

100 St Kilda Road  
Melbourne 3004  
Australia  
PO Box 7585  
St Kilda Road Vic 8004

T + 61 3 9281 8000  
F + 61 3 9281 8282  
info@theartscentre.com.au  
theartscentre.com.au

the Arts Centre  
ABN 83 295 983 059

Received 9/1/09

the Arts Centre

7 January 2009

Manager  
Philanthropy & Exemptions Unit  
Personal & Retirement Income Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Dear Sir/Madam,

### Improving the Integrity of Prescribed Private Funds

I am writing in response to the Treasury's November 2008 Discussion Paper relating to prescribed private funds (PPFs). The arts sector is a significant beneficiary of PPFs and we are concerned that the suggestions in this Discussion Paper will have a significant adverse impact on PPFs and ultimately the not-for-profit sector.

Since the introduction of PPFs we have seen a growth in considered giving to the arts sector from an increasing number of families and individuals.

Our experience with individuals who have established PPFs is that PPFs are a way for a family to strategically engage with the community; and to encourage younger generations to take a considered approach to charitable giving.

We have experience of individuals who had previously not considered charitable giving directing windfall earnings into PPFs for distribution to the not-for-profit sector. We also have experience of individuals increasing their annual giving by taking a more strategic approach to their philanthropy through the establishment of a PPF.

This initiative has not been restricted to existing philanthropic families, but has encouraged new donors to build relationships with the not-for-profit sector and make generous annual commitments.

We are concerned that the proposed changes are a disincentive to new philanthropists. In particular the requirement to distribute as much as 15% of the closing value of the fund each year will effectively eliminate perpetuity. We believe that the rules suggested in Treasury's Discussion Paper will likely close down the majority of existing PPFs within a 15-year period and result in very few new PPFs being established.

Philanthropy requires a long term approach to major issues facing the community. Lack of perpetuity will make this very difficult and certainly result in a short term focus.

It is also vital for the not-for-profit sector to build relationships with the next generation of donors; the children and grandchildren of current donors. The increase in PPFs has engaged the interest of younger donors.

We agree that for simplicity PPFs should distribute a minimum amount each year based upon the market value of the PPF's net assets at the close of the previous financial year. We agree that this would provide greater certainty to PPF trustees and provide more consistency to giving by PPFs. We believe such clarity, at a distribution rate which allows perpetuity of the foundation, will also lead to an increase in the establishment of PPFs.

We believe a reasonable distribution rate to be 5% per annum. This will ensure at least 5% of the corpus reaches the community each year and allow the Foundation to accumulate funds over a reasonable period of time so that the annual distribution can be meaningful in amount. This will maximise the long term benefit to the community. It is similar to the rate used in the USA.

We also understand that our donors are concerned about publishing their contact details as they fear that they will be inundated with requests for funds.

Fundraising relationships are built with identified individuals who express an interest in your vision and purpose. Information about the donor's financial structures is not vital to developing the fundraising relationship. Donors with PPFs actively seek giving opportunities that reflect their values and interests.

Finally, we believe that those with PPFs with a corpus at or near \$500,000 should be encouraged to grow their corpus over time for the benefit of the community. It would be a disservice to the community to stifle such community spirit by closing the PPF simply because the corpus fell below \$500,000.

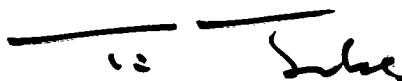
I would be happy to provide feedback from those donors who give through PPFs, unfortunately the timing and the timeline for submission has meant that most of my donors are currently on holidays with their families and cannot be contacted in time to respond.

On behalf of one of the beneficiary organisations, I can assure Treasury that we have significantly benefited from the introduction of PPFs. The results have been more donors giving more consistently to their preferred causes and making longer term commitments. We have also seen an increase in inter-generational engagement and greater levels of genuine interest in donors' understanding the results of their giving.

The introduction of PPFs has encouraged donors to be more strategic, considered and committed in their giving. The not-for-profit sector has had to respond by being professional and transparent in the application of donated money.

We believe that every Australian should make structured, strategic gifts to the causes that interest and inspire them. PPFs provide a vehicle for encouraging more Australian families to make considered decisions about their giving over the long term.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Tim Jacobs", is written over a horizontal line.

**TIM JACOBS**  
Chief Executive