

CHARITABLE STATUS FOR AMATEUR SPORT

AMENDING THE CHARITIES ACT 2013, AND ACHIEVING CHARITABLE STATUS FOR AMATEUR SPORT AND ATHLETES, TO UNLOCK \$103 MILLION PER ANNUM IN PHILANTHROPIC FUNDING FOR THE SECTOR BY 2030.

OVERVIEW

Challenging economic conditions, rising costs, decreasing revenues and ever-increasing demands have placed significant strain on community sports clubs and athletes. The Australian Sports Foundation's (ASF) 'Your Sport, Your Say' – Clubs Under Pressure' Survey¹ found that almost **one in four small community sports clubs were contemplating closing and 68% of clubs had experienced increased running costs.**

The situation for elite and aspiring athletes is equally challenging. ASF research² revealed that more than **two in five elite athletes over the age of 18 reported a deterioration in their financial position and two in three aged 18-34 years have considered leaving their sport.**

Against this difficult backdrop and a significant funding gap in the sports sector, the ASF seeks to boost philanthropic giving and to help achieve this proposes that **'Amateur Sport' be included as a charitable purpose under section 12 of the Charities Act (C'th) 2013.**

This change will provide amateur sport with its rightful recognition as a major contributor to community health and social capital, comparable to other similar charitable activities, such as the arts, health and education.



It will elevate sport as a philanthropic cause, **unlock significant additional funding from Private and Public Ancillary Funds (PAFs)** and increase the propensity of individual and corporate donors to give to sport³.

Modelling commissioned by the ASF projects that an additional \$103m per year in PAF Funding for amateur sport will be unlocked as a result of this change, and it is a crucial step in growing overall philanthropic giving for sport to \$300m by Brisbane 2032, which is a level equivalent to annual giving to the arts in Australia.

How do you think this change would affect your amateur clubs and athletes?

1. Your Sport Your Say – Clubs Under Pressure (2023), Australian Sports Foundation
2. Your Sport Your Say – Running on Empty (2023), Australian Sports Foundation
3. Community Sports Clubs Market Analysis (2023), Kinlab

WHAT DEFINES 'AMATEUR SPORT'

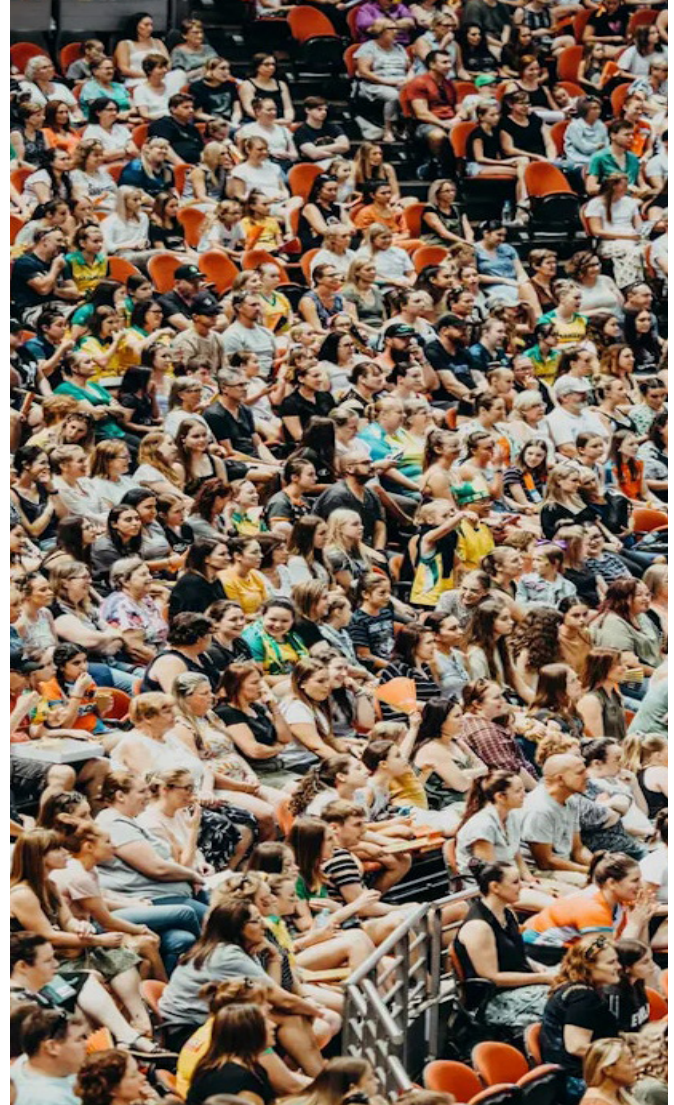
Amateur sport excludes professional sports clubs and professional athletes. Australia is home to around 37,000 amateur sports clubs³ and 43,000¹ elite and aspiring athletes⁴. For the purposes of this proposal, an 'amateur' sports club is defined as collectively paying its players **below a de minimis level of \$50,000 per annum**.

