



HIGH NET WEALTH GIVING IN AUSTRALIA:

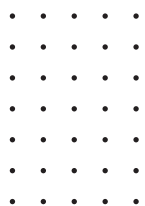
A REVIEW OF THE EVIDENCE

Full Report

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LIST OF ABBREVIATIONS

ABS: Australian Bureau of Statistics

ACNC: Australian Charities and Not-for-profits Commission

AFR: Australian Financial Review

AIC: Akaike's Information Criterion

ATO: Australian Taxation Office

AUD/A\$: Australian Dollar (Used to avoid confusion when comparing with US Dollars. Values denoted only by \$ can be assumed to be Australian Dollars).

BIC: Bayesian Information Criterion

COVID-19: Coronavirus Disease 2019

CPI: Consumer Price Index

CSI: Centre for Social Impact

CURF: Confidentialised Unit Record File

DGR: Deductible Gift Recipient

DSS: Department of Social Services

GBP/£: Great British Pound

GDP: Gross Domestic Product

GFC: Global Financial Crisis

GST: Goods and Services Tax

HILDA: Household, Income and Labour Dynamics in Australia

HNW: High Net Wealth

LHS: Left Hand Side

MIAESR: Melbourne Institute of Applied Economic and Social Research

OECD: Organisation for Economic Co-operation and Development

PAF: Private Ancillary Fund

PubAF: Public Ancillary Fund

PPF: Prescribed Private Fund

RHS: Right Hand Side

SVA: Social Ventures Australia

UHNW: Ultra High Net Wealth

USD/US\$: United States Dollar

GLOSSARY

Throughout this report the following key terms are used. Where they are used, we mean the following:

HNW (High Net Wealth/High Net Worth): There is no one definition of HNW internationally. One definition of HNW is individual net wealth/net worth in excess of US\$1 million. For a discussion on differences in the definition of HNW, see the Appendix. The terms 'wealth' and 'worth' are used interchangeably in the literature and throughout this report and reflect, in part, the fact that some data sources use one term over the other.

Income: The money a person makes through labour, products, and investments. The ABS definition of income includes wages, salaries, regular overtime, business or farm income (less operating expenses), rents received (less operating expenses), dividends, interest, income from superannuation, maintenance (child support), workers' compensation, and government pensions and allowances (including all payments for family assistance, labour market assistance, youth and student support, and support for the aged, carers and people with a disability).

Mean: The average value, calculated as the sum of values included divided by the number of values included.

Median: The middle value of a variable in the dataset.

PAF (Private Ancillary Funds) and PubAF (Public Ancillary Funds): The Australian Charities and Not-For-Profits Commission defines ancillary funds as: "special funds that provide a link between people who want to give ('donors') and organisations that can receive tax deductible donations as deductible gift recipients (DGRs). Ancillary funds are set up for the purpose of providing money, property or benefits to DGRs. There are two types of ancillary funds that fall within a DGR category: private ancillary funds, and public ancillary funds.

Share of Income: The ratio of X to that person's income. When expressed as a percentage, this represents 1 unit of X as a percentage of that person's income. For example, if a person earns \$50,000 and donates \$5,000 to charity over one year, the ratio of donations to income is 1:10, or 10%.

Share of Wealth: The ratio of X to that person's wealth. When expressed as a percentage, this represents 1 unit of X as a percentage of that person's wealth. For example, if a person has a net wealth of \$5 million, and donates \$500,000 to charity, the ratio of donations to wealth is 1:10, or 10%.

The AFR Top 200: The AFR Top 200 refers to the 200 wealthiest Australians listed in the Financial Review Rich List compiled annually by the Australian Financial Review (AFR) and JBWere. Prior to 2017, the list was known as the BRW Rich 200, published annually in the Business Review Weekly magazine.

UHNW (Ultra High Net Wealth/Ultra High Net Worth): There is no one definition of UHNW internationally. One definition is individual net wealth/net worth over US\$50 million. For a discussion of differences in the definition of UHNW, see the Appendix. The terms wealth and worth are used interchangeably throughout this report and reflect that some sources prefer one term over the other.

Wealth/worth: Wealth/worth refers to economic resources in the form of the balance of assets and liabilities held by members of a household. For example, the ABS Survey of Income and Housing uses a definition of household net wealth (or net worth) as the value of all assets owned by a household less the value of all its liabilities. Assets include non-financial assets, such as dwellings and their contents, land, and vehicles; own incorporated and unincorporated businesses; other financial assets such as bank accounts, shares, superannuation accounts, and the outstanding value of loans made to other households or businesses. Liabilities are primarily the value of loans outstanding including mortgages, investment loans, credit card debt, borrowings from other households and other personal and study loans.

Wealthy: Throughout this report we refer to those in the HNW category or above as wealthy.

EXECUTIVE SUMMARY

This report examines trends in high net wealth (HNW) and ultra high net wealth (UHNW) in Australia, the philanthropic giving of these individuals and their potential to have a greater positive social impact.

It explores the distribution of wealth in Australia, the rate of tax-deductible donations in Australia, and giving among the wealthiest Australians. Further, this report makes comparisons with the wealth and giving behaviour of other countries. Overall, Australia is one of the world's richest nations, and the wealthiest Australians are currently experiencing unprecedented growth in their fortunes. The wealth of the top 200 Australians, as reported in the Financial Review Rich List (AFR Top 200 Rich List), has grown 183% from \$195.9 billion in 2015 to \$555 billion in 2021.

However, Australia's giving record remains relatively low compared with other wealthy countries. Donations by Australians are estimated to make up 0.81% of Gross Domestic Product (GDP), compared to the United Kingdom (0.96%), Canada (1%), New Zealand (1.84%) and the United States (2.1%)¹. At the same time, most Australian charities are operating under financial stress and social need has increased throughout the COVID-19 pandemic.

The report highlights the untapped potential that exists to better fund the not-for-profit sector. We demonstrate how the sector could be transformed through relatively modest increases in donations. A commitment by the 200 wealthiest Australians to donate 1% of their wealth to charity would generate an extra \$5.55 billion for the sector, boosting revenue by 3.2% and donations by 44%. Finally, we consider other alternatives to increase philanthropic giving, including the application of an inheritance tax on HNW bequests.

THE DISTRIBUTION OF WEALTH IN AUSTRALIA

- Overall, Australia is a wealthy country, having high levels of wealth, and large numbers of wealthy people:
 - The Australian Bureau of Statistics (ABS) estimates that Australia's mean real household net wealth has increased 18.7% from \$878,200 in 2009/10 to \$1,042,000 in 2019/20 (ABS, 2022). Even higher growth was experienced by those in the top 1% of the household net wealth distribution.
- The 200 wealthiest Australians have experienced unprecedented wealth growth in recent years (AFR, 2022), particularly at the peak of this cohort:
 - From 2015 to 2021, total wealth for the AFR Top 200 grew from \$195.9 billion to \$555 billion, an increase of 183%.
 - 167 of Australia's 200 wealthiest experienced an increase in wealth last year, despite the economic shock of a global pandemic.
 - The 50 wealthiest Australians experienced an average wealth gain of 15.4%.
 - The five wealthiest Australians hold one quarter of the Top 200 wealth and 1% of Australia's total household wealth.
 - The top 25 hold more than half of the Top 200 wealth and 2% of Australia's total household wealth.
- Australia is a wealthy country by international standards:
 - Australia has the second highest median wealth and the fourth highest mean wealth in the world (Shorrocks et al., 2021b).
 - Australia has one of the largest wealthy populations in the world on a per capita basis. The Credit Suisse Research Institute estimates that one in 11 Australians hold over US\$1 million in wealth (≈A\$1.4 million; Shorrocks et al., 2021b).

¹ Donations include bequests, PAFs, charitable trusts, corporate donations/partnerships/sponsorships, and individuals.

DONATIONS BY THE 200 WEALTHIEST AUSTRALIANS

The 2022 Financial Review Philanthropy 50 List is not comprehensive, being based on publicly available data and from those who agreed to be on the list. Trends in the Financial Review Philanthropy 50 List also show the values in 2022 are a departure from previous years. However, matching the available data of the donors on the 2022 Financial Review Philanthropy 50 List to the AFR 2022 Top 200 Rich List gives an indication of levels of giving among some UHNW individuals in Australia.

Examining the giving behaviour of those on both lists revealed:

- Donations from the top 50 philanthropic foundations, trusts, and estates (\$942 million) on the 2022 Financial Review Philanthropy 50 List represented just 0.25% of total wealth for the top 50 (\$376 billion).
- Three of those on both the 2022 Financial Review Philanthropy 50 List and the AFR 2022 Top 200 Rich List donated more than 0.75% of their wealth last year.
- The largest donation made by a foundation (\$143 million) on the 2022 Financial Review Philanthropy 50 List represented just 0.42% of the wealth held by the wealthiest Australian (\$34.02 billion).
- The largest personal donation (\$109.7 million) on the 2022 Financial Review Philanthropy 50 List represented 0.32% of the wealth held by the wealthiest Australian (\$34.02 billion).
- The top 10 personal donations on The Australian Top 25 Philanthropists List 2021 as an average share of wealth in the United States (1.58%) and the United Kingdom (1.25%) are around 10 times higher than in Australia (0.15%).

DONATIONS OF TOP 1% AND 5% OF INCOME EARNERS

Australian Taxation Office (ATO) data on tax deductible donations reveal that:

- Almost half of the top 1% and top 5% income earners did not report any donations in 2018/19 (46% and 48%, respectively).
- The top 1% and 5% of income earners donated a somewhat lower proportion of their income than lower income earners.
- Tax-deductible donations represent well below 1% of income; on average Australian taxpayers are giving only 0.2% of their income. Only 5% of donors claiming tax deductions give more than 1% of their income.
- Only 55% of Australians with a taxable income over \$1 million make tax-deductible donations.

PRIVATE ANCILLARY FUNDS

Public Ancillary Funds (PubAFs) and Private Ancillary Funds (PAFs) are two of the main forms of structured giving in Australia. This report focuses on PAFs as they are of greater interest in the HNW and UHNW context. PAFs provide insights into contributions beyond those captured in the philanthropic lists. Our analysis shows donations have not kept pace with the growth in wealth, with PAF assets and distributions falling as a share of top 200 wealth over the past five years.

MODELLING ALTERNATIVE LEVELS OF GIVING AMONG THE WEALTHIEST AUSTRALIANS

A small change in the giving rates of the wealthiest Australians would substantially increase the funds available to the charitable sector to assist individuals in need. For example:

- A commitment by the 200 wealthiest Australians to the 'Pledge 1%' model would generate \$5.55 billion for the sector, an additional 3.2% in revenue and 44% in donations.
- Extending the 1% giving pledge to all households with net wealth greater than \$50 million could increase the pool of donations by up to \$8.5 billion.

2 Pledge 1% is a global corporate philanthropy movement whose member companies commit to giving 1% of equity, staff time or product back to their communities.

- If the top 200 donated 0.4% of their wealth (the same rate as the largest known Australian personal donation), it would raise an additional \$2.2 billion for the sector, a 1.3% increase in revenue.
- If the top 200 donated 1.46% of their wealth (the highest rate of giving amongst the group matched to the Financial Review Philanthropy 50 List), it would boost donations to the Australian charitable sector by 64%, from \$12.7 billion to \$20.8 billion.
- A pledge by the top 200 to donate their annual growth in wealth would raise \$99 billion for the charity sector, almost eight times the existing donations of \$12.7 billion.

There is clear scope for Australia's wealthiest to increase their giving rate, particularly when their wealth continues to grow so strongly. This could have a profound effect on the Australian charitable sector.

INHERITANCE TAX

Other avenues to increase funding to the charitable sector include the application of an inheritance tax on HNW individuals, with the proceeds hypothecated to charities. While Australia has not had an inheritance tax since 1979, most OECD countries currently have a tax in place.

It is difficult to determine how much revenue such a tax would generate. But it is clear it would add considerable resources to the charitable sector. Our calculations indicate a 5% inheritance tax with a \$10 million net wealth threshold (excluding owner occupied housing equity) would raise between \$2.3 and \$3 billion annually for a Charity fund. Raising the threshold to \$20 million would raise between \$1.7 billion and \$2.3 billion a year, while a \$50 million threshold would generate between \$1.2 and \$1.6 billion annually.

An inheritance tax also provides greater incentive to give to charity. OECD analysis suggests charitable bequests decline by 12–20% when there is no inheritance tax in place.

CONCLUSION

While Australia is a wealthy country with a number of generous donors, there is scope to increase current rates of giving among Australia's wealthiest. Despite the impact of the COVID-19 pandemic on the economy, many of the wealthiest Australians are in a position to give more generously, following an average 15.7% increase in their wealth last year. A slight increase in their giving capacity would dramatically boost the Australian charitable sector and could improve social and environmental outcomes across the country.

1. BACKGROUND

The topic of High Net Wealth (HNW) giving in Australia remains under explored because of the relative paucity of available data. While there is good data available on the relationship between income and donation rates in Australia through the ATO, there are fewer sources that capture personal wealth. The relatively hidden nature of high-end wealth means it is particularly challenging to study as a stand-alone topic. However, the untapped potential to better fund the not-for-profit sector is significant and warrants investigation.

THE NEED FOR ADDITIONAL SUPPORT IN AUSTRALIA

Despite the high overall level of wealth in Australia, two in five households report a degree of financial stress or hardship, three in ten households have less than one month's worth of income in savings, and 19% of people report they would be unable to raise \$2,000 in an emergency (Brown & Noone, 2021). While the for-purpose sector aims to address this disadvantage, research by the Centre for Social Impact (CSI) found the sector itself is experiencing significant financial stress, coupled with growing demand for services (Muir et al., 2020; Muir et al., 2021). The valuable role of charities has become particularly evident in recent years in the context of natural disasters, the global pandemic, and social movements. In addition to providing social support and community connections, charities play a significant economic role, supporting financial wellbeing and providing employment for one in 11 Australians in the workforce.

Charities, however, need resources to be effective in these critical roles. Even before the COVID-19 pandemic, 60% of charities were in a financially precarious position (Social Ventures Australia [SVA] & CSI, 2020). The recent Partners in Recovery report series from SVA and the CSI highlighted the breadth of financial vulnerability across the sector, which has been compounded by the pandemic (SVA & CSI, 2020, 2021). Some organisations were operating at a deficit or had an operating surplus of less than 5%, meaning they have no buffer to financial shocks or an increased demand for services (SVA & CSI, 2020).

Philanthropic support from HNW individuals has never been more important for the charity sector. Charities are facing increased demand for services and an increasing inability to meet that demand. In 2019, donations and bequests provided \$11.8 billion to Australian charities and non-profits registered through the Australian Charities and Not-for-profits Commission (ACNC), which increased by 8% to \$12.7 billion in 2020 (ACNC, 2021, 2022). Trends in donations to ACNC charities show volatility in giving.

EXISTING RESEARCH ON HIGH NET WEALTH (HNW) GIVING, AND GIVING IN AUSTRALIA

Previous research on the giving patterns of Australia's HNW individuals is limited and provides an incomplete and disjointed picture. For example, the Giving Australia 2016 Individual Giving and Volunteering report (McGregor-Lowndes et al., 2017) and the Australian Centre for Philanthropy and Nonprofit Studies reports (McGregor-Lowndes et al., 2020, 2021) identified many charitable behaviours, but did not focus on HNW. Further, there are inconsistent reports of the number of HNW people in Australia, with estimates ranging from 176,000 (McDonald et al., 2021)³ to 1.8 million (Shorrocks et al., 2021b).

