. Typically, these charities are registered with the ACNC under the charitable subtype of advancing culture.

A high number of charities with the charitable subtype of advancing culture have DGR endorsement (61%, or 1,102 charities).³ However, the other 39% (703 charities) registered with the ACNC within the subtype of advancing culture **do not** have DGR status. Further, at least 4,000 charities registered with multiple subtypes (some of which are likely to include arts and cultural organisations) **do not** have DGR status.⁴

There are a variety of reasons these charities are locked out of DGR endorsement, including:

- the DGR system does not cater for charities with multiple purposes

¹ See Productivity Commission 2024, Future foundations for Giving, Inquiry report no. 104, Canberra; Blueprint Expert Reference Group 2024, Not-for-profit Sector Development Blueprint.

² Productivity Commission 2024, Future foundations for Giving, Inquiry report no. 104, 154.

³ See the 'DGR Status' tab in the Australian Charities and Not-for-profit Commission, [Australian Charities Report 11th edition: Charity Data Explorer](#)

⁴ Ibid.

- the rules for DGR endorsement are too technical and complex, and
- small, volunteer run charities do not have the resources to apply for DGR status.

1. *The DGR system does not cater for charities with multiple purposes*

Arts and cultural charities may be denied DGR status if they have multiple purposes and are therefore unable to meet the 'principal purpose' test under item 12.1.1 of division 30-100 in the Act.

A charity's principal purpose is the main or dominant purpose for which the organisation exists. A cultural organisation can only have other purposes which are incidental, ancillary, or secondary to its principal purpose.⁵ This has the effect of excluding charities that promote arts and culture in combination with other purposes such as education, community development, social inclusion, social services or health and wellbeing. For example, many Neighbourhood Houses and Centres have arts and crafts programs and promote community arts. They also provide a range of services and support, including food relief, access to Centrelink and employment pathways. But it is the very diversity of their programs that prevent them accessing DGR.

This is a broader problem with the DGR system. There are 53 DGR categories, each with different eligibility criteria. Organisations can also apply to be specifically listed but the process for such requests is opaque.⁶ For some categories (including the cultural organisation category), charities must demonstrate that their whole organisation fits into the confines of the category. For others, charities can apply to have only part of their organisation endorsed. This creates challenges for organisations that have a diversity of purposes and activities that do not fit neatly into one category.⁷ This serves to disincentivise giving to charities working across multiple causes or tackling complex community issues.

2. *The rules for DGR endorsement are too technical and complex*

Another reason that charities may be locked out of endorsement as a cultural organisation is that they may promote 'culture' but not a specific form of art or culture as required by the Act.⁸ For example, a charity may promote the culture of a particular nationality or ethnic

⁵ See 'Cultural organisations' on ATO website: [Cultural organisations | Australian Taxation Office](#)

⁶ See Fiona Martin, *Tax Deductibility of Philanthropic Donations: Reform of the Specific Listing Provisions in Australia*, Australian Tax Forum, Vol. 33(3), 2018.

⁷ Productivity Commission 2024, *Future foundations for giving*, Inquiry report no. 104, Canberra, 170.

⁸ See 'Organisations that are not cultural organisations' on ATO website: [Cultural organisations | Australian Taxation Office](#)

group but not have a principal purpose of promoting one or more of the specific cultural forms listed in the Act.

Again, this is emblematic of broader problems with the DGR system. Over the past 100 years, successive governments have created new DGR categories in an ad hoc manner. Each DGR category has detailed eligibility criteria which is often described in technical, bureaucratic, or old-fashioned language.

This complexity does not just burden charities at the application stage: it also creates an ongoing compliance cost as charities with DGR endorsement must ensure they do not lose their endorsement by accidentally straying from their given category. The Productivity Commission Inquiry into Philanthropy also notes a cost to government as "making assessments about which classes of charitable activities should be within the scope of the DGR system is challenging, subjective and contestable."⁹

3. *Small, volunteer run organisations do not have the resources to apply for DGR status*

Finally, arts and cultural organisations are locked out of DGR status because they are small in size and are less likely to have the resources to navigate the DGR system.

Of the 703 charities in the 'advancing culture' subtype that do not have DGR status, 661 (94%) are categorised as 'small' or 'extra small' (under \$500,000 and \$50,000 in annual revenue respectively).¹⁰ As Creative Australia submitted to the Productivity Commission Inquiry into Philanthropy, the barriers to securing DGR status for small to medium organisations in the arts and cultural sector "centre more on the organisation's capacity to resource the administrative requirements of DGR application and maintenance."¹¹

Community broadcasters are an example of an arts and cultural organisation that is locked out of DGR endorsement. They are important cultural organisations that promote local arts and culture but also play other vital other roles in the community including provision of information and support during and after disasters. As outlined in the Community Broadcasting Association of Australia's submission to the Productivity Commission's Inquiry into Philanthropy, they are often small and volunteer run and only 30% of community broadcasters have DGR endorsement.¹²

⁹ Productivity Commission 2024, *Future foundations for giving*, Inquiry report no. 104, Canberra, 9.

¹⁰ See the 'DGR Status' tab in the Australian Charities and Not-for-profit Commission, [Australian Charities Report 11th edition: Charity Data Explorer](#)

¹¹ Creative Australia, Submission No 696 to the Australian Government Productivity Commission Inquiry into Philanthropy, 9 February 2024, 4.

¹² Community Broadcasting Association of Australia, Submission No 687 to the Australian Government Productivity Commission Inquiry into Philanthropy, 9 October 2024, 1.

This reflects broader trends in the not-for-profit sector: **across all charity subtypes 59% of extra small and small charities are missing out on DGR endorsement.**¹³

Many of these organisations may not be equipped to understand and navigate the DGR system without costly legal assistance and, as a result, are locked out of the benefits of receiving tax deductible donations and philanthropic funding. From our experience, the system is particularly inaccessible for people and groups from culturally and linguistically diverse backgrounds.

The impact on small charities is felt keenly, given that they rely more heavily on donations than larger charities.¹⁴

Reforming the DGR system will unlock more philanthropic funding for arts and cultural organisations

The Productivity Commission's recent Future foundations for giving report provides a commonsense pathway for DGR system reform.¹⁵ If the Productivity Commission's recommendations were to be implemented, more arts and cultural organisations would be eligible for DGR endorsement. This is because:

- a wider range of arts and culture organisations are likely to meet the eligibility criteria for 'advancing culture' as an ACNC registered charity compared to 'cultural organisations' under the Act¹⁶
- the Productivity Commission's recommendation caters for charities with multiple purposes, and
- the application process is likely to be simpler, and therefore less resource intensive.

The Australian Government has recognised the significance of the charitable sector and the importance of donations with its election commitment to double philanthropy by 2030. However, it is difficult to see how that goal will be reached without reform of the DGR system.

Without reform, we are missing out on a critical opportunity to increase the sector's productivity, economic resilience and impact, for the benefit of all Australians.

¹³ See the 'DGR Status' tab in the Australian Charities and Not-for-profit Commission, [Australian Charities Report 11th edition: Charity Data Explorer](#)

¹⁴ Australian Charities and Not-for-profit Commission, Australian Charities Report, 11th edition, 7.

¹⁵ See recommendation 6.1 Productivity Commission 2024, *Future foundations for giving*, Inquiry report no. 104, Canberra, 211.

¹⁶ See for example, sample charitable purposes for 'advancing culture' on the ACNC website: [Charitable purpose examples | ACNC](#)

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Yours sincerely

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