Catholic Social Services Australia

Submission to Treasury Consultation on Implementation of Government's Reform of Trusts Taxation

BUILDING FOR THE COMMON GOOD

July 2026

Catholic Social Services Australia

ABOUT CATHOLIC SOCIAL SERVICES AUSTRALIA

Catholic Social Services Australia (CSSA) advocates for the Church's social service ministry and is the peak body for Catholic social service providers. We envision a just, inclusive, and compassionate Australian society that reflects and supports the dignity, equality, and participation of all people.

Delivering **$1.4 billion** of services on behalf of governments across the Federation, our **42 member agencies** provide a diverse range of services to approximately half a million people across Australia including: housing and homelessness services, emergency relief and financial counselling, children's and family services, early childhood education and care, foster and out-of-home care, youth work, family and relationship support, specialist domestic and family violence services, aged care, NDIS and other disability services, support for survivors of modern slavery and refugee assistance.

Our network operates across more than **seven hundred** locations in Australia, employing over **10,000** staff, strengthened by the contribution of over **3,000** volunteers.

For over **seventy years**, CSSA has been at the forefront of advocating for those experiencing disadvantage. Our network of member agencies ranks among the largest and longest-established social services providers in the nation, with a presence in every state and territory in Australia.

ACKNOWLEDGEMENT

CSSA acknowledge the Traditional Custodians of the many lands and waters on which we live, work, and serve. We pay our deep respects to Elders past and present, and we recognise the continuing connection of Aboriginal and Torres Strait Islander peoples to Country, culture, and community. We honour their enduring spiritual relationship with the Creator which is woven through their stories of our sacred land, and tells of a relationship that has nurtured wisdom, belonging, and care for creation since time immemorial.

We commit ourselves to walk together in truth and justice - listening, learning, and standing in solidarity with First Nations peoples as we seek reconciliation and healing.

INTRODUCTION

Catholic Social Services Australia (CSSA) welcomes the opportunity to provide submission to the Treasury consultation on the implementation of the Government's proposed reforms to the taxation of discretionary trusts.

While recognising the Government's intent to improve tax 'fairness' and 'integrity' and noting the efficacy of this approach is contested, CSSA takes a cautious and considered position on the reforms' potential impacts, particularly concerning philanthropic giving and the charitable sector.

Emerging evidence, including analysis by Fowler Charity Law, suggests the reforms may significantly reduce philanthropic donation from discretionary trusts, with potential losses in the billions over the first five years. This raises serious concerns given the critical role philanthropy plays in supporting community services and vulnerable Australians.

OBSERVATION ON POLICY FORMULATION PROCESS

CSSA notes with concern the approach of introducing major policy reforms, such as the proposed discretionary trusts taxation changes, through the Federal Budget announcement process. The confidentiality typically associated with Budget measures, announced annually by the Treasurer in May, can preclude thorough public consideration, socialisation, and rigorous parliamentary or policy committee scrutiny. This lack of transparency and engagement risks producing poorly designed policies, unintended and unanticipated consequences, and significant public mistrust and pushback.

RECOMMENDATION

We recommend that the Australian Government:

- **Conduct an early, comprehensive, and transparent Regulatory Impact Analysis (RIA) with a required Regulatory Impact Statement (RIS)** with broad consultation across a variety of stakeholders, including the charitable and not-for-profit sectors. This process should thoroughly assess the economic, social and community impacts of the reforms, particularly on philanthropic giving and service delivery, and provide clear, accessible information to the public and sector stakeholders.
- **Introduce a carve-out or exemption from the 30 per cent minimum tax on discretionary trust income for the donations made to deductible gift recipient (DGR) charities.** This could be achieved by allowing such donations to be deducted from the trust's assessable income prior to the application of the minimum tax, effectively exempting charitable contributions from the tax.
- **Explore complementary mechanisms to support charitable giving while maintaining tax integrity,** such as refundable tax credits for charities on tax paid by trusts, simplified reporting and compliance requirements, and transitional relief to ease adjustment to the new regime.
- **Ensure sufficient time and opportunity for consultation and feedback** before finalising legislation, enabling informed scrutiny and refinement of policy design to mitigate unintended adverse impacts.

RATIONALE

The Potential Impact on Philanthropy

The proposed 30 per cent minimum tax on discretionary trusts represents a fundamental change in the taxation of trust income, with significant implications for charitable giving. As Fowler Charity Law has analysed in detail, the upfront tax payable by trusts before distributions to beneficiaries - including charities - means that the effective value of donations from discretionary trusts to charities is reduced unless specific carve-outs or compensatory mechanisms are in place. Fowler projects a potential reduction in philanthropic giving by discretionary trusts of approximately $2.9 billion over the first five years of the reforms, a figure that highlights the scale of the risk to the charitable sector's funding base.[1]

[1] *Budget Reform Projected to Reduce Philanthropic Giving by $2.9 Billion across First Five Years*, Mark Fowler, https://fowlercharitylaw.com/2026/06/05/budget-reform-projected-to-reduce-philanthropic-giving-by-2-9-billion-across-first-five-years/, accessed 29 July 2026.

This reduction is not merely a theoretical concern but has practical consequences for community services, many of which rely heavily on philanthropic support from trusts. The upfront nature of the tax means that trusts must pay tax before distributing income, which can discourage donations or reduce the amounts given. While tax offsets or refunds may be available to deductible gift recipient (DGR) charities, the administrative complexity, timing delays, and cash flow impacts may deter giving or reduce its effectiveness.

Importance of Carve-Outs and Complementary Mechanisms

To mitigate these risks, CSSA strongly supports the introduction of a carve-out or exemption from the 30 per cent minimum tax on amounts donated by discretionary trusts to DGR charities. Such a carve-out would preserve the incentive for trusts to continue philanthropic giving at current or increased levels, ensuring that vital community services remain funded.

Complementary mechanisms, such as refundable tax credits for charities on tax paid by trusts, simplified reporting and compliance requirements, and transitional relief, can further support the sector's sustainability and reduce administrative burden.

Need for Rigorous Impact Assessment and Consultation

Given the complexity and potential unintended consequences of the reforms, CSSA urges the Government to undertake an early, comprehensive, and transparent Regulatory Impact Analysis including a mandatory Regulatory Impact Statement. This process should include broad consultation with the charitable and not-for-profit sectors, economic experts, and other stakeholders to fully understand the reforms' impacts on philanthropy, community services, and the broader economy.

Transparent scrutiny and stakeholder engagement are essential to refine policy design, balance competing objectives, and build public trust.

CONCLUSION

CSSA acknowledges the Government's objective to improve tax 'fairness' and 'integrity' but cautions that without careful design and consultation, the proposed reforms risk significantly undermining philanthropic giving and the charitable sector.

Implementing carve-outs and complementary mechanisms, alongside rigorous impact analysis and broad consultation, is critical to safeguarding the community service that support vulnerable Australians and advancing the common good.

CONTACT US

For further information, please contact:

Dr Jerry Nockles
Chief Executive Officer | Catholic Social Services Australia
PO Box 6067, O'Connor ACT 2602
Level 1, 3 Sargood Street, O'Connor ACT 2602
T (02) 6285 1366
E: admin@cssa.org.au W: www.cssa.org.au