Research from over a decade ago found HNW and UHNW Australians were not giving at the same level as their international peers (Hill & Doyle, 2011). More recent research reported similar findings. In 2021, the Philanthropy Australia Blueprint to Grow Structured Giving study found only 54.5% of Australians with a taxable income over \$1 million make tax-deductible donations, compared to 90% of Americans in the same income category (Philanthropy Australia, 2021).

³ Given the wide range of sources and variations in definition and estimation techniques, it is important to stress that the figures and estimates throughout the report are an estimate, and that slight variations in the values would not undermine the conclusion that there is significant scope for increased giving among Australia's wider HNW population.

The fragmented philanthropic data still provides an opportunity to understand the giving behaviour of Australia's most wealthy. Such an understanding is important because increased giving would significantly improve the capability of the charity sector to meet growing demand for services and the lives of those who use them, with little effect on the wealth or wellbeing of HNW individuals.

In addition to providing a comprehensive overview of the distribution of wealth in Australia and trends in HNW wealth and giving, this report models the impact of increased giving under a range of scenarios. Accordingly, this report addresses four questions:

1. How do Australian rates of HNW giving compare to those of less wealthy Australians?
2. How do Australian rates of HNW giving compare to international rates?
3. How much money would be injected into the charitable sector if HNW individuals were giving at the same rate as less wealthy individuals and their international counterparts?
4. What level of increased resources may be made available to the Australian charity sector if an inheritance tax were placed on HNW individuals?

2. WEALTH IN AUSTRALIA

In this chapter, we present evidence on the distribution of wealth in Australia and examine trends in HNW in Australia and internationally. We draw on five key sources of wealth data for this analysis.

To estimate the level of wealth in the general population we utilise Australian survey data on household net wealth outcomes drawn from the:

- ABS Survey of Income and Housing (ABS, 2021), and
- Household, Income and Labour Dynamics in Australia (HILDA) survey (Department of Social Services [DSS] & Melbourne Institute of Applied Economic and Social Research [MIAESR], 2020).

UHNW estimates are based on the:

- AFR 200 Rich List (AFR, 2022)

Finally, the cross-country analysis is based on Credit Suisse Research Institute estimates of international wealth outcomes (2021a; Shorrocks et al., 2021b).

MAIN POINTS

- Overall, Australia is a wealthy country, having high levels of wealth, and large numbers of wealthy people:
 - The ABS estimates Australia's mean real household net wealth has increased 18.7% from \$878,200 in 2009/10 to \$1,042,000 in 2019/20 (ABS, 2022), with higher growth experienced towards the top end of the wealth distribution.
- Wealth has grown at unprecedented rates among the wealthiest Australians in recent years (AFR, 2022):
 - From 2015 to 2021, the 200 wealthiest Australians have grown their wealth 183% from \$195.9 billion to \$555 billion.
 - 167 of Australia's 200 wealthiest experienced an increase in wealth last year, despite the economic shock of a global pandemic.
 - The 50 wealthiest Australians experienced an average wealth gain of 15.4%.
 - One quarter of the wealth among the top 200 is held by the five wealthiest people, and more than half is held by the top 25.
 - 1.1% of Australia's total household wealth is held by the five wealthiest people, and 2.4% is held by the top 25.
- Internationally, Australia is a comparatively wealthy country:
 - Australia has the second highest median level of wealth and the fourth highest mean (average) level of wealth in the world (Shorrocks et al., 2021b).
 - Australia has one of the largest wealthy populations in the world on a per capita basis. The Credit Suisse Research Institute estimates that 1 in 11 Australians have over US\$1 million in wealth (Shorrocks et al., 2021b).

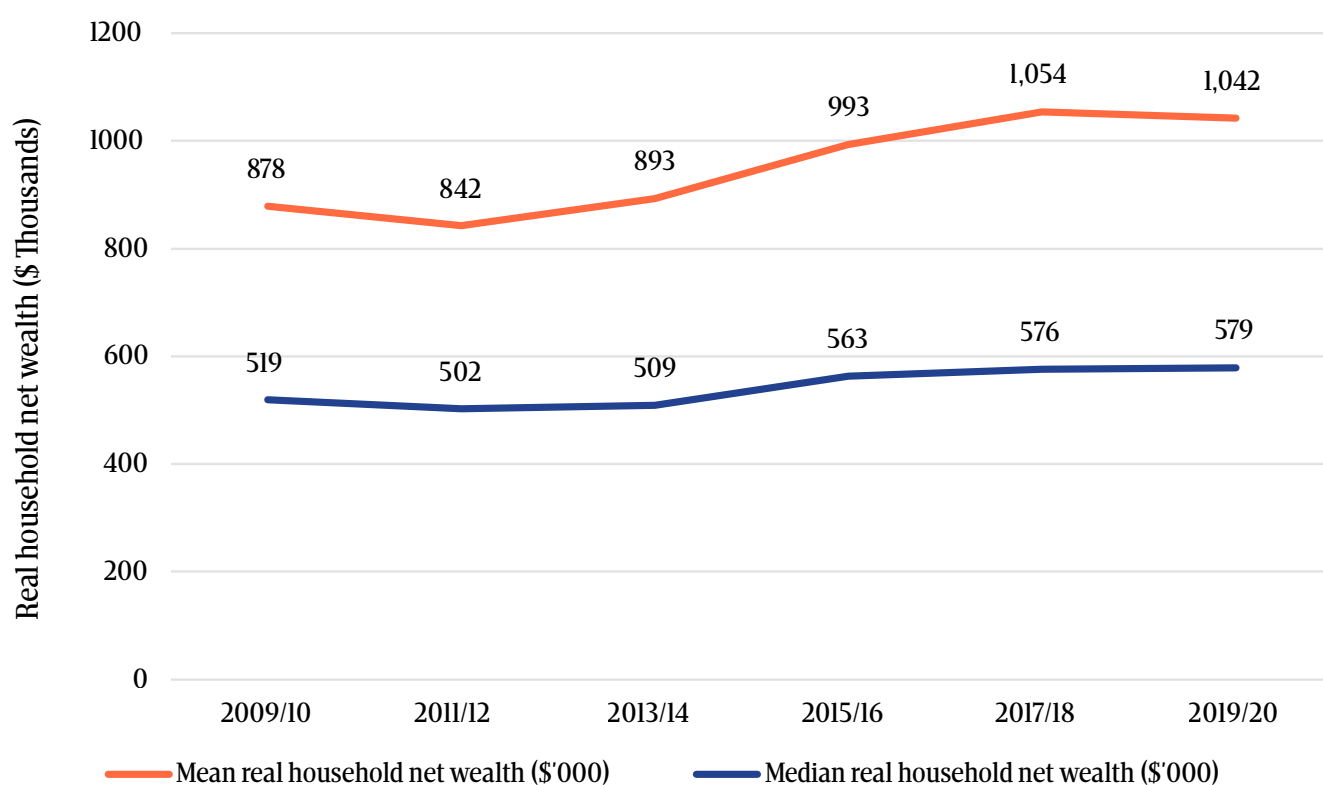
REAL HOUSEHOLD NET WEALTH IN AUSTRALIA

Australian household net wealth has grown steadily over the last decade. As of December 2021, the ABS estimated total Australian household wealth was \$14,677 billion (ABS, 2021).

The two Australian surveys that cover household wealth and liabilities are the ABS Survey of Income and Housing (ABS, 2021) and the HILDA panel survey (DSS & MIAESR, 2020). We draw on the Confidentialised Unit Record Files (CURFs) of the HILDA Waves 2, 6, 10, 14, and 18 and the 2013/14–2017/18 ABS surveys. Further, we refer to the publicly reported results from the 2019/20 ABS Survey of Income and Housing (ABS, 2022), and the associated CURF data.

In Figure 1, the 2019/20 ABS Survey of Income and Housing shows real household net wealth has grown from an average of \$852,000 in 2009/10 to \$1,042,000 in 2019/20. The steeper slope for the period from 2013/14 to 2018/19 reflects a skew towards those with higher net wealth generating more wealth and indicates that the gap between the mean and median household wealth values increased over this period. Notably, average real household net wealth fell in the latest year (2019/20).

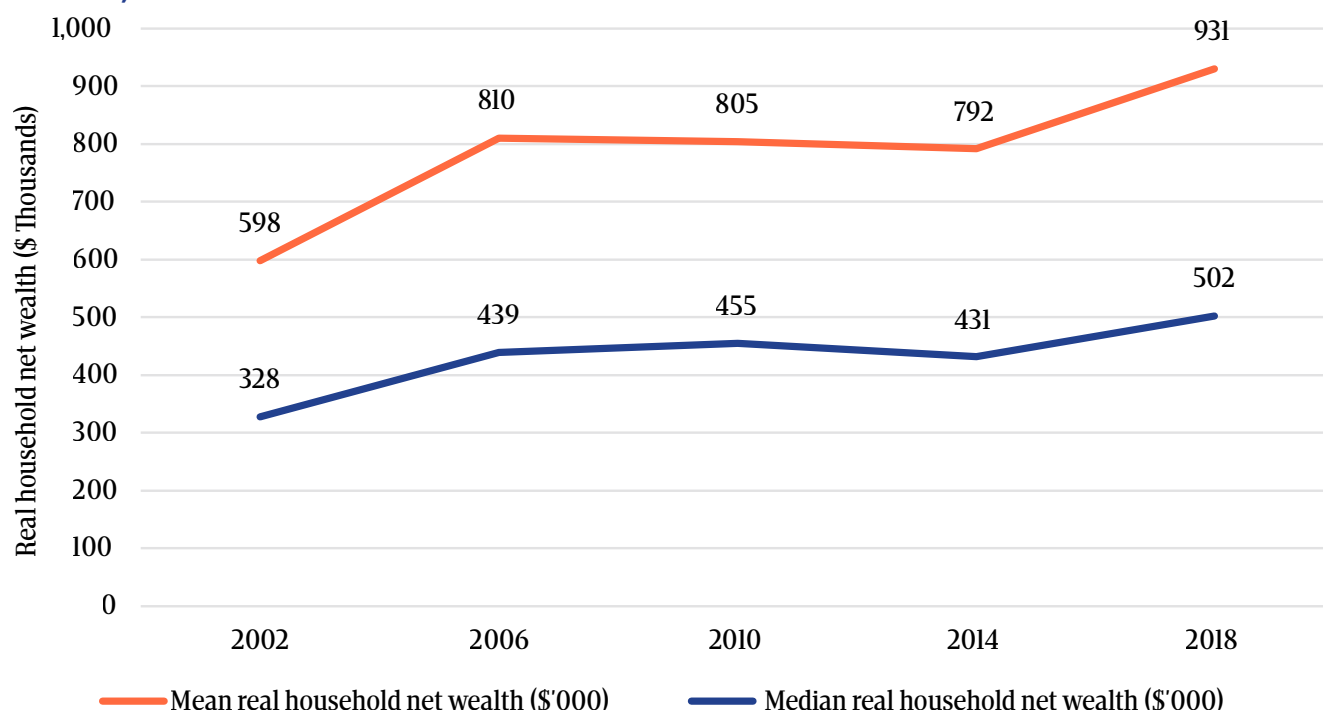
FIGURE 1: MEAN AND MEDIAN REAL HOUSEHOLD NET WEALTH OVER TIME, ABS SURVEY OF INCOME AND HOUSING, (2009/10, 2011/12, 2013/14, 2015/16, 2017/18, AND 2019/20)



Source: ABS Survey of Income and Housing (ABS, 2022). Real household net wealth is the value of all the assets owned by a household less the value of all its liabilities. Real estimates are constant price estimates based on the 2019/20 Consumer Price Index (CPI).

The HILDA survey results produced a similar picture with large increases in real household net wealth from 2014 to 2018 (Figure 2). Real household net wealth has grown from an average of \$803,000 in 2010 to \$931,000 in 2018.

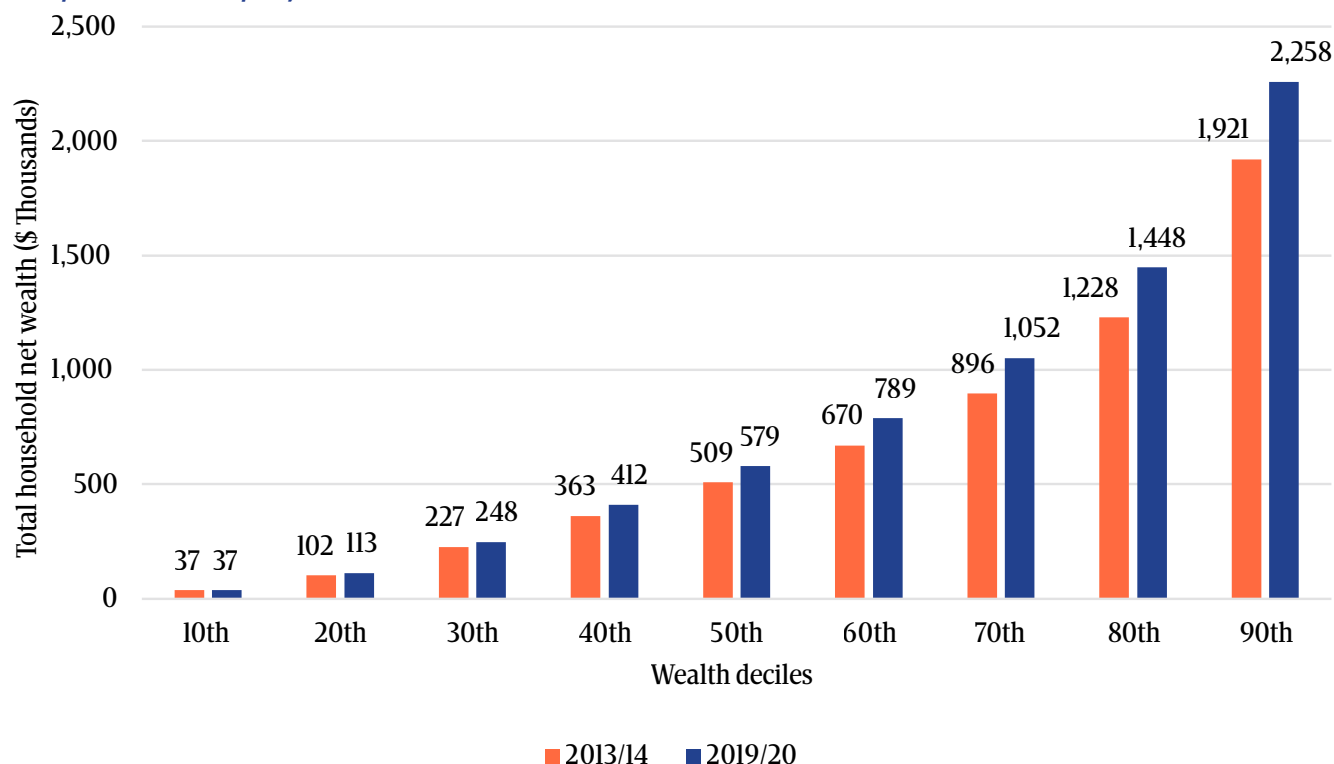
FIGURE 2: MEAN AND MEDIAN REAL HOUSEHOLD NET WEALTH, HILDA, (2002, 2006, 2010, 2014 AND 2018)



Source: Author calculations from the HILDA Survey: Waves 2, 6, 10, 14 and 18 (DSS & MIAESR, 2020). Real household net wealth estimates are constant price estimates based on the 2017/18 CPI.

