



Review of the Overseas Aid Gift Deduction Scheme

August 2015

About the review

The Overseas Aid Gift Deduction Scheme (OAGDS) enables approved Australian organisations to issue tax deductible receipts for donations made to support their overseas aid activities. Established in 1980, the OAGDS operates in recognition of the work performed by the many voluntary bodies involved in the provision of overseas aid.

DFAT is reviewing the OAGDS in 2015. The review's purpose is to make the OAGDS guidelines and processes clearer, simpler and more robust, while reflecting current international development practice and standards. The review aims to reduce red tape, streamline the process for applicants, and provide greater clarity in the OAGDS guidelines.

DFAT invited written submissions on the OAGDS, in particular how the guidelines help in meeting the objective of allowing approved organisations to offer tax deductions for gifts to extend assistance to programs and organisations in developing countries. Comments were welcomed on:

- › the guidelines and/or individual criteria
- › the process of applying to the OAGDS and level of technical expertise required
- › how approved organisations continue to operate in accordance with the OAGDS guidelines.

Submissions were received from 22 organisations and individuals, including NGOs and charities, legal service organisations, and development consultants.

In addition, DFAT hosted roundtable discussions in Sydney, Melbourne and Brisbane in late June 2015. Over 100 participants in total attended the roundtables.

Key findings

The key findings from the submissions and roundtables are summarised below.

The OAGDS process

- › The value of the OAGDS is in creating an effective and capable community of international development NGOs, and assuring taxpayers their donations are going to support good overseas aid charities.
- › The OAGDS process is overly time-consuming and highly resource-intensive. It is disproportionate to the risk of organisations working overseas, other DGR registers, Public Benevolent Institutions (PBIs) and other country regimes.
- › There is a need for DFAT to engage more - through assisting applicants to satisfy the criteria, better communication during the assessment process, and newsletters or forums on policy updates and new resources to encourage continuing compliance.

- › The OAGDS has too much red tape and should consider its process within the broader regulatory environment and existing legislation to reduce this red tape – for example, working closely with the Australian Charities and Not-for-profits Commission (ACNC) and Australian Taxation Office.
- › The Australian Council for International Development (ACFID) Code of Conduct could be considered as part of the OAGDS process, whether through ‘fast-tracking’ applications of Code signatories or ensuring ongoing compliance.
- › There is a need for training to bring overseas aid charities up to standard, through working with peak bodies, direct delivery of training or using volunteer OAGDS mentors.

The guidelines and criteria

- › The guidelines maintain good standards in international development, reassure donors as to the quality of organisations, and encourage an educational approach in introducing new organisations to development concepts.
- › The current guidelines are too prescriptive and do not reflect overseas aid charities in the broad. Approaches to development change, and this plurality should be reflected in the guidelines. This includes looking to provide pathways for other forms of organisations, such as philanthropic, social enterprise and small charities.
- › DFAT should simplify the guidelines by balancing risk and effectiveness, and include a clearly articulated rationale for why organisations need to address each criterion.
- › More guidance on the OAGDS guidelines would be welcomed, perhaps in the form of a checklist or case studies to help organisations understand the standards necessary.
- › DFAT should consider removing criteria 1-3 as it duplicates ACNC charity registration. However, some thought criterion 3 went further than ACNC registration by requiring organisations to be community-based and accountable to their membership.
- › DFAT should consider retaining criteria 5-8, in various forms, so as not to compromise good development practice. The minimum twelve months’ track record requirement in criterion 5 was subject to debate as some thought it unnecessary and others considered it a measure of effectiveness and capability.
- › The Australian identity requirement (criterion 4) was considered outdated and counterproductive to promoting the empowerment of in-country partners.
- › The definitions and guidance on welfare, development and relief in the current guidelines should be reconsidered, possibly by revisiting the primary principles of participation, fair distribution and sustainability, and having a well-defined project with measurable outcomes. It should be acknowledged that welfare and development often co-exist within development programs.
- › The current definition of relief in the guidelines does not take into consideration complex or long-term humanitarian situations. Relief should be directed at communities and not individuals.
- › Alternative approaches to welfare/development may include taking a ‘do not harm’ approach or excluding projects that only focus on immediate needs of individuals and do so indefinitely.

- › The treatment of some educational expenses as welfare should be reconsidered as education can increase a person's participation in economic and social life and build the nation's skill base.
- › Support for orphanages remains a vexed issue. Some inputs questioned whether orphanages should be supported under OAGDS as residential care should only be used in limited cases and always as a last resort.
- › While religion is often important to development, there should be no discrimination on the basis of religion in the distribution of aid. Many suggested updating the wording in this criterion from 'evangelism' to 'proselytism' to extend beyond Christian faiths.
- › There were divergent views on using projects worked on in partnership with another Australian NGO to prove track record. Some inputs cautioned against organisations falsely using projects worked on by others as their own track record, while others recognised the value of partnering in creating efficiencies and building capacity.
- › There was general support for child protection standards, with suggestions to extend this to other vulnerable segments of society. More guidance on working with partners to implement child protection practices would be welcomed; as would DFAT introducing a risk-based approach to assessing this criterion.
- › The counter-terrorism criterion was unclear and better guidance on meeting this requirement would be welcomed.

Continuing to operate in accordance with the OAGDS guidelines

- › There was support for continuing engagement and compliance, but this should not duplicate other compliance or reporting regimes or regulatory powers (such as ACFID and the ACNC).
- › Any compliance regime should not add red tape and DFAT should avoid contributing to compliance fatigue. Self-assessment models were generally favoured.

Broader reform issues

- › Many broader reform issues were raised that were outside of the scope of this review. These included:
 - ›› One approval body or department to oversee all DGR endorsement.
 - ›› DGR endorsement could be based on charity registration.
 - ›› All DGR categories relating to overseas aid and development could be streamlined.
 - ›› Consider PBIs working overseas to be subject to the same requirements as OAGDS.
 - ›› Increasing international and cross-border philanthropy by allowing Australian funders to give directly to organisations overseas.
 - ›› Allowing volunteers to claim tax deduction for out-of-pocket expenses such as airfares, accommodation and other in-country expenses.