

Give As You Earn



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“We make
a living
by what
we get,
but we
make a
life by
what we
give.”

Winston Churchill

A Boost for the Community Sector in Australia

Pre-tax Donations for Payroll Giving

The Assistant Commissioner of Taxation, Megan Yong gazetted the ruling on 2nd July 2002 allowing a variation to the amount of withholding payment. This ruling now allows employers throughout Australia to reduce the tax withheld when employees make regular donations from their pay to DGR registered charities. The employee therefore receives an immediate tax benefit on these gifts.

A tax payer on a 42% marginal tax rate and Medicare levy of 1.5%, for example, who makes a donation of \$20 per pay will see only \$11.30 being deducted from their net take home pay. The employer will forward however the full \$20 to the employee's chosen charity.

These changes present a new and exciting opportunity for corporate Australia to support the community involvement of their employees.

This follows an exciting international trend. In a number of countries, payroll donations to charities and community organisations provide a very effective and long-term source of income. In the UK, since similar pre-tax payroll giving was introduced in 1987, payroll donations have increased from £3 million to £55 million per annum. Last year alone, the increase in payroll giving donations in the UK was 48%.

Currently in Australia a few million dollars is gifted annually through payroll giving programs. The positive changes to withholding tax now present a new opportunity for these donations to at least double over the next two years. In the longer term, if a similar trend followed here as was achieved in the UK, a further AUD\$50 million of sustainable annual revenue for the community sector could be generated within 10 to 15 years.

Experience has shown that many employees who are attracted to donating from their pay are donating regularly for the first time. Thus, increasing capacity and development opportunities at a time when a strong and vibrant community sector has a vital part to play in ensuring a sustainable ongoing society.

The ATO ruling has proven to be popular with the corporate and not-for-profit sectors. With the help of payroll officers in three corporate partners and advice from senior ATO officials, CAF has produced a guide for effective and easy operation of pre-tax payroll Give As You Earn programs.

If you would like to receive a copy of these guidelines please contact CAF Australia. Details can be found at the end of this publication.

CAF AUSTRALIA

**Bringing donors and the community sector
together for mutual benefit.**

**CAF Australia is an international not-for-profit organisation and leader in
payroll giving with 15 years experience in over 10 countries.**

**CAF provides programs and services to assist both the corporate and
not-for-profit sectors with the development of community involvement.**



From the Director's desk... a vision for the future

My biggest fear is that in 10 years time the not-for-profit sector will not have progressed from where we are today. The same level of giving, the same State regulations, the same challenges...

What do we want from civil society in Australia? Do we want it to be vibrant? Active? Flexible? Responsive? One charity law for the whole country? Less administrative burden eating up donor's funds? More venture philanthropy? New Corporate involvement?

Personally, I think we as a sector have a unique opportunity. International globalization in itself is changing the very roots that we have carefully nurtured over the last 401 years – yes the very definition of charity needs a 21st century spring clean. We are in a world where International Civil Society, sustainability and prevention rather than cure are a reality.

I had the good fortune in June 2002 to attend the European Foundation conference in Brussels. Civil Society organisations were represented from every continent and all delegates were very interested to hear what was happening in other parts of the world, many still recollecting the success of the

WINGS conference held in Sydney in March 2002. One of the best workshops I attended was 'corporate social responsibility - some practical examples'. It was given by someone from CAF, but that was a coincidence. The workshop portrayed practical partnerships between the corporate and community sectors on an international scale - ones that are vibrant and making a real difference to local communities. There is nothing wrong with increasing wealth - except when it is only used to generate more wealth.

I believe that we as a sector in Australia and internationally have the responsibility of ensuring that more of this newly generated wealth is channelled back to civil society, community and cultural activities. If we are vibrant and professional as a sector we will be listened to, of that I am sure.

In the next 10 years, head of my wish list is that we experience more and more Australian participation in the very real and serious international development of corporate social responsibility programs. Australian community organisations already benefit somewhat from corporate matching. However, the dollars of



realised matching is currently small compared with the amount available. I am talking here about many millions of dollars available to the sector that is not being taken up. Clearly more coordination is required - greater volunteering and donating from participating companies and their employees, greater knowledge about the availability of programs ...and the like.

As a significant step towards achieving new donations to the community sector, I am most heartened by the recent decision of the Australian Tax Office to allow employee's payroll giving donations to DGR's to be made pre-tax. Well done to the ATO and all those many people who strived to make this amendment a reality. Let's work together to make the most of it!

Duncan Power

A tribute to Michael Brophy



Michael Brophy is retiring from Charities Aid Foundation in the UK after 20 years as CEO.

The total funds being distributed through CAF to the community sector increased from the equivalent of \$45 million (Australian) to \$750 million per annum under his leadership.