The 2019/20 ABS data shows household net wealth increased more in the higher deciles (see Figure 3). For example, households in the 30th percentile for wealth in 2013 experienced an average wealth increase of approximately \$20,000 from a baseline of \$227,100. Those in the 90th percentile experienced an increase of \$337,000 from a baseline of \$1.92 million.

FIGURE 3: REAL HOUSEHOLD NET WEALTH, BY DECILE, ABS SURVEY OF INCOME AND HOUSING, (2013/14 AND 2019/20)



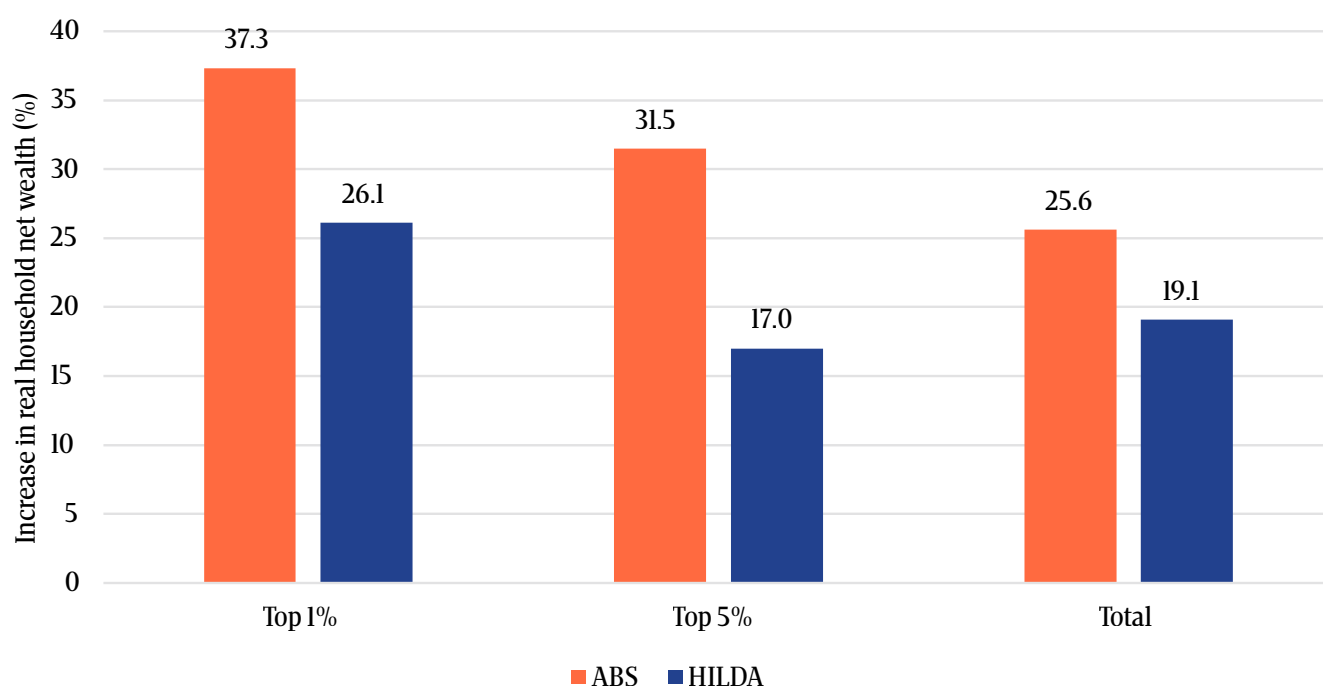
Source: ABS Survey of Income and Housing (ABS, 2022). Household net wealth is the value of all the assets owned by a household less the value of all its liabilities. Nominal values are adjusted to 2019/20 values using the CPI.

ABS Survey of Income and Housing CURFs for the period 2013/14 to 2017/18 show the top 1% (n=655 in 2017/18) of wealth holders experienced a 37% increase in wealth, the top 5% (n=3,276 in 2017/18) experienced a 32% increase, and the Australian population in general experienced a 26% increase. HILDA figures show real household net wealth increased by 26% from 2014 to 2018 (each year comprising approximately 9,500 households) for the top 1% of households (n=123 in 2018), compared to 17% for the top 5% (n=477 in 2018), and 19% for total households (Figure 4).

The same trends are evident with respect to household income. Real mean weekly household disposable income for the top 1% increased more from 2013/14 to 2017/18 than among total households in both the ABS Survey of Income and Housing and HILDA surveys.

The two surveys reveal a similar picture of the composition and level of household net wealth at the top of the general population. The ABS survey shows within the top 1% of households, 15% of wealth came from superannuation, compared to 30% for the total population. These households also reported greater contributions of total net wealth from trusts and incorporated businesses. Likewise, across all Australian households, the majority of income comes from employee income, while the top 1% of households obtain most of their income from other sources.

FIGURE 4: INCREASE IN REAL HOUSEHOLD NET WEALTH BETWEEN 2013/14 AND 2017/18, ABS SURVEY OF INCOME AND HOUSING, HILDA



Source: Authors' calculations from the ABS Survey of Income and Housing CURF (ABS, 2021). The HILDA Survey: Waves 14 and 18 (DSS & MIAESR, 2020). Household net wealth is the value of all the assets owned by a household less the value of all its liabilities. Top 1% and Top 5% refer to the households with net wealth in the Top 1% and Top 5% of sample file. Total refers to all households within the sample file and includes those within the Top 1% and Top 5%. Real estimates are constant price estimates based on the 2017/18 CPI.

THE WEALTH OF AUSTRALIA'S WEALTHIEST ⁴

The wealth levels at the peak of the distribution are difficult to quantify. However, the Financial Review Rich List (AFR Top 200 Rich List) estimates the 200 wealthiest individuals and family groups in Australia hold a total wealth pool of \$555 billion (AFR, 2022).

⁴ Estimating the wealth of those in the UHNW category represents a different set of challenges than those in the HNW category. There is good data available on the top of the distribution, but closer to the cut-off point the quality of data available rapidly deteriorates. While there are more individuals in the UHNW category in Australia (an estimated total of 3,262, the data available for those below the top 200 is limited and therefore challenging to analyse in a rigorous manner. See Appendix for discussion of data sources used.

This means the 200 wealthiest Australians hold around 3.78% of Australia's total household wealth, as of December 2021 estimated at \$14,677 billion (ABS, 2021), while representing only 0.001% of adult Australians.

This cohort was also largely protected from the economic impact of the COVID-19 pandemic, one of the most significant economic events in the last century. Average wealth levels for the top 50 Australians rose 15.4% in 2022 and 22.5% in 2021. Of the 200 wealthiest Australians, only 33 experienced a decline in wealth (see Table 1).

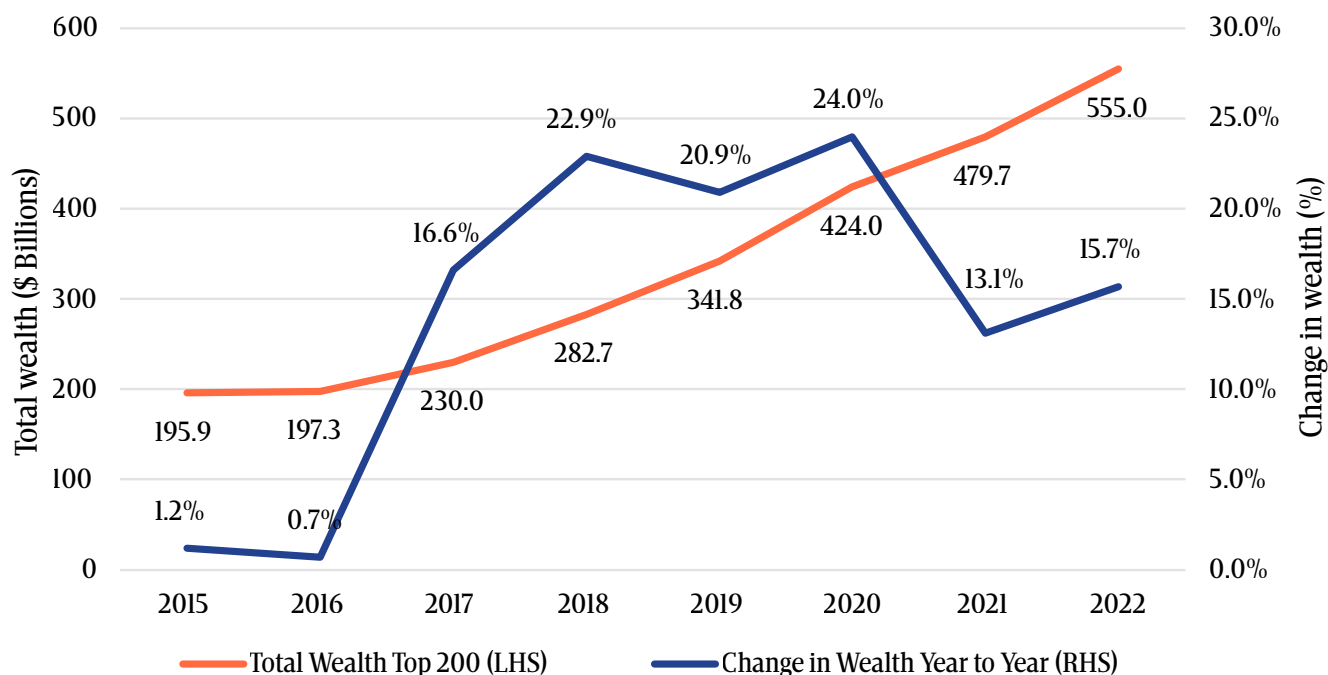
TABLE 1: ULTRA HIGH NET WEALTH, BY RANK, AFR TOP 200 RICH LIST, (2021 AND 2022)

Wealth Group	2021			2022		
	Wealth Total (\$ Billions)	Wealth increase	Cumulative Number experiencing wealth decline	Wealth Total (\$ Billions)	Wealth increase	Cumulative Number experiencing wealth decline
Top 1	\$31.1	7.5%	0	\$34.0	9.5%	0
Top 5	\$118.6	13.2%	0	\$143.3	22.7%	0
Top 10	\$177.1	22.8%	1	\$219.4	33.4%	0
Top 25	\$256.4	20.0%	2	\$302.9	24.1%	5
Top 50	\$324.6	22.5%	5	\$376.3	15.4%	14
Top 100	\$402.4	20.0%	15	\$460.8	15.3%	23
Top 200	\$479.7	12.1%	31	\$555.0	15.7%	33

Source: Authors' calculations from the 2021 and 2022 AFR Top 200 Rich List (AFR, 2021, 2022).

Figures indicates this wealth growth is part of a longer-term trend. The total wealth of Australia's 200 wealthiest people grew 183% in the past seven years, from \$195.9 billion to \$555 billion (see Figure 5). Since the 2016 AFR Top 200 Rich List, the annual wealth growth among this cohort has not fallen below 12%.

FIGURE 5: TOTAL WEALTH AND CHANGE IN WEALTH OF THE AFR TOP 200 RICH LIST, (2015-2022)



Source: Authors' calculations from the 2021 and 2022 AFR Top 200 Rich List (AFR 2015 - 2022 Rich Lists). LHS – left hand side. RHS – right hand side.

Like other high-income countries affected by the COVID-19 pandemic, Australia appears to be following a K-shaped recovery, where one section of the population (or set of industries) experiences a strong bounce back (the top half of the K), while another section of the population continues to experience declines in wealth and income (the bottom half of the K). In the context of the pandemic, many of the world's wealthiest people have continued to experience wealth growth, while many towards the bottom of the wealth distribution have had to draw on savings while their employment has been impacted by the various public health measures.

Wealth within the top 200 is not evenly held (Katic & Leigh, 2016). As Table 2 and Figure 6 show, the five wealthiest Australians hold approximately one quarter of the wealth of the top 200, while the top 25 hold more than half. Shifts in the donation patterns among the wealthiest Australians would have a larger effect on the overall volume of wealth donated.

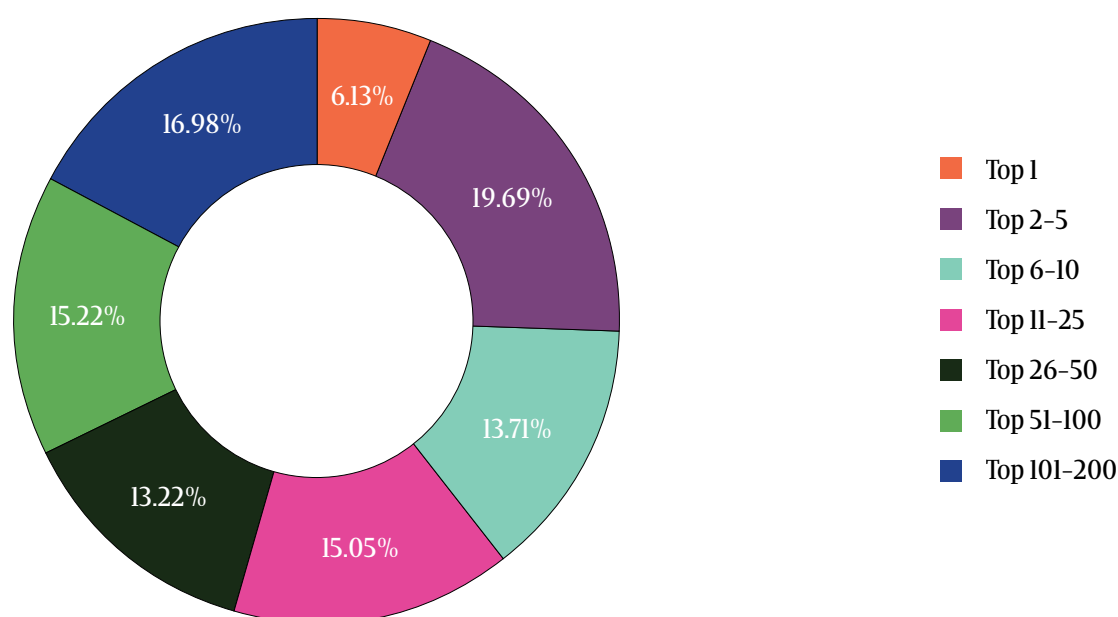
Figure 6 shows the lower parts of the distribution are double the size of the cohort above, while holding roughly the same percentage of wealth. For example, the 51-100 cohort has roughly the same level of wealth as the 101-200 cohort.