Given the need to support Australia's **elite and aspiring athletes**, and the fact that most athletes earn below reasonable levels², It is proposed that those athletes who earn \$39,000 or less per annum in income would be deemed 'amateur'.

These thresholds are put forward for consultation purposes at this stage and could be adjusted depending on sector feedback and/or Ministerial discretion.

What are your views on the financial thresholds suggested for 'amateur' sports clubs and elite and aspiring athletes?

Should 'advancing amateur sport' be included as a new charitable purpose in the Charities Act, it is understood there would be the **requirement for amateur sports clubs to register as a charity** with the Australian Charities and Not-for-profits Commission (**ACNC**). This change would have the benefit of removing amateur sports clubs from requirements to report annually to the Australian Taxation Office (ATO) to retain their income tax exempt status.



THE OPPORTUNITY FOR ADDITIONAL FUNDING FROM PAFs

PAFs are an increasingly important mechanism for philanthropy in Australia and have growing influence over the way wealthy Australians give. The ACNC projects they will grow their total distributions from **\$1.4 billion in 2023-24** to **\$2.3 billion in 2029-30**, making PAFs powerful philanthropic vehicles.

The **ASF Charitable Fund (ASFCF)** was established in 2019 to help unlock support for sport from PAFs. However, while it can receive and distribute funding from PAFs for sport, it can only do so where this is also another charitable purpose e.g. promoting health, education, sustainability etc.

This ASFCF is therefore severely limited in its current scope and the proposed change to the Charities Act would enable it to **source funding from Ancillary Funds and distribute to amateur sports clubs and athletes** in need of support.

2. Your Sport Your Say – Running on Empty (2023), Australian Sports Foundation
3. Community Sports Clubs Market Analysis (2023), Kinlab
4. National Data Tables, AusPlay (July 2022 to June 2023), Clearinghouse for Sport





BENEFITS OF CHARITABLE STATUS FOR AMATEUR SPORT

In early 2024, ASF commissioned an economic impact assessment of the proposed legislative change⁵ which found that the benefits will include:

- 1** Amateur sports – if they were considered a charitable purpose – could collectively **raise nearly \$103 million per annum by 2029-30 in partnership with ASFCF**
- 2** Increased funding available to amateur sports as a charitable purpose will enable those sports to attract over **190,000 new participants** cumulatively between 2024-25 and 2027-28
- 3** Increased participation would lower annual expenditure for healthcare, meaning **a total saving of nearly \$370 million in healthcare expenditure for the Federal Budget between 2024-25 and 2027-28**

This change is a critical step in enabling the ASF to generate **continued growth in philanthropic giving to sport to \$300m a year by 2032** and will contribute to the Government's goal of doubling philanthropic giving in Australia by 2030. It is revenue-neutral to Government as contributions into PAFs are already tax deductible.

REGULATORY IMPLICATIONS

The change would require amateur sports clubs to register as charities with the ACNC and file an annual return. However, as mentioned earlier, it would remove them from the newly introduced requirements to file an annual report with the ATO, as outlined further.

From 1 July 2024, there is a change in reporting for non-charitable not-for-profit organisations with an active ABN, such as community sports clubs. For FY24 onwards, such clubs will be required to lodge an annual self-review return to access income tax exemption with the ATO, submitting the information they ordinarily use to self-assess their eligibility for income tax exemption.

Accordingly, while the regulatory environment for amateur sports clubs will change once they register as a charity with the ACNC under this proposal, the **administrative burden will be broadly neutral**, as they would no longer be required to complete the annual ATO self-assessment once registered with the ACNC. There are no regulatory requirements for amateur athletes.