Michael had the vision to found CAF internationally and gave the green light to the founding of CAF in Australia. In a recent interview for the Alliance magazine Michael stated that 'Australia was of particular interest to him because need was not the driving force. It was the possibility that in a successful economy, with a well-established voluntary sector, CAF might fit well and make a real contribution to increasing the level of finance available to the sector.'

Pre-tax Give As You Earn donations are tax deductible

Donors get the benefit upfront (at the time the donation is made) eliminating the need to wait until the end of the financial year to receive the tax benefit. The donation must still be disclosed in the donor's tax return.

The table below is an example of how far your Pre-tax Give As You Earn donations to DGR registered organisations can go and the cost to the donor after their tax reduction.

5.5% (minimum 35c per month) is deducted by CAF to cover part of the cost of administration. Many employers cover the administration cost on behalf of their employees to ensure 100% of the donation reaches the cause.

Some employers also choose to match employee donations - doubling the effect! A minimal amount of just 2% is deducted by CAF to cover part of the cost of 'matching' administration.

| Amount employee donates each fortnightly pay | Cost to donor after tax reduction* | Employer covers administration cost (5.5% or min 35 cents per month)** | Employer matches donations | Total benefit to Not-for-profit organisation |
|--|------------------------------------|--|----------------------------|--|
| \$5.00 | \$2.82 | 5.5% = 28 cents | \$5.00 | \$10.00 |
| \$10.00 | \$5.65 | 5.5% = 55 cents | \$10.00 | \$20.00 |
| \$20.00 | \$11.30 | 5.5% = \$1.10 | \$20.00 | \$40.00 |

* Assuming the marginal tax rate is 42% and Medicare levy of 1.5%. **Plus matching fee if applicable.

Sydney Water

stretching the dollar further

After a successful 6 month pilot program, donations from staff at Sydney Water will continue to be matched under the Give As You Earn payroll giving program. Sydney Water officially announced that their contribution will continue as part of its corporate sponsorship program.

"We feel the Give As You Earn program is valuable and important because it supports the commitment of our staff to the community we serve," said Angela Tsoukatos, General Manager Corporate Affairs.

During the first month after their promotion of Give As You Earn, 148 employees had signed up. Five months on, the results were very encouraging with an increase in the original take up rate of 4.9%. Thanks to Sydney Water and their employees, an average of \$9,100 every month has been donated to more

than 55 not-for-profit organisations nominated by staff, helping to fund vital work in areas such as health, welfare, the environment and education.

With the ongoing promotion of Give As You Earn at Sydney Water, these results continue to increase. As a team, Sydney Water and their employees are making a real and lasting impact on the work of their chosen not-for-profit organisations in the community.

Managing Director, Alex Walker says, "Many of our staff are actively involved in their communities. Give As You Earn enables them to support these community based not-for-profit organisations in other ways. Sydney Water is proud to be supporting our employees, while also assisting those in need in the community."

ANGLICARE employees support the wider community through their pay

ANGLICARE, one of Australia's largest welfare networks, launched its internal Give As You Earn program in July 2002 to an enthusiastic response from staff.

John Watt, ANGLICARE's Funding Officer, heard at a CAF seminar how not-for-profit organisations could make a greater difference to the community through Give As You Earn. John immediately jumped at the chance to get his co-workers behind the program that allows employees to make tax-deductible donations straight from their pay.

According to John: "Working for a charity gives you a firsthand view of how much we can do for people in need if we work together. CAF's Give As You Earn program is ideal in being such an efficient, cost-effective way for

employees to give to their chosen charity."

Staff can even choose to give to ANGLICARE itself, which could mean the charity will benefit from increased funds. Just one employee donating \$5.00 from their pay would, over the course of a year, enable ANGLICARE to provide seven poverty-stricken families with emergency food hampers.

"ANGLICARE depends on the generosity of people who can make a difference through giving. We believe that fostering a philanthropic culture is part of respecting the support that we are so dependent upon.

Give As You Earn is an easy and effective way to ensure we make a difference in the lives of the most vulnerable in our society," said John.

Not-for-profit organisations can also find out more at the following seminars and presentations:

- 7 Nov 02 - Give As You Earn & Pre-tax Information Seminar (NSW, QLD)
- 14 Nov 02 - Give As You Earn & Pre-tax Information Seminar (VIC)
- Feb 03 - Presentation at FIA International Fundraising Conference (Canberra)

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Q. As an Employer we are experiencing a strong demand from our stakeholders to demonstrate corporate support of the communities in which we operate. A Give As You Earn program that offers 'donor preference' would be a great first step for us to do so. How many not-for-profit organisations could we support and how do our payroll systems cope with this?