TABLE 2: ULTRA HIGH NET WEALTH AS SHARE OF AFR TOP 200 RICH LIST, BY RANK, (2021 AND 2022)

Wealth Group	2021			2022		
	Wealth Total (\$ Billions)	Share of Wealth out of Top 200	Cumulative Share of Wealth Held	Wealth Total (\$ Billions)	Share of Wealth out of Top 200	Cumulative Share of Wealth Held
Top 1	\$31.1	6.5%	6.5%	\$34.0	6.1%	6.1%
Top 2 - 5	\$87.5	18.2%	24.7%	\$109.3	19.7%	25.8%
Top 6 - 10	\$58.5	12.2%	36.9%	\$76.1	13.7%	39.5%
Top 11 - 25	\$79.4	16.6%	53.5%	\$83.5	15.1%	54.6%
Top 26 - 50	\$68.2	14.2%	67.7%	\$73.4	13.2%	67.8%
Top 51 - 100	\$77.8	16.2%	83.9%	\$84.5	15.2%	83.0%
Top 101 - 200	\$77.3	16.1%	100%	\$94.2	17.0%	100%

Source: Authors' calculations from the 2021 and 2022 AFR Top 200 Rich List (AFR, 2021, 2022).

FIGURE 6: ULTRA HIGH NET WEALTH AS SHARE OF AFR TOP 200 RICH LIST, BY RANK, (2022)



Source: Authors' calculations from 2022 AFR Top 200 Rich List data (AFR, 2022).

ESTIMATING THE FULL DISTRIBUTION OF AUSTRALIA'S HOUSEHOLD NET WEALTH

As discussed, the distribution of wealth in Australia is typically examined using household net wealth data from the CURFs of the HILDA Survey and the ABS Survey of Income and Housing. When comparing the findings from the survey data with those from the AFR Top 200 Rich List data, it is apparent that the endpoints in the distribution of household net wealth fall well short of the beginning point of the AFR Top 200, indicating there is a 'missing' section in the distribution of household net wealth in Australia. The AFR Top 200 Rich List provides the most up-to-date estimate of Australia's wealthiest individuals. Across all three datasets, the distribution is highly skewed, which indicates there is a much smaller proportion of households with high wealth.

As presented in Table 3, the latest available ABS Survey of Income and Housing CURF (2017–2018) dataset captured only 17 households with over \$20 million of household net wealth, and the latest HILDA Survey CURF captured no households with over \$10 million of household net wealth. Both surveys used household survey weights to produce estimates that are representative of the population of Australian households from which samples are drawn.

ABS and HILDA surveys have different approaches to survey design and weighting, and the wealth distribution estimates when survey weights are applied represent somewhat different population sizes. Specifically, as illustrated in Table 3 the ABS Survey of Income and Housing CURF for 2017/18 produces an estimated 9.27 million Australian households, while the HILDA Survey CURF produced an estimated 9.52 million Australian households. Both surveys produced similar estimates of the percentage of households with household net wealth over \$1 million, with ABS estimates placing 31% of Australian households in this category, compared with 29.4% using HILDA estimates. The household net wealth figure for each survey represents a combination of net wealth held by all individuals within a household.

In Table 3, the average number of people in a household has been calculated for each wealth category and then applied to the number of households in each category to provide a simple estimate of the number of people in each wealth category. There is a notable increase in the average number of people in each household as wealth increases, particularly on the ABS estimates.

Given the significant gap between the ABS and HILDA datasets and the AFR Top 200 Rich List we simulated a net household wealth distribution that brought the AFR Top 200 data together with the ABS and HILDA datasets and included survey weights when relevant (see Appendix 6). As the surveys employed different methodologies and survey weightings, the AFR Top 200 Rich List was combined with each dataset separately, which allows for a comparison in estimated wealth in the two simulated datasets. A simulated dataset was calculated using two different distributions: a pareto distribution and a generalised pareto distribution. While both distributions fit the data well, the generalised pareto distribution exhibited better fit statistics (AIC and BIC). Both curves were fitted with survey weights included to produce a sample more representative of the Australian population. The generalised pareto curve fit the data well at extremes, which suggests it is particularly applicable to estimating rare HNW values. Our method is presented in Figure 7 below.

FIGURE 7: METHOD FOR ESTIMATING THE FULL AUSTRALIAN HOUSEHOLD NET WEALTH DISTRIBUTION USING ABS SURVEY OF INCOME AND HOUSING OR HILDA SURVEY DATA AND THE AFR TOP 200 RICH LIST DATA

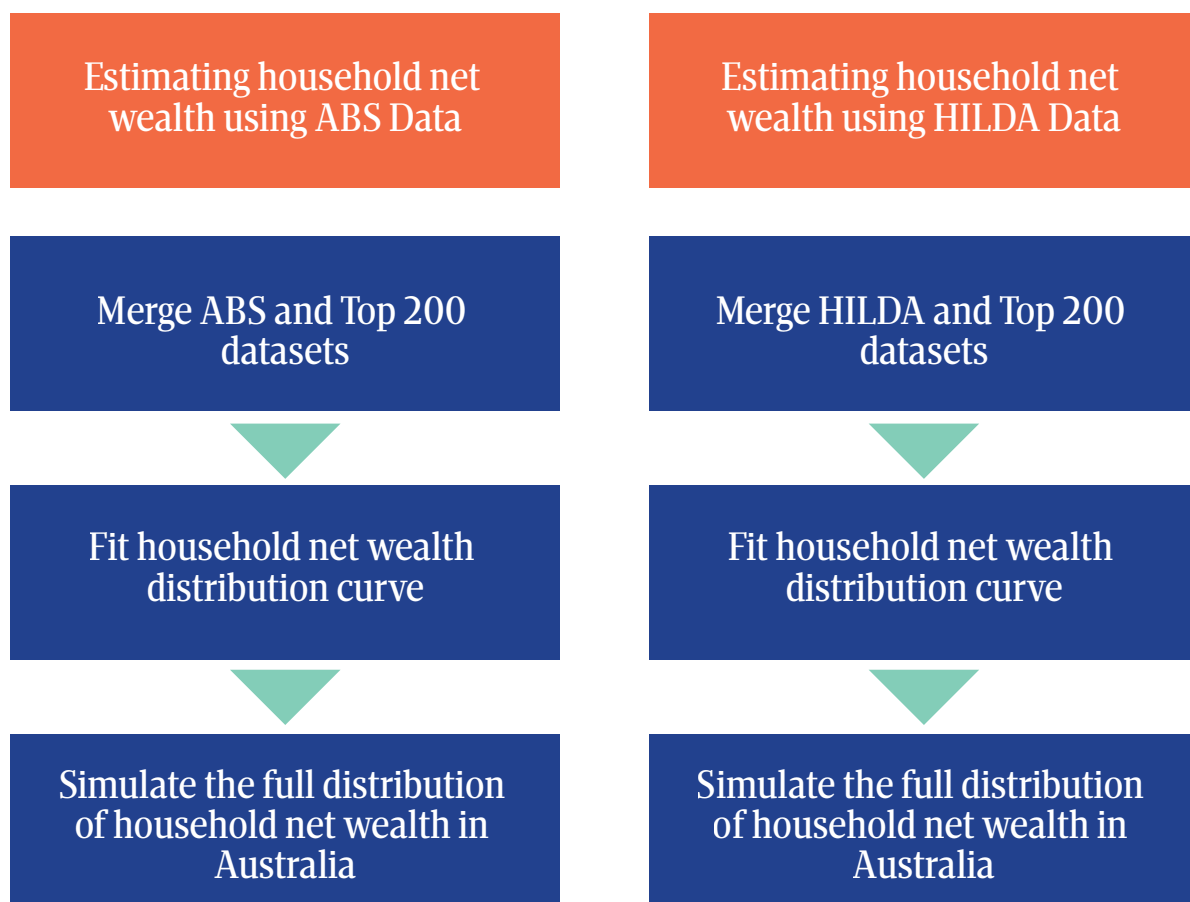


TABLE 3: NUMBER OF HOUSEHOLDS AND PEOPLE IN EACH WEALTH CATEGORY, UNWEIGHTED AND WEIGHTED, ABS SURVEY OF INCOME AND HOUSING (2017/18) AND HILDA (2018)

	Wealth < \$1 million	Wealth >= \$1 Million						Wealth >= to \$1 million	Total
		\$1-5 million	\$5-10 million	\$10-50 million	\$50-100 million	\$100-500 million	\$500+ million		
Households									
ABS Survey of Income and Housing									
Unweighted	10,089 (71.76%)	3,655 (25.99%)	247 (1.76%)	69 (0.49%)	-	-	-	3,971 (27.75%)	14,060 (100%)
Weighted	6,393,903 (68.98%)	2,653,791 (28.6%)	166,601 (1.80%)	56,136 (0.61%)	-	-	-	2,876,528 (31.03%)	9,270,431 (100%)
HILDA									
Unweighted	6,975 (72.37%)	2,469 (25.73%)	183 (1.90%)	-	-	-	-	2,652 (27.63%)	9,638 (100%)
Weighted	6,719,693 (70.59%)	2,606,634 (27.38%)	193,607 (2.03%)	-	-	-	-	2,800,241 (29.41%)	9,519,934 (100%)
Persons									
ABS Survey of Income and Housing (based on weighted average number of people per household in each wealth category)									
Weighted	13,296,281 (64.06%)	6,875,219 (33.1%)	406,165 (1.96%)	179,308 (0.86%)	-	-	-	7,460,692 (35.94%)	20,756,973 (100%)
Average number of people per household	2.08	2.59	2.44	3.19	-	-	-	2.59	2.24
HILDA (based on weighted average number of people per household in each wealth category)									
Weighted	16,531,507 (67.68%)	7,337,796 (30.04%)	556,909 (2.28%)	-	-	-	-	7,894,705 (32.32%)	24,426,212 (100%)
Average number of people per household	2.46	2.82	2.88	-	-	-	-	2.82	2.57

Authors' calculations from the ABS Survey of Income and Housing CURF (ABS, 2021). The HILDA Survey: Wave 18 (DSS & MIAESR, 2020). Unweighted data represents the raw number of surveys collected by the ABS or during the HILDA survey.

TABLE 4: ESTIMATED DISTRIBUTION OF HOUSEHOLD AND PERSON-LEVEL NET WEALTH, ABS SURVEY OF INCOME AND HOUSING (2017/18) AND HILDA (2018) SIMULATED DATASETS

	Wealth < \$1million	Wealth >= \$1 Million						Wealth >= to \$1 million	Total
		\$1-5 million	\$5-10 million	\$10-50 million	\$50-100 million	\$100-500 million	\$500+ million		
Estimated distribution of household net wealth using ABS Survey of Income and Housing + AFR Top 200 Data									
Total Households	7,190,878 (77.44%)	2,561,377 (27.59%)	243,374 (2.62%)	90,741 (.977%)	2,660 (.0286%)	698 (.0075%)	200 (.0022%)	2,899,050 (31.22%)	9,284,871 (100%)
Mean Wealth \$	362,946	2,047,313	6,753,105	16,704,512	66,361,105	165,084,620	2,775,105,000	3,188,719	1,245,199
Median Wealth \$	303,099	1,735,211	6,433,159	13,925,777	62,803,921	133,730,000	1,385,000,000	1,896,701	531,522
One household every...households	1.3	4	38	102	3,490	13,302	46,424	3	1
People per household	2.08	2.59	2.44	3.19	3.19	3.19	3.19	2.59	2.24
Total People	14,957,026	6,633,966	593,833	289,464	8,485	2,227	638	7,528,613	22,485,639
Estimated distribution of household net wealth using HILDA + AFR Top 200 Data									
Total Households	7,019,731 (73.66%)	2,248,850 (23.59%)	188,960 (1.98%)	69,317 (0.73%)	2,131 (.02%)	567 (.0059%)	200 (.0021%)	2,510,025 (26.34%)	9,529,756 (100%)
Mean Wealth \$	343,000	2,000,211	6,748,125	16,749,680	66,421,087	170,088,915	2,775,105,000	3,077,281	1,063,422
Median Wealth \$	277,266	1,685,382	6,425,311	13,996,111	63,058,905	138,716,743	1,385,000,000	1,819,682	442,855
One household every...households	1.4	4	50	137	4,472	16,807	47,649	4	1
People per household	2.46	2.82	2.88	2.88	2.88	2.88	2.88	2.82	2.57
Total People	17,268,538	6,341,757	544,205	199,633	6,137	1,633	576	7,093,941	24,362,479

Authors' calculations from the ABS Survey of Income and Housing CURF (ABS, 2021). The HILDA Survey: Wave 18 (DSS & MIAESR, 2020). Average number of people in households for wealth over \$50 million was not available for ABS data, and over \$10 million for HILDA data. For categories above \$50 million when using ABS data we have made an assumption that number of people per household will be on par with the \$10-50 million category, and for the HILDA data on par with the \$5-10 million category where data is available.

The number of households in each simulated dataset matched the weighed number of households from each survey. That is, the simulated dataset using the ABS data represented 9,284,871 households, and the simulated dataset using the HILDA data represented 9,529,756 households. The simulation performed acceptably in estimating extreme wealth values. In total, the people on the AFR Top 200 Rich List had a net wealth of \$555 billion. The total wealth estimated when using ABS and AFR Top 200 Rich List data was \$9,579 billion with the top 200 holding 5.8% of this amount. When using the HILDA and AFR Top 200 Rich List data, the estimated wealth was \$11,013 billion with the top 200 holding 5% of this amount.

There were expected differences between the number of weighted and estimated households in the category of wealth less than or equal to \$1 million within both the ABS and HILDA datasets e.g., 7,190,878 households vs 6,393,903 households for the ABS. This is because the curve is estimated to provide the best fit to the data, and not perfectly reproduce the number of households within each wealth range and, with the inclusion of the top 200, is expected to deviate from the ABS or HILDA weighted figures. Further, as wealth was being estimated for people beyond the ranges collected by the ABS or HILDA, it is expected that the number of households in different categories will deviate from the weighted population figures from the source datasets.

