

CHARITABLE STATUS FOR COMMUNITY SPORT

AMENDING THE CHARITIES ACT 2013, AND ACHIEVING CHARITABLE STATUS FOR COMMUNITY SPORT AND AMATEUR 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 amateur 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 **'Community Sport' be included as a charitable purpose under section 12 of the Charities Act (C'th) 2013.**

This change will provide community 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 community 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 community 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 'COMMUNITY SPORT'

For the purpose of this proposal, **Community sport** refers to sporting activities where participants receive no **financial payment** from the entity for their involvement. This distinguishes it from professional sports, which involve paid athletes. Australia is home to around 37,000 community sports clubs³.

Should 'advancing community sport' be included as a new charitable purpose in the Charities Act, community sports clubs with only **unpaid athletes** can utilise charitable funding to support all club operations. **Sporting clubs with both paid and unpaid players** can also qualify for charitable funding to support their community (unpaid) sporting activities. In this case, charitable funds must be used exclusively to advance community sports.

Charitable funding can be provided to support any community sporting activity irrespective of whether the entity is registered with the ACNC as a charity.

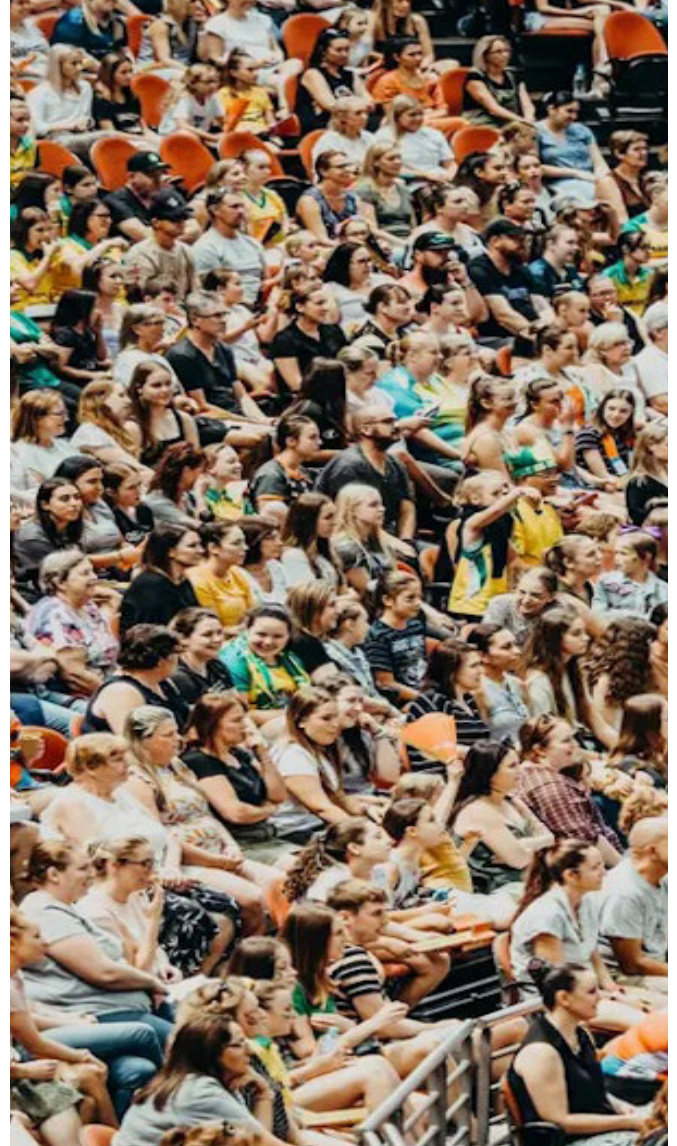
What constitutes a sport for the purpose of advancing "community sport"?

The bar for which activities are considered to be "community sport" is higher than the test for what constitutes a "game or sport".

The test is whether the sport is recognised by the Australian Sports Commission (ASC) as affiliated with a relevant National Sporting Organisation.

This excludes unstructured recreational activity.

To be eligible to register as a charity under the "advancing community sport" subtype, an entity must not pay its members for participation in the sport.



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 them 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 there is 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 community sports clubs and amateur 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 COMMUNITY SPORT

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

- 1** Community sports – if they were considered a charitable purpose – could collectively **raise nearly \$103 million per annum by 2029-30**
- 2** Increased funding available to community 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 community clubs that have **solely charitable purposes** (or purposes incidental or ancillary to charitable purposes), such as advancing community (unpaid) sports, to register with the Australian Charities and Not-for-profits Commission (ACNC) as a charity to retain income tax exemption.

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 community sports clubs will change if they are required to 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?



CONSULTATION TO DATE

The ASF first made a submission to the Federal Government regarding the proposal for charitable status for community 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 amateur 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 amateur 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**, having been asked to analyse motivations for philanthropic giving in Australia and identify opportunities to grow it further.

These submissions strongly advocated for the proposed legislative change to be made as this reform would enable tens of millions of additional dollars a year to flow to community 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 community 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 **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 to community clubs, federal and state/territory government agencies and members of parliament. Our engagement timeline is below.



STAGE 1 CONSULTATIONS

Early 2024

- **Project Steering Group** – The Project Steering Group provides strategic advice to the ASF regarding the proposal for Charitable status for 'Community Sport and Amateur Athletes'. For more information about the PSG's membership see the [member list here](#).
- **Targeted consultation** – Targeted consultation across sport and philanthropic sectors involved 24 independent interviews, covering national and state perspectives to ensure a sector-guided approach to consultation.



STAGE 2 CONSULTATIONS

June-July 2024

- **Capital City Roadshows** – ASF visited every capital city to talk to National and State Sporting Organisations about the proposed change.
- **Virtual Webinar** – We hosted a virtual webinar on 9 July 2024. [View the recording here](#).



STAGE 3 CONSULTATIONS

July-September 2024

- **National consultation with community clubs and athletes** – Broad sector consultation to ensure sport perspectives are captured.
- **Industry Events** – ASF have attended a number of sporting industry events to talk to the Sport Sector about the change.



STAGE 4 REPORT TO GOVERNMENT

October 2024

- **Report prepared** – ASF will prepare a report for consideration by Government using the consultation findings.



STAGE 5 REPORT BACK TO SPORT

2025

- **Sharing the outcomes:** ASF will continue to communicate with the sports, philanthropic sectors to share updates about the proposed legislative change.
- **Supporting sport:** ASF will support the sport and philanthropic sectors through transitional periods and enable them to navigate its implications and realise its benefits.





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 community 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