How well equipped do you think your clubs are to manage the proposed change?

What level of support will you and your clubs/athletes require?



CONSULTATION TO DATE

The ASF first made a submission to the Federal Government regarding the proposal for charitable status for amateur sport in 2019 and re-submitted to the current Government in 2022. **In-principle support for the proposal has been received** from the Federal Minister for Sport, Hon Anika Wells MP and the Federal Assistant Minister for Competition, Charities and Treasury, Hon Dr Andrew Leigh MP.

The Government requested that ASF undertakes targeted consultation with the sports, philanthropic and government sectors to examine how the proposal may impact and benefit community sports clubs and athletes, with Phase One of this consultation completed in late 2023.

A **Project Steering Group (PSG)** was formed with members drawn from a wide cross-section of the sports sector, including National Sporting Organisations, State Sporting Organisations, Regional Sporting Associations, Peak Sporting Bodies, Community Sports Clubs and athlete representatives, and 27 in-depth interviews were conducted with a range of stakeholders.

The ASF has also made submissions to the **Productivity Commission Review of Philanthropy** ahead of the release its final report to the Government, having been asked to analyse motivations for philanthropic giving in Australia and identify opportunities to grow it further.

These submissions strongly advocate for the proposed legislative change to be made as this reform would enable tens of millions of additional dollars per year to flow to amateur sport from Ancillary Funds, boosting participation and improving health and social outcomes for thousands of Australians and saving the Government hundreds of millions of dollars annually in healthcare costs.



KEY FINDINGS FROM PHASE ONE CONSULTATION

There is **significant interest and a strong level of support for the proposal** and it is seen as an important opportunity for more support and philanthropic investment for amateur sport.

However, it is clear that **there is the need for more information on the detail and implications of the proposal** to better determine if the anticipated benefits can be realised, to understand the **impact of the proposal on sport in terms of administration and compliance**, and to work through any unintended consequences.

The level of understanding of **requirements and obligations on charities** also needs to be increased and compared with the **upcoming ATO changes**.

Following our Phase 1 consultation, a Stakeholder Consultation Report was delivered to the Government in late 2023, and Ministers Wells and Leigh subsequently requested ASF undertakes Phase Two stakeholder consultation to inform the sector of the proposal and to seek broad feedback before reporting back to Government.

PHASE TWO CONSULTATION

This year the ASF will **undertake broad sector engagement**, education and consultation, with a range of stakeholders including all levels of sporting organisations from NSOs, SSOs and community clubs, federal and state/territory government agencies and members of parliament.

The consultation will initially focus on **National and State Sporting Organisations**, with a roadshow taking place across the country, and an event being held in every capital city to enable ASF to personally brief key stakeholders in the sporting community and seek feedback from the CEOs of Australian sports, and to seek support in engaging amateur sports clubs within their sport or jurisdiction.

Each event will include a **CEO roundtable** with discussions informed from responses to this discussion paper; a **social event/dinner** providing an informal networking event with board and PSG members invited; and an **information session** for other key sporting staff in NSOs/SSOs.

Further, an information session for key sporting staff in NSOs and SSOs will also be hosted to enable staff from key Government Relations, Finance, Legal, Community, Participation and Fundraising to understand these matters and to understand how their sport can support reaching community clubs and athletes as part of the consultation.





GET ON BOARD

As key influencers in sport, we must all champion the need to fully explore this proposal in 2024. Widespread understanding of the benefits and implications this legislative change across the sporting sector is vital in determining the best way forward.

Philanthropic giving provides an important lifeline for many in sport, but this critical pipeline is choked under the current legislative and regulatory arrangements. Granting amateur sport charitable status is potentially a simple and highly effective way to unlock additional financial support for community sport and up-and-coming athletes in Australia, and accordingly it must be thoroughly considered by the sector as a whole as part of this consultation process.

No matter whether we play, watch or volunteer, we all have a stake in ensuring our sporting sector continues to prosper and play its vital role in building healthy and cohesive communities.

How can we work with you to ensure that this consultation is treated as an important issue for the sector?

What is the best way to reach and engage with your clubs?

To provide feedback on the proposal, please email Ricardo Piccioni, Head of Government and Stakeholder Relations by 30 September 2024:

ricardo.piccioni@asf.org.au