There are also notable differences in the weighted and estimated distributions between ABS and HILDA datasets, which is also expected given the different methodologies and samples in both surveys. For instance, the dataset for the HILDA and AFR Top 200 data estimated that 27.59% of households had a net worth over

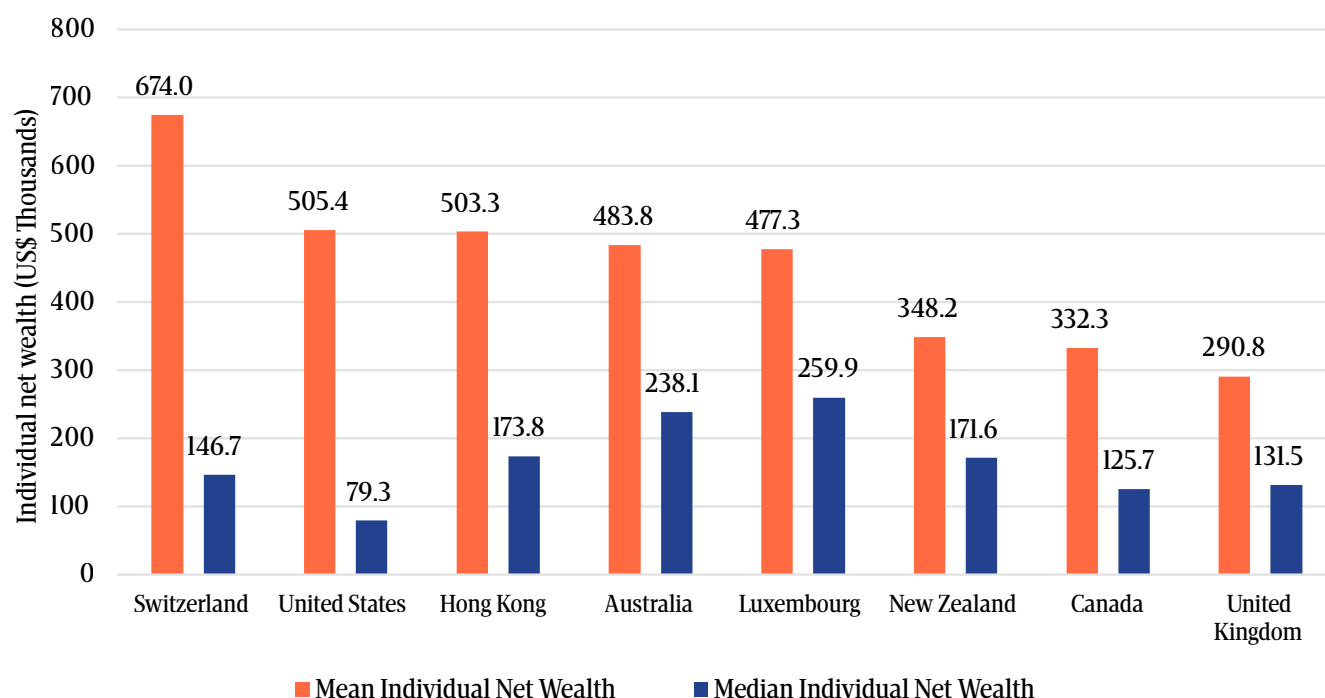
\$1 million, compared to 23.59% when using ABS and AFR Top 200 data. However, the mean and median net wealth figures were comparable between the two datasets. For instance, the mean wealth for households in the \$5–10 million range was \$6,753,105 using ABS data, and \$6,748,125 using HILDA data. Further, the median wealth in this wealth category was \$6,433,159 using ABS data and \$6,425,311 using HILDA data. Differences were more pronounced when calculating the total number of people in each wealth category, as opposed to number of households, as this used different survey figures regarding average number of people in each household.

INTERNATIONAL COMPARISONS

The international comparisons analysis draws on Credit Suisse Research Institute estimates of wealth, presented in US dollars. In this data set, Australia's individual median net wealth is estimated to be US\$238,072, the second highest in the world after Luxembourg (Shorrocks et al., 2021b). Further, Australia's mean wealth per person is US\$483,755, the fourth highest in the world (Figure 8; Shorrocks et al., 2021b).

The countries selected for comparison include three with a higher average level of wealth than Australia (Switzerland, the United States, and Hong Kong; Figure 8). Also included is the only country with a higher median level of wealth than Australia (Luxembourg), along with the countries Australia is commonly compared to (New Zealand, Canada, and the United Kingdom).

FIGURE 8: MEAN AND MEDIAN INDIVIDUAL NET WEALTH AROUND THE WORLD, CREDIT SUISSE RESEARCH INSTITUTE, (2021)



Source: Credit Suisse Research Institute Data (Shorrocks et al., 2021b).

The three countries that have a higher mean level of household wealth than Australia also have a significantly lower median level of household wealth. This issue is most pronounced in the United States, which has the lowest level of median household wealth of the countries included, but the second highest average level of wealth in the world. This is because the United States has a relatively small number of extremely wealthy individuals that skew mean wealth levels, and a relatively long tail of individuals with low levels of wealth.

Credit Suisse Research Institute presents estimates of individual net wealth in Australia which account for the gaps in the available wealth data. This is achieved through using individual wealth holdings of billionaires reported by Forbes magazine and other publications and ABS household surveys for households with lower net wealth, and fitting a pareto distribution to estimate the gap between the two data sources (Shorrocks et al., 2021a). As estimated by Credit Suisse, Australia has the highest percentage of households with wealth above

US\$1 million in relation to the comparator countries (Table 6). Australia also has the second highest share of the adult population with wealth in excess of US\$50 million, with one in 11 adults in Australia (9.42%) having over US\$1 million in wealth and about one in 200 having US\$5 million to US\$10 million in wealth.

TABLE 5: HIGH NET WORTH DISTRIBUTION OF WEALTH BY COUNTRY (USD), CREDIT SUISSE RESEARCH INSTITUTE, (2021)

Country	Adult population	Wealth > US\$1 million						Total (US\$1+ million)
		US\$1-5 million	US\$5-10 million	US\$10-50 million	US\$50-100 million	US\$100-500 million	US\$500+ million	
Australia	19,159,000	8.7% (1,670,489)	0.47% (90,372)	0.21% (40,521)	0.011% (2,183)	0.0052% (997)	0.0004% (82)	9.4% (1,808,644)
Canada	29,934,000	5.2% (1,545,547)	0.30% (90,316)	0.14% (42,598)	0.008% (2,375)	0.0035% (1,047)	0.0003% (86)	5.6% (1,681,969)
New Zealand	3,600,000	5.8% (208,541)	0.34% (12,226)	0.12% (4,452)	0.005% (189)	0.0021% (74)	0.0001% (5)	6.3% (225,487)
United Kingdom	52,568,000	4.4% (2,312,233)	0.23% (121,255)	0.10% (52,369)	0.006% (3,272)	0.0032% (1,679)	0.0003% (144)	4.7% (2,490,952)
United States	249,969,000	7.2% (17,897,234)	1.05% (2,626,935)	0.53% (1,318,183)	0.033% (81,204)	0.0113% (28,219)	0.0006% (1,427)	8.8% (21,953,202)

Source: Credit Suisse Data (Shorrocks et al., 2021b).

SUMMARY

Based on commonly used measures of wealth, Australia is one of the wealthiest nations in the world. When it comes to specific household wealth, Australia has one of the highest mean and median levels of household wealth, and any country with a higher rate on one of those measures has a lower rate on the other. Australia also has a large share of the population who sit in the HNW category (9.42%), and a comparatively large share of the population in the UHNW category (0.017%).

The wealthiest Australians remain well positioned despite the COVID-19 pandemic. Throughout 2021, 83.5% of the 200 wealthiest Australians experienced an increase in wealth, with an average wealth increase of 17.9%. This is reflective of a longer run growth trend for this cohort, whose wealth has increased by 183% since 2015. Therefore, they not only remain well positioned to support the charitable sector but have increased capacity to do so compared to the previous year.

3. TAX-DEDUCTIBLE RATES OF GIVING IN AUSTRALIA

This section describes current tax-deductible rates of giving in Australia. For the purposes of making comparisons across income groups, the results of the analyses are presented for the top 1% and 5% of taxable income earners, in addition to the full sample. Additionally, postcode specific data is examined as an indicator of wealth, with a particular focus on the giving behaviour of those residing in postcodes with the most expensive housing prices. This section uses data from the ATO 2% sample files (ATO, 2021a) (each year comprising approximately 65,000 tax payers) and ATO data cubes (ATO, 2021b).

MAIN POINTS

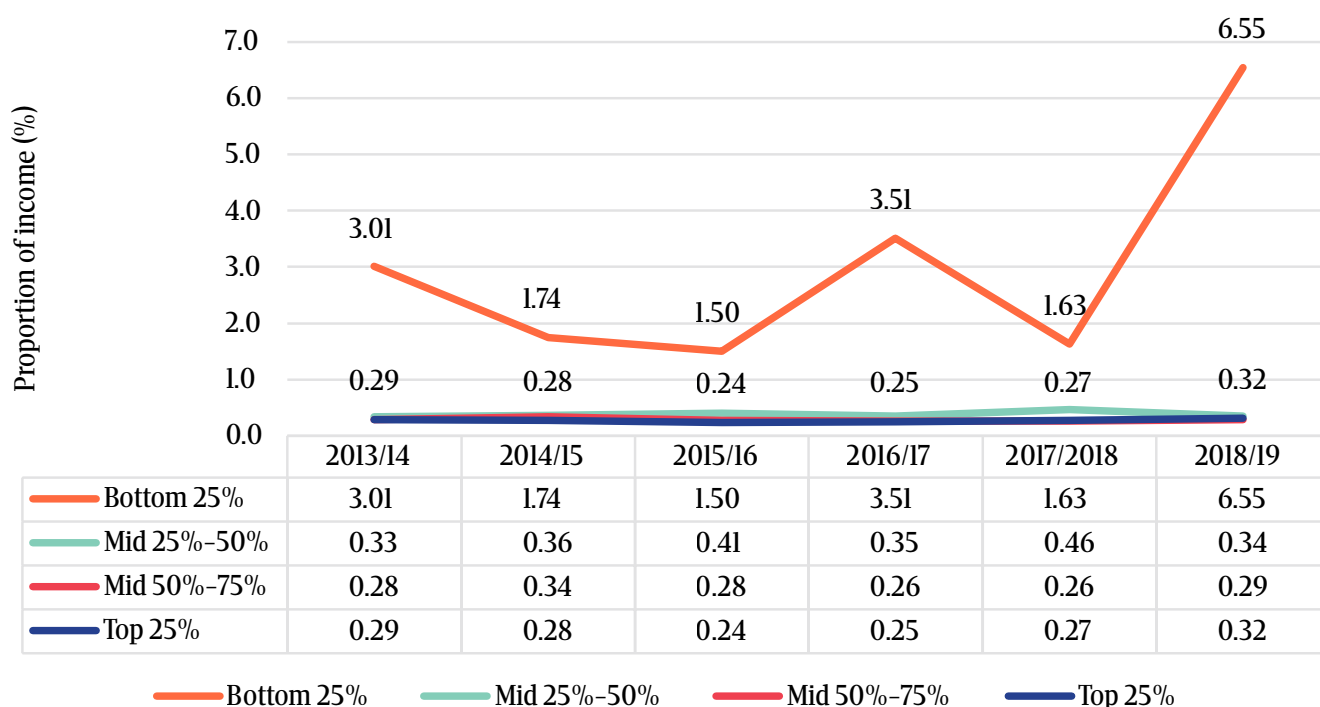
- The Australian Capital Territory is the top performing state or territory in terms of the proportion of people claiming a tax-deductible donation or gift (36%). Queensland and South Australia are equal lowest (26.4%).
- Those in the lowest 25% taxable income bracket donated a proportion of their income that was 20 times higher than those in the highest 25% income bracket. However, the findings on tax-deductible donations at the bottom end of the taxable income distribution have to be treated with a deal of caution as the data is heavily skewed by a relatively small number of people in the bottom quartile whose reported level of tax-deductible giving is well above their reported level of taxable income. After excluding such individuals from analysis, we find that those in the bottom 25% taxable income bracket are now 1.3 times higher than those in the top 25% taxable income bracket.
- Only 5% of donors are making tax-deductible donations exceeding 1% of their income.
- Overall, the proportion of households claiming tax-deductible gifts in the suburbs with the highest housing prices has declined from 29.6% in 2013/14 to 24.3% in 2018/19.
- The total amount of tax-deductible donations from the 50 most expensive housing suburbs in Australia for 2018/19 was \$1.1 billion.
- In Australia's wealthiest suburbs, rates of tax-deductible giving increased from 1% of income in 2013/14 to 2.6% of income in 2018/19.
- In Western Australia's wealthiest suburbs, tax-deductible donations represented 19.2% of taxable income. New South Wales recorded the next highest rate at 1.3%. The gap is due to an over-representation of Australia's wealthiest living in Western Australia.

DONATIONS BY INCOME BRACKET

Income tax data provides insight into the differences between giving rates (i.e., the amount they donate as a proportion of their income) of people in lower income brackets compared to those in higher income brackets⁵.

Figure 9 shows that those in the bottom 25% taxable income bracket give, on average, the greatest percentage of their income. Using the ATO 2% sample files, in 2018/19 the proportion of tax-deductible donations for those in the bottom 25% taxable income bracket (6.55%) was more than 20 times higher than those in the top 25% taxable income bracket (0.32%). However, these findings are heavily skewed by those in the bottom quartile who give considerably more than their reported level of taxable income.

FIGURE 9: MEAN TAX-DEDUCTIBLE GIVING RATES AS A PROPORTION OF TAXABLE INCOME, BY INCOME QUARTILE, ATO 2% SAMPLE FILES, (2013/14-2018/19)

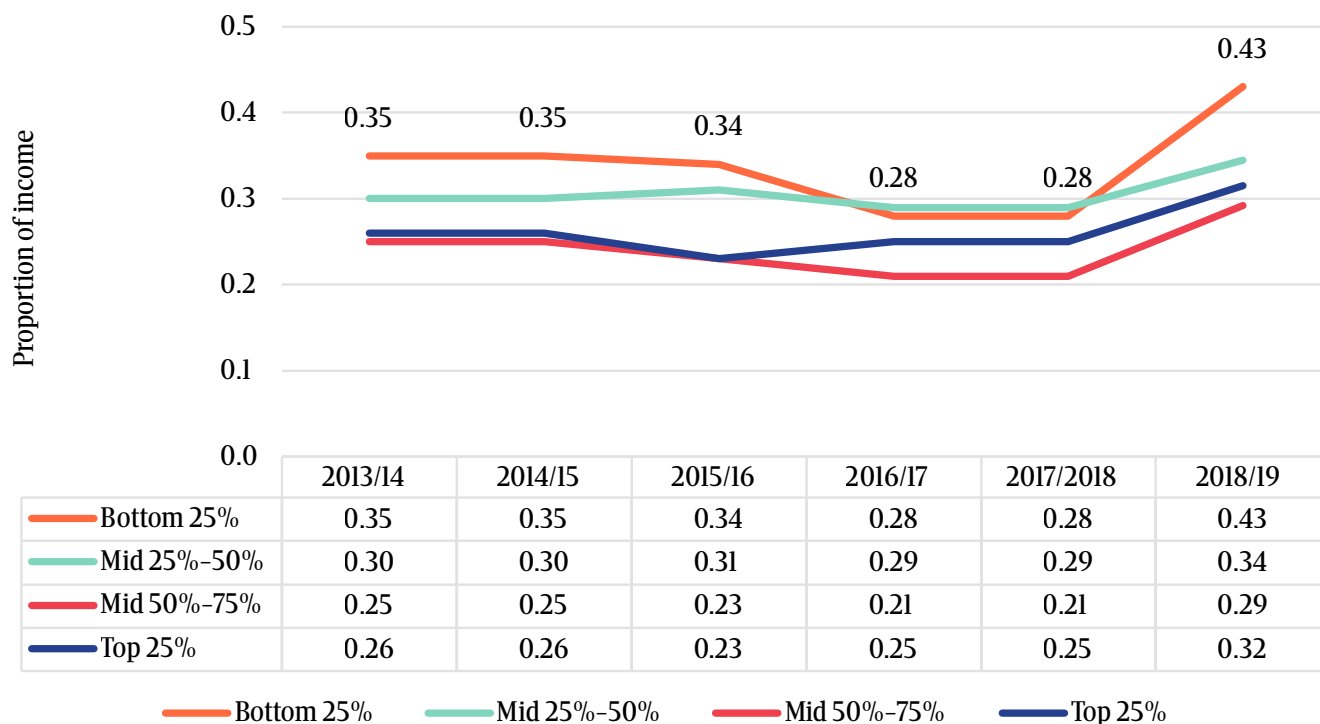


Source: ATO 2% sample files 2013/14-2018/19 (ATO, 2021a). Quartiles are based on individual taxable income. Percentage of tax-deductible giving is calculated as tax-deductible donations as a percentage of taxable income.