A. *The Give As You Earn program enables your employees to request their preferred not-for-profit organisation to donate to. They are free to make a personal request to support any of the over 40,000 tax-deductible not-for-profit organisations in Australia. Don't worry... It's simple for you and your payroll department when working with CAF as your payroll are required to make only one consolidated payment per payroll to CAF. All the processing and paperwork is taken care of by CAF who distribute the funds accordingly. This means no administrative headaches or time consuming tasks for the Employer... saving both time & money!*

Q. We are a not-for-profit organisation and recently through many of our networks we have been hearing the name 'CAF'. How do we find out more about the work of CAF and the services available to the not-for-profit sector?

A. *CAF Australia, itself a not-for-profit organisation, was officially launched in March 2000, working to bring donors and the community sector together for mutual benefit. CAF has a mission to make a difference within both the corporate and not-for-profit sectors in Australia.*

As an intermediary, CAF offers a range of capital management, administration and advisory services to the corporate and community sectors. Under the banner of 'Give As You Earn', CAF offers payroll giving program services to employers, employees and not-for-profit organisations. CAF acts as an agent to cost effectively administer payroll giving programs and collect payroll deductions, allocating them to the tax-deductible not-for-profit organisations chosen by the donor.



CAF Australia Give As You Earn

GIVE AS YOU EARN is one of the world's leading payroll giving programs. Since its introduction to Australia in March 2000, the number of organisations and employees participating in the program is growing far beyond expectation.

Give As You Earn provides employees with the opportunity to make a significant and lasting impact on the work of their nominated charity, through direct tax deductible donations from their pay. Considering its growth over the 2001-02 period, Give As You Earn is certainly a program valued by both employers and employees as an effective method of giving.

Throughout CAF's 2nd year of operation (May 01-April 02), more than AUD\$680,000.00 in payroll giving donations was channelled through CAF and distributed as a grant to more than 160 not-for-profit (DGR) organisations. In this period, donor numbers increased by 51% and participating employers by a massive 67%. The average

dollar value of monthly donations also increased by 36% and these figures continue to grow.

Give As You Earn's success rests on the fact that it engages both employers and employees in community development. The introduction of pre-tax payroll giving in Australia will also play a significant role in its future growth and development.

It is encouraging to have many of our employers choosing to match their employees' donations, doubling the effect of the employees' dollar and the impact on the community. This matching gives the company a strategically focused program for spending their community budget and is a great way for organisations to ensure money is going to causes their employees are committed to.

CAF Australia continues to expand its work with the corporate and not-for-profit sectors, continuing to increase the flow of funds to the community.

CAF in Victoria

Payroll giving through the Give As You Earn program is highly regarded as a key element in staff motivation and retention. Many companies are now looking at ways in which they can integrate Give As You Earn into their overall business strategies.

CAF Australia provides a comprehensive consultancy service to help companies and community organizations to develop strategically based mutual partnerships.

The recent Australian Tax Office decision to allow Pre-tax giving for Give As You Earn provides a significant incentive to encourage

companies to show that they value their staff and the causes that they care about. Corporate response to date has been positive, with strong interest from both employers and their employees.

CAF has recently facilitated a meeting of business, community and government representatives to consider ways in which we might coordinate the concept of 'Corporate Citizenship'.

The Group is undertaking further research to clarify a number of issues before moving forward. Watch this space!

CAF in Queensland

A group of enthusiastic charities are using the concept of 'teamwork' to join forces to raise much needed funds for their causes by promoting Give As You Earn in Queensland. Heart Foundation Executive Director Mr Cameron Prout said that joining forces with other local charities such as Blue Care, the Leukaemia Foundation, Australian Kidney Foundation, Queensland Cancer Fund and Australian Red Cross is an exciting step in the right direction.

"Payroll giving is a fairly new initiative in

Australia, but looking at the success of similar programs in other countries, we are confident that by promoting the Give As You Earn program and working with other charities, we will generate funds to support our worthwhile causes," he said.

"Community organisations are an integral component in the continued growth and development of regional sectors of Australia and we believe that to secure the support of a united community we ourselves as community organisations also need to unite," Mr Prout said.



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SERVICES OFFERED BY CAF AUSTRALIA

GIVE AS YOU EARN

- payroll giving programs for employers and employees for not-for-profit organisations

NEW FOUNDATION ACCOUNT

- for individuals • for corporations
- for not-for-profit organisations

CORPORATE SERVICES

- corporate matched giving
- community involvement advisory
- administration of corporate grant making

INVESTORS IN COMMUNITY

- specialised agent of Community Sector Banking and Bendigo Bank Ltd
- matching people who have values with projects of value

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