Only 0.4% (n=1,408) in the bottom quartile have taxable income less than tax-deductible donations. However, this small group exhibits very high levels of giving affecting the distribution. The same pattern is not as evident in other quartiles. If we excluded this group from the bottom quartile, the mean tax-deductible giving rate for the bottom quartile is 0.43% rather than 6.55%, still higher than the mean tax-deductible giving rates for the top three quartiles (Figure 10). Excluding those whose donations are above taxable income, we find that donations for those in the bottom quartile are 1.3 times higher than those in the top 25% taxable income bracket. After making this adjustment, mean giving rates across the four quartiles of taxable income look remarkably similar and are relatively low.

⁵ It is worth noting that some forms of donation that individuals undertake are not tax-deductible, but still have social benefit. Social procurement or purchasing items from a social enterprise or for a charitable fundraiser, for example, are not tax-deductible, but are still important sources of revenue for charitable organisations. It is also worth noting that many organisations accepting gifts and donations might not have a tax-deductible status. Additionally, those who give to charity through salary sacrificing arrangements are unable to claim their donations as a deduction and therefore such donations will not be included in the ATO data sets.

FIGURE 10: MEAN TAX-DEDUCTIBLE GIVING RATES AS A PROPORTION OF TAXABLE INCOME EXCLUDING PERSONS FOR WHICH DONATIONS ARE GREATER THAN INCOME, BY INCOME QUARTILE, ATO 2% SAMPLE FILES, (2013/14-2018/19)

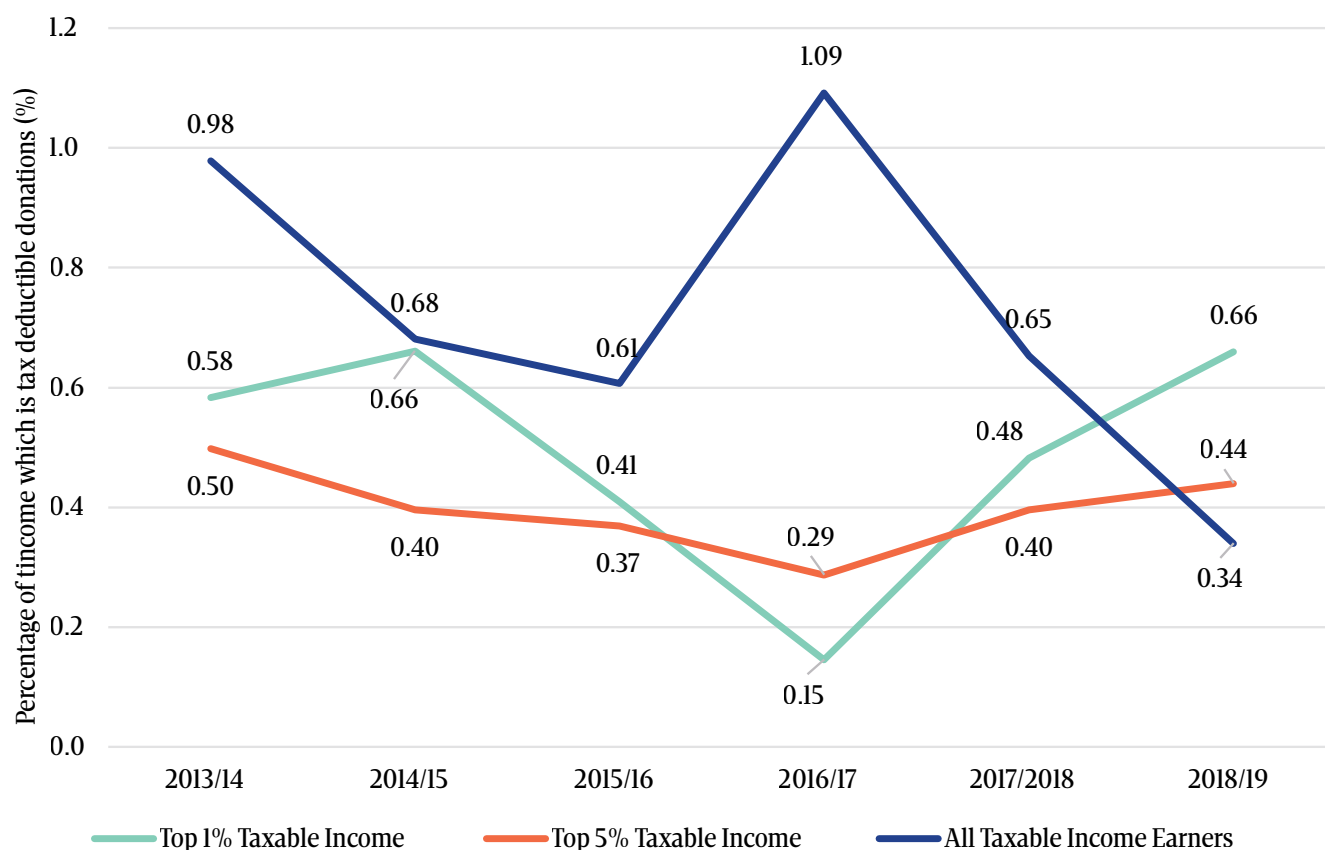


Source: ATO 2% sample files 2013/14–2018/19 (ATO, 2021a). Quartiles are based on individual taxable income. Percentage of tax-deductible giving is calculated as tax-deductible donations as a percentage of taxable income.

INCOME DONATIONS FOR TOTAL, TOP 5% AND TOP 1% INCOME EARNERS

Compared to the general population, the very top income earners have historically lower rates of tax-deductible giving. Figure 11 shows up to 2018/19 those in the top 1% and top 5% taxable income brackets, on average, gave a smaller percentage of taxable income as tax-deductible donations than the general population. Until 2018/19, the mean percentage of taxable income as tax-deductible donations of all income earners, was higher than those in the top 1% and top 5% of income earners. However, general population estimates are affected by the high giving low taxable income 'outlier' cases noted previously. Once these cases are removed, mean tax-deductible giving rates for the general population are roughly at the same level as for the top 1% and top 5% of taxable income earners.

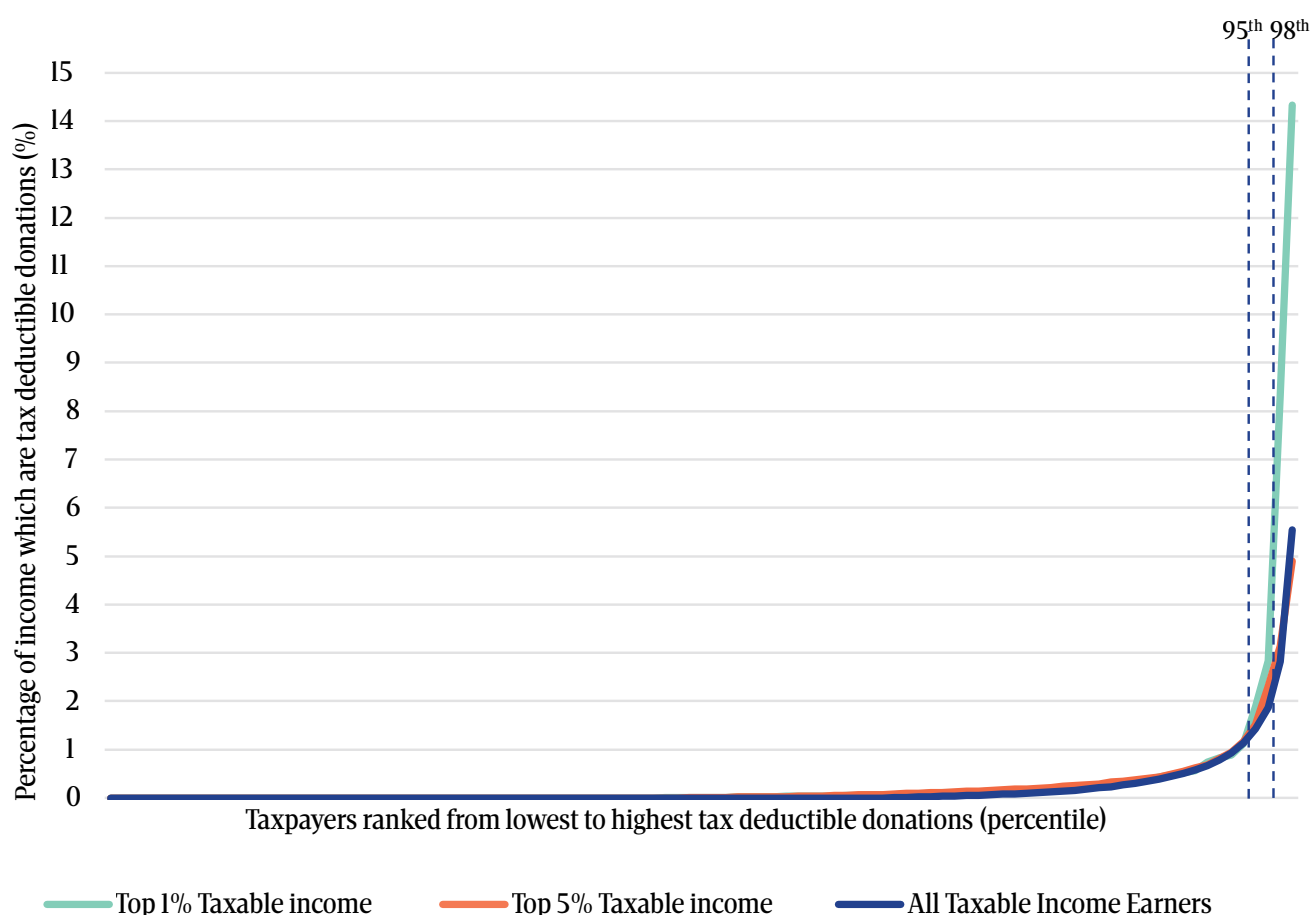
FIGURE 11: MEAN TAX-DEDUCTIBLE DONATIONS AS A PROPORTION OF TAXABLE INCOME, BY INCOME GROUP, ATO 2% SAMPLE FILES, (2013/14-2018/19)



Source: ATO 2% sample files 2013/14-2018/19 (ATO, 2021a).

Figure 12 shows the frequency distribution of tax-deductible donations as a percentage of 2018/19 taxable income for top 1%, 5%, and total income earners, with taxpayers ranked from lowest to highest tax-deductible donations. This figure highlights how the donation profiles for all three distributions are relatively similar, with tax-deductible donations as a percentage of income being relatively similar up until the 95th percentile of donations. Figure 11 also shows that only a small percentage of income earners give relatively large donations. For the top 1%, 5% and total taxable income earners, it is only at approximately the 95th percentile of total donors where tax-deductible giving represents more than 1% of taxable income. That is, only 5% of income earners are donating more than 1% of their taxable income. The rate of tax-deductible donations then rises sharply at the very tail of the distribution.

FIGURE 12: FREQUENCY DISTRIBUTION OF TAX-DEDUCTIBLE DONATIONS AS A PROPORTION OF TAXABLE INCOME, BY INCOME GROUP, ATO 2% SAMPLE FILES, (2018/19)



Source: ATO 2% sample files 2018/19 (ATO, 2021a).

In 2018/19, 46% of the top 1% taxable income earners, and 48% of the top 5%, did not report any tax-deductible donations, compared to 65.8% of total income earners. The proportion of those reporting tax-deductible donations has increased since 2014/15. Therefore, although giving rates of the top income cohorts might be smaller as a share of overall income, more of them are claiming some amount of a tax-deductible donation.

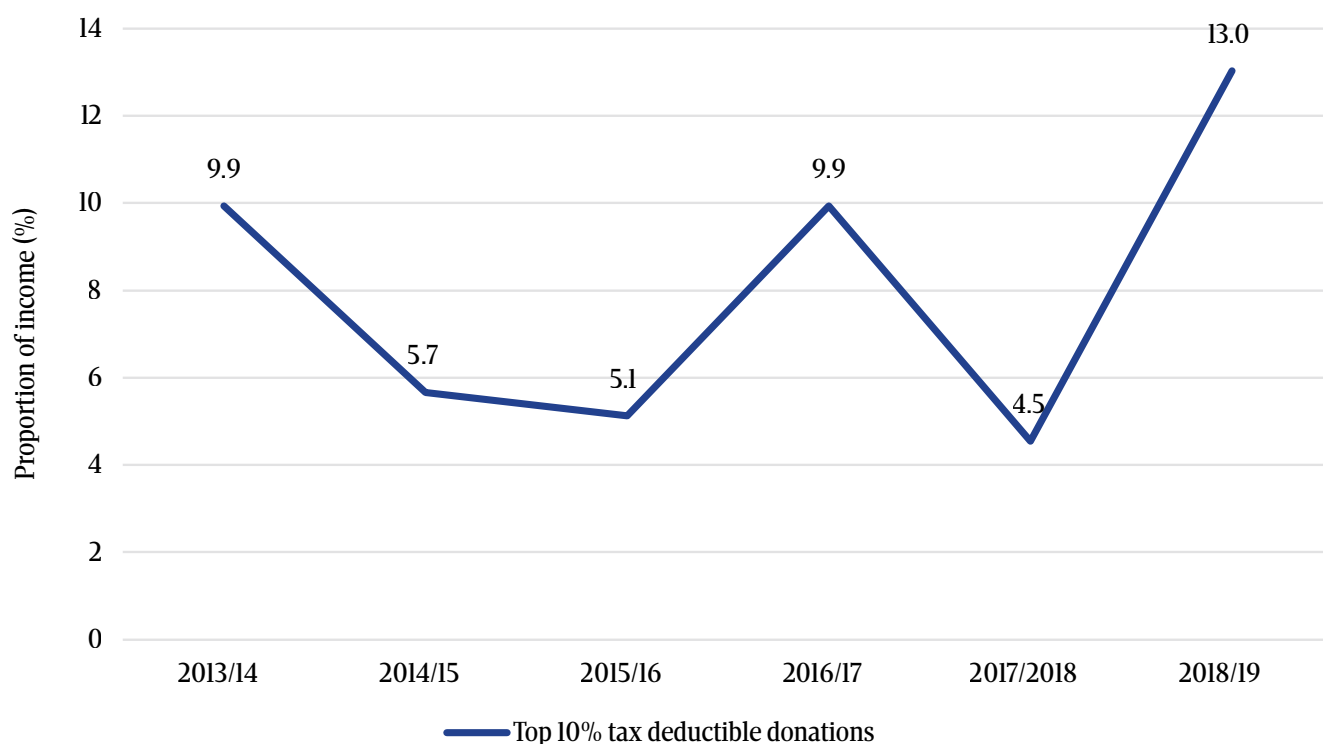
As shown in Figure 13, the top 10% of tax deductible donations since 2013/14 have ranged from 4.5% to 13% of income. This suggests there is a cohort of more generous Australians who donate at significantly higher levels than their peers. But as the high degree of variation from year-to-year shows, the share of income donated by the group in the top 10% is quite volatile.

TABLE 6: PERCENTAGE, MEAN AND MEDIAN TAX-DEDUCTIBLE DONATIONS, BY INCOME GROUP, ATO 2% SAMPLE FILES, (2013/14-2018/19)

Taxable income	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Top 1%						
Claimed donation/s as a deduction:						
Yes (%)	54.8%	54.0%	53.0%	48.9%	52.4%	53.7%
Mean donation	\$7,461	\$8,169	\$5,392	\$1,724	\$6,183	\$7,302
Median donation	\$717	\$662	\$671	\$592	\$770	\$922
No (%)	45.2%	46.0%	47.0%	51.1%	47.6%	46.3%
Top 5%						
Claimed donation/s as a deduction:						
Yes (%)	52.5%	51.6%	50.3%	48.5%	32.5%	51.6%
Mean donation	\$2,946	\$2,745	\$2,340	\$1,434	\$653	\$3224
Median donation	\$318	\$374	\$350	\$340	\$116	\$510
No (%)	47.5%	48.4%	49.7%	51.5%	67.5%	48.4%
All income earners						
Claimed donation/s as a deduction:						
Yes (%)	35.0%	34.4%	33.2%	32.5%	31.0%	34.2%
Mean donation	\$639	\$672	\$700	\$514	\$723	\$824
Median donation	\$108	\$109	\$110	\$113	\$116	\$140
No (%)	65.0%	65.6%	66.8%	67.5%	69.0%	65.8%

Source: ATO 2% sample files 2013/14–2018/19 (ATO, 2021a).

FIGURE 13: MEAN TAX-DEDUCTIBLE DONATIONS AS A PROPORTION OF TAXABLE INCOME FOR TOP 10% LARGEST TAX-DEDUCTIBLE DONATIONS, ATO 2% SAMPLE FILES, (2013/14-2018/19)



Source: Authors' calculations from ATO 2% sample files 2013/14–2018/19 (ATO, 2021a).

TAX-DEDUCTIBLE GIVING BY POSTCODE

Tax-deductible giving data based solely on wealth is unavailable for the general population. As a proxy for net wealth, we examine giving patterns in the ATO data for some of the wealthiest suburbs by postcode. For this analysis we use the ATO data cubes rather than the 2% unit record sample files. Here, the wealthiest suburbs refer to the postcodes with the most expensive household property prices. While the relationship between the wealth held by households and the price of property is imperfect, it represents a useful proxy for calculating household wealth using the ATO data.

The most expensive suburbs were sourced from CoreLogic, with the five most expensive suburbs included for Perth, Adelaide, Darwin, Canberra, and Hobart, and the 10 most expensive included for Sydney and Melbourne because of their larger size. Throughout this section we refer to these suburbs as the most expensive suburbs. For a list of the suburbs included, see Table A29 in the Appendix.

Table 7 shows the percentage of people reporting tax-deductible donations by the total population and the most expensive suburbs in each state and territory. When combined, each of the most expensive suburbs have only a marginally higher percentage of people reporting tax-deductible donations than the average in their state (with the exception of the ACT). Similarly, the most expensive suburbs in each state donate at a rate higher than the average national donation (with the exception of Queensland). The proportion of taxpayers reporting tax-deductible donations in the wealthiest suburbs has fallen marginally over time.

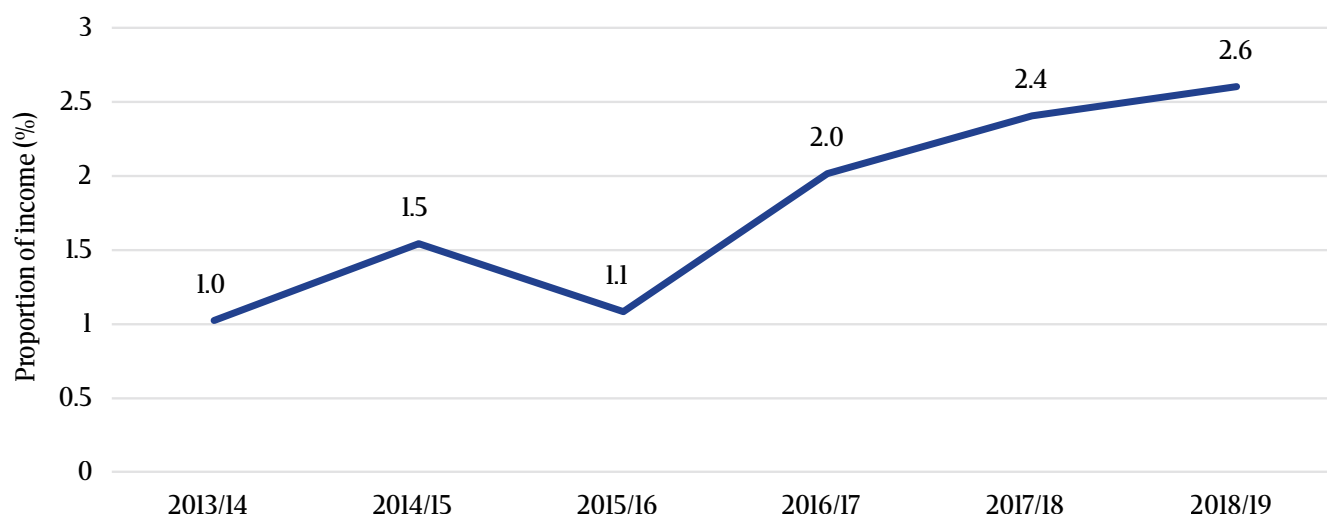
TABLE 7: PERCENTAGE OF PERSONS CLAIMING TAX-DEDUCTIBLE DONATIONS, BY MOST EXPENSIVE HOUSING SUBURBS AND TOTAL STATE/TERRITORY POPULATION, ATO DATA CUBES, (2018/19)

State	Total population (%)	Most expensive housing suburbs (%)
Australian Capital Territory	36.1%	35.7%
New South Wales	29.4%	32.7%
Victoria	31.6%	32.7%
Tasmania	27.0%	31.1%
South Australia	26.4%	30.1%
Northern Territory	28.1%	29.6%
Western Australia	26.7%	29.3%
Queensland	26.4%	27.7%
Total	28.9%	31.7%

Source: ATO Data cubes 2018/19 (ATO, 2021b). Most expensive suburbs sourced from CoreLogic with five most expensive suburbs included for Perth, Adelaide, Darwin, Brisbane, Canberra and Hobart. The 10 most expensive suburbs were included for Sydney and Melbourne.

Figure 14 shows that in the most expensive housing suburbs in each state, the proportion of tax-deductible donations to taxable income has increased from 1.0% in 2013/14 to 2.6% in 2018/19.

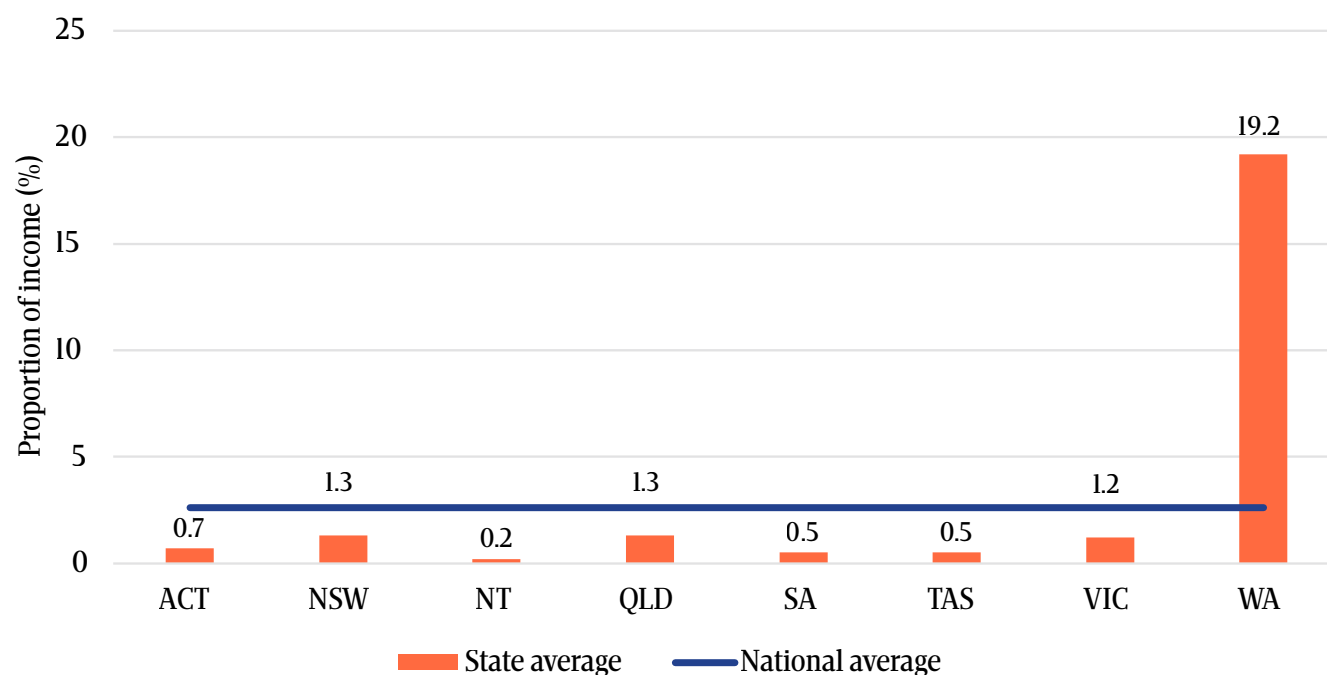
FIGURE 14: MEAN TAX-DEDUCTIBLE DONATIONS AS A PROPORTION OF TAXABLE INCOME FOR THE MOST EXPENSIVE HOUSING SUBURBS IN AUSTRALIA, ATO DATA CUBES, (2013/14-2018/19)



Source: ATO Data cubes 2013/14–2018/19 (ATO, 2021b). Most expensive suburbs sourced from CoreLogic with five most expensive suburbs included for Perth, Adelaide, Darwin, Brisbane, Canberra and Hobart. The 10 most expensive suburbs were included for Sydney and Melbourne. Giving rates are calculated as tax-deductible donations as a percentage of taxable income.

In the most expensive housing suburbs in each capital city, the proportion of tax-deductible donations to taxable income in 2018/19 varied from 0.2% in the Northern Territory to 19.2% in Western Australia (Figure 15). Western Australia's giving rate was significantly above the average rate of 2.6%, and no other state reported a value above 1.3%. This highlights the degree to which the top donors in Western Australia give considerably more than others, both in the wealthy suburbs in which they live and relative to people in wealthy suburbs in other states and territories, considerably bumping up mean giving rates in these suburbs. Indeed, similarly skewed data points are evident at the whole of state level for Western Australia.

FIGURE 15: MEAN TAX-DEDUCTIBLE DONATIONS AS A PROPORTION OF TAXABLE INCOME FOR THE MOST EXPENSIVE HOUSING SUBURBS, BY STATE/TERRITORY, ATO DATA CUBES, (2018/19)



Source: ATO Data cubes 2018/19 (ATO, 2021b). Most expensive suburbs sourced from CoreLogic with five most expensive suburbs included for Perth, Adelaide, Darwin, Brisbane, Canberra and Hobart. The 10 most expensive suburbs were included for Sydney and Melbourne. Giving rates are calculated as tax-deductible donations as a percentage of taxable income.

The total amount of tax-deductible donations from the most expensive housing suburbs in all states for 2018/19 was \$1,119,742,362 (CPI adjusted to 2021). Excluding tax-deductible donations from Western Australia, the national average proportion of tax-deductible donations to taxable income in the wealthiest housing suburbs in 2018/19 was 1%.

SUMMARY

This section shows there are a relatively low number of people making large donations as a proportion of their income. Not surprisingly, higher income earners tend to provide the largest donations and also claim tax-deductible donations at a higher rate than average. However, when they do donate, those in the bottom 25% tend to give a higher overall percentage of their income than those in the higher income groups.

There is a section of the top income groups who donate a significant portion of their income, which is reflected in the significant gap between median and average levels of donation. As highlighted in Figure 11, the distribution of giving as a share of income looks similar across those in the top income brackets, and only gets significantly higher around the 98th percentile and above. In other words, the donation patterns are very similar until you get to the top 2% of donations by those in each category. This suggests there is scope to grow giving among the remaining 98% in the top income brackets, as this cohort has a higher capacity to give than those who are giving at similar rates lower down the distribution (assuming they are not giving through other structured giving).

The analysis of tax-deductible giving data from the wealthiest suburbs in each state and territory showed that people in these suburbs claim deductions from giving more often than people from other suburbs. Figure 13 showed the proportion of tax-deductible gifts to income has grown from 1% to 2.6%, suggesting donations are rising in these suburbs. However, it still represents a relatively low share of income donated considering the overall wealth held in these suburbs.

4. ULTRA HIGH NET WEALTH (UHNW) GIVING IN AUSTRALIA

This section examines giving rates among the 200 wealthiest people in Australia⁶ and how they compare to their international peers. We match equivalent wealth and donation ranks to determine the share of wealth for each donation. For example, we match the 10th highest donation with the wealth of the 10th wealthiest person. This provides a sense of what the donations represent regardless of who is making them. Donations are then examined as a 'share of the wealth of the person who made the donation', where this limited data is available⁷. Together, this provides an understanding of current donations and an approximation of what current donations could represent if donated by the wealthiest Australians.

There are a number of limitations and nuances with the data and analysis in this section that are described in the Appendix. While the overall trends in the analysis hold true, appropriate, specific individual-to-individual comparisons should be treated with a degree of caution because much is unknown. The Financial Review Philanthropy 50 List is not comprehensive, only including publicly available data and people who have agreed to be on the list. The 2022 Financial Review Philanthropy 50 List exhibited a drop in philanthropic giving in 2022; a departure from the trend of increasing giving in previous years.

The first part of the analysis in this section examines the basic composition of the top 50 known philanthropic donations in the last year. To begin with, we review the number of top donations made by people who are deceased in comparison to those who are living. Deceased includes publicly reported bequests. We then examine the number of donations on the list made by those in the AFR Top 200 Rich List in comparison to those outside the top 200, and compare the overall amounts donated by each group.

The next part of our analysis examines the top donations as a share of wealth held by the wealthiest Australians. If every person gave based on their level of wealth, the top donation would be made by the wealthiest person, with the second top donation made by the second wealthiest person and so on. The third part of our analysis demonstrates that presently, based on the available data, this is not the case. Instead, many of those who give the largest donations are either lower in the AFR Top 200 Rich List comparative to the size of their donation, or are not in the wealth list at all. For many of the largest donations in the Financial Review Philanthropy 50 List (AFR Philanthropy 50), the donor is deceased and therefore an estate is being given away entirely, which inflates the size of donations being made.

MAIN POINTS

- Donations from deceased people and trusts in the name of deceased people are a central feature of the donor landscape:
 - They represented 42% of the personal and foundation donations on the 2022 Financial Review Philanthropy 50 List of top donations for 2020/21.
- The top donations represent a small share of the wealth held by the wealthiest Australians:
 - The average amount of the top 10 donations made by a foundation, trust or estate on the 2022 Financial Review Philanthropy 50 List was \$60.2 million, in a period when the wealth of the 10 wealthiest increased by an average of \$4.66 billion.
 - The Top 10 donations from foundations, trusts and estates on the 2022 Financial Review Philanthropy 50 List represented 0.27% of the wealth held by the 10 wealthiest Australians.
 - The Top 10 donations from foundations, trusts and estates on the 2022 Financial Review Philanthropy 50 List were worth only 1.29% of the wealth growth recorded by the 10 wealthiest Australians last year.

⁶ We draw on data from the AFR Top 200 Rich List to understand the wealth of those at the top of the distribution in Australia. This means our analysis does not include individuals with lower levels of UHNW.

⁷ The exact values of donations given should be treated with some caution, since the figures on which the analysis is based are estimates based on known information. Many wealthy donors choose to remain hidden, which means their donations may not be included.

SHARE OF TOP DONATIONS BY 200 WEALTHIEST AUSTRALIANS

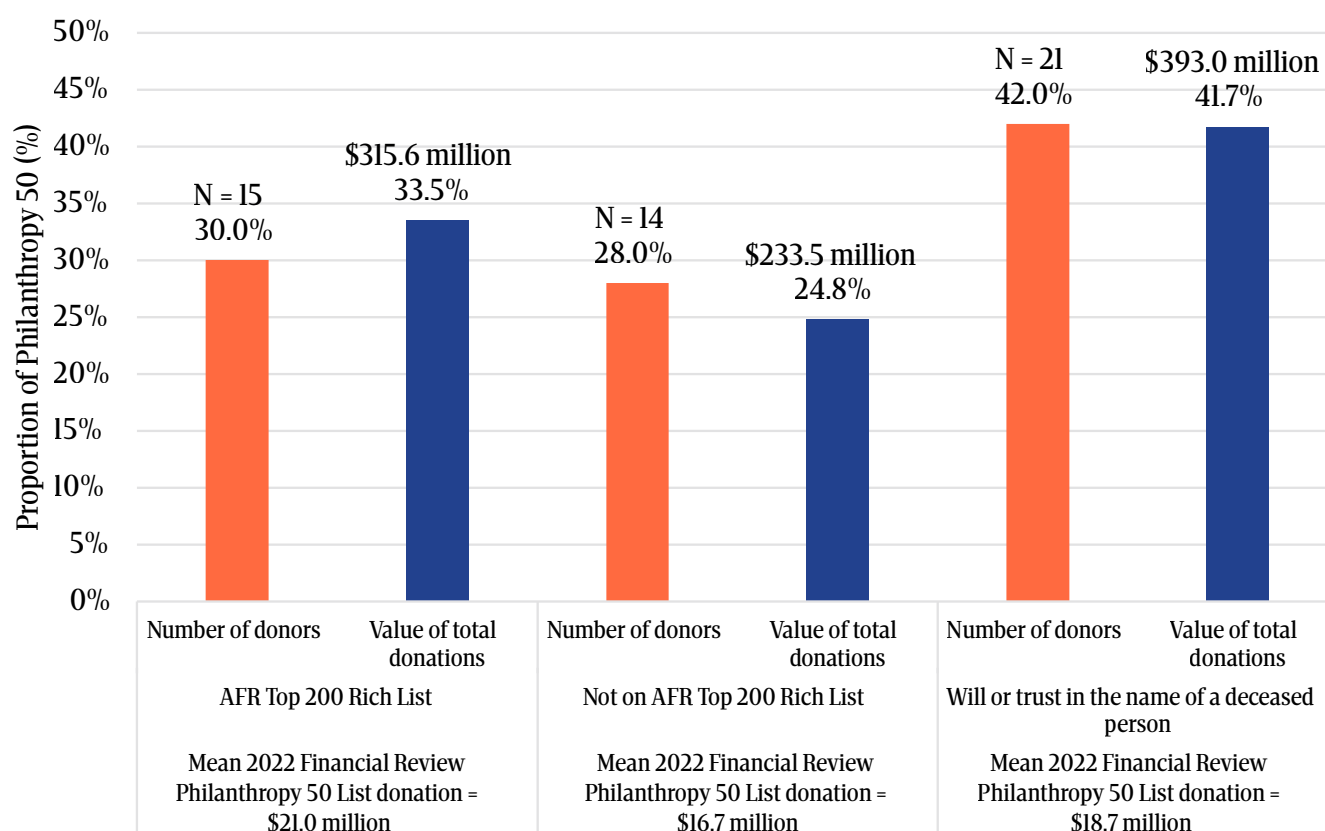
We examine the composition of the top 50 donations on two criteria: whether the donor is living or deceased and, if living, whether they are on the AFR Top 200 Rich List. Many wealthy donors choose to remain anonymous, which means their donations are not included and the 2022 Financial Review Philanthropy 50 List is not comprehensive.

This simple analysis highlights some striking characteristics about the current structure of donors in the 2022 Financial Review Philanthropy 50 List of top donations. Figure 16 shows 42% of donations in the 2022 Financial Review Philanthropy 50 List are the execution of a will, or donations from a trust in the name of a deceased person. It can also be seen that in 2022, 28% of the living donors are not in the AFR Top 200. Only 15 people, or 30% of known donors, on the 2022 Financial Review Philanthropy 50 List are also on the AFR Top 200 Rich List. This analysis is not comprehensive due to the gaps in the data, but gives an indication of the amount of giving.

Similarly in 2021, 42% of donations on the 2022 Financial Review Philanthropy 50 List were the execution of a will, or donations from a trust in the name of a deceased person, 22% of the living donors were not on the 2022 Financial Review Philanthropy 50 List and only 15 people or 30% of donors on the 2022 Financial Review Philanthropy 50 List were also on the 2021 AFR Top 200 Rich List.

Donations by AFR Top 200 members who featured in the 2022 Financial Review Philanthropy 50 List totalled \$315.6 million, representing 33.5% of donations on the list and 30% of donors. Donations that are wills or trusts in the name of a deceased person represented 41.7% of donations and 42% of the donors on the list.

FIGURE 16: NUMBER OF DONORS AND VALUE OF DONATIONS IN THE 2022 FINANCIAL REVIEW PHILANTHROPY 50 LIST, BY AFR TOP 200 RICH LIST MEMBERSHIP, (2022)



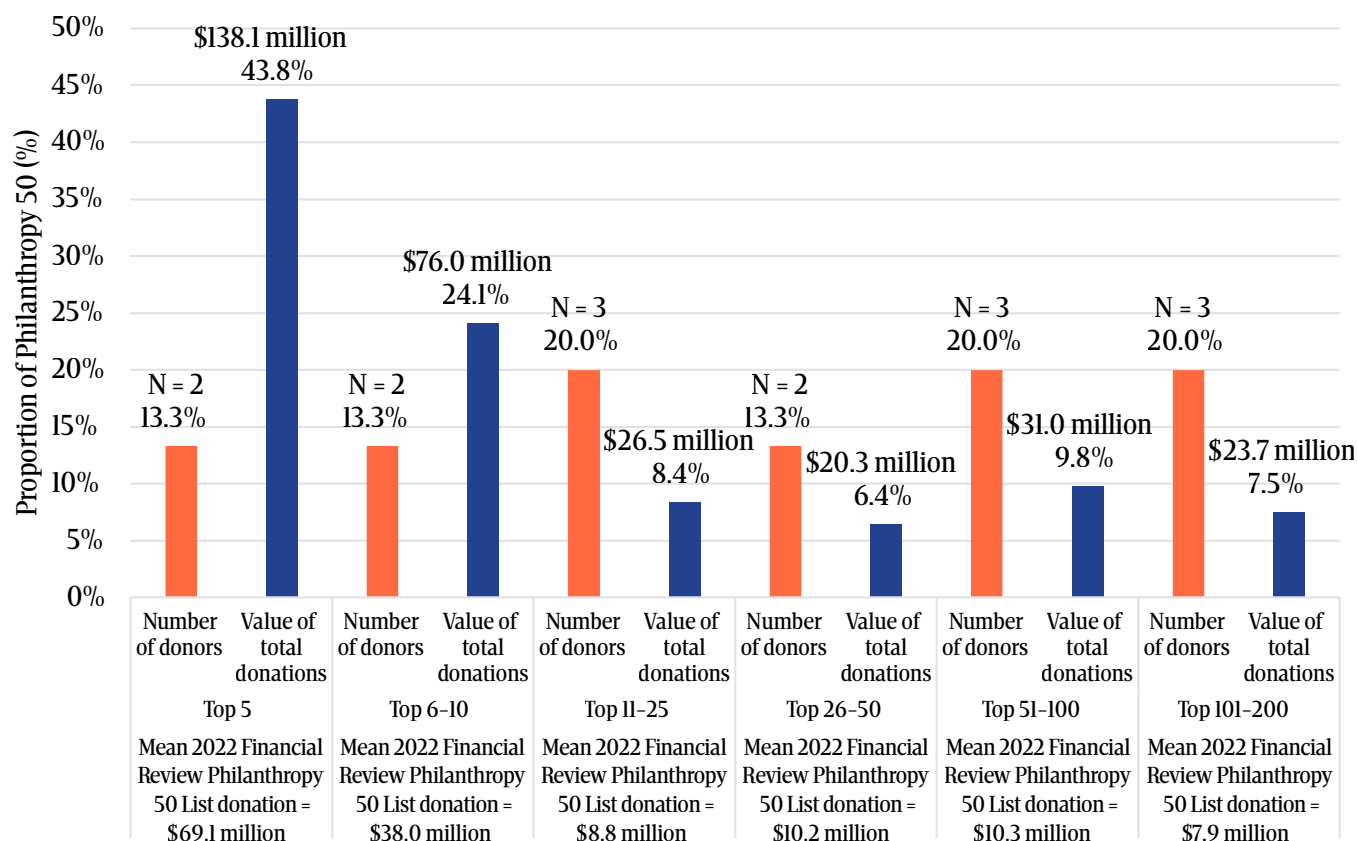
Source: Authors' calculations using AFR Top 200 Rich List data (AFR, 2022) and 2022 Financial Review Philanthropy 50 List (McLeod, 2022).

Looking at the 2022 Financial Review Philanthropy 50 List, total donations made by members of the Top 200 were higher than 2022 at \$386.7 million, representing 40% of donations and 30% of donors. Donations from wills or trusts in the name of a deceased person represented 43% of donations and 48% of donors on the 2022 Financial Review Philanthropy 50 List.

It is also important to understand where those on the 2022 Financial Review Philanthropy 50 List sit within the AFR Top 200 Rich List, since there is significant inequality within the list as well. Figure 16 lists the number of wealthy Australians on the 2022 Financial Review Philanthropy 50 List, based on their cohort within the AFR Top 200 Rich List. It shows two of the 2022 Financial Review Philanthropy 50 List donors are in the top five, meaning three of the five wealthiest Australians are not on the 2022 Financial Review Philanthropy 50 List. The results are similar for 2021.

While the number of people in the 2022 Financial Review Philanthropy 50 List from each AFR Top 200 cohort provides value, it is the value contributed from each cohort that highlights their overall comparative differences. Given the heterogeneity of wealth in the AFR Top 200 Rich List, it is expected that the top five would contribute the greatest proportion of the overall donations. Figure 17 shows the donation value of each cohort. As can be seen from Figure 17, the cohort that provides the most as a share of donations given is the top five, accounting for 44% of the donations made by the 2022 AFR Top 200 on the 2022 Financial Review Philanthropy 50 List. This shows that the donation patterns among the wealthiest 200 are not equally distributed. That is, those towards the bottom are donating more than their fair share when compared to those above them who have significantly higher amounts of wealth to donate from.

FIGURE 17: NUMBER OF DONORS AND VALUE OF DONATIONS IN THE 2022 FINANCIAL REVIEW PHILANTHROPY 50 LIST, BY AFR TOP 200 RICH LIST RANK, (2022)



Source: Authors' calculations using AFR Top 200 Rich List data (AFR, 2022) and 2022 Financial Review Philanthropy 50 List (McLeod, 2022).

Larger discrepancies were seen in 2021 where the top 51-100 cohort made the highest share of donations, accounting for 38% of the donations made by the top 200 on the 2022 Financial Review Philanthropy 50 List.

As a percentage of donations, the \$138.1 million donated by the 2022 top five is the largest, making up 43.8% of all donations. The top 6-10 make up the second largest set of donations, totalling \$76 million (24.1% of all donations). In 2021 the top 51-100 made the largest total donations of \$148.4 million, with the top five coming in second at \$112 million.

It is important to recognise that some of those in the AFR Top 200 will have made donations that do not feature on the 2022 Financial Review Philanthropy 50 List.

UNDERSTANDING THE TOP DONATIONS IN COMPARISON TO THE WEALTH OF THE WEALTHIEST AUSTRALIANS

So far, we have discussed the composition of the donations made by those in the AFR Top 200 who are on the 2022 Financial Review Philanthropy 50 List. Insight about current giving levels can also be gained by examining the size of donations relative to the wealth of the top 200 Australians. This can be done by assessing donations both matched and unmatched to specific donors.

Examining donations that are unmatched to donors allows for the inclusion of deceased people and individuals for whom we do not have donation data. It gives a sense of what donations look like overall, without knowing the specific people who made them. We can compare this to data for those we know to donate, to understand the difference between donations as a share of overall wealth and in relation to the wealth of individual donors. This is informative about the wealth that remains underutilised, and which could be used to increase donation levels.

There is an uneven distribution of wealth within the AFR Top 200 (Katic & Leigh, 2016), thus, it makes sense to compare different points in the distribution. Throughout this section we include analysis of different points in the distribution to highlight the relatively low levels of giving as wealth increases among the AFR Top 200.

Table 8 provides data on unmatched donations for 2021 and 2022, where the average for each value has been taken and used for comparison. For example, the five wealthiest Australians have an average wealth of \$28.7 billion in 2022, and their wealth grew by an average of \$4.94 billion in the last year. In comparison to their wealth, the top five philanthropic donations in 2022 were worth an average of \$94.32 million, which represents 0.33% of the wealth held by those in the top five, and 1.91% of their wealth growth in the last year.

Donations as a share of total wealth, and change in wealth, have dropped from 2021 to 2022.

TABLE 8: DONATIONS AS A SHARE OF TOTAL WEALTH AND CHANGE IN WEALTH, AFR TOP 200 RICH LIST AND FINANCIAL REVIEW PHILANTHROPY 50 LIST, (2021 AND 2022)

For a person (or donation) in...	Average...			Donation as share of...	
	Wealth (\$ Billions)	Change in Wealth (\$ Billions)	Equivalent Donation (\$ Millions)	Total wealth %	Change in wealth %
2021					
Top 5	\$23.7	\$3.1	\$99.9	0.42%	3.18%
Top 10	\$17.7	\$4.0	\$62.6	0.35%	1.57%
Top 25	\$10.3	\$2.0	\$32.9	0.32%	1.65%
Top 50	\$6.5	\$1.5	\$19.3	0.30%	1.32%
2022					
Top 5	\$28.7	\$5.0	\$94.3	0.33%	1.91%
Top 10	\$21.9	\$4.7	\$60.2	0.27%	1.29%
Top 25	\$12.1	\$2.1	\$31.9	0.26%	1.50%
Top 50	\$7.5	\$1.2	\$18.8	0.25%	1.56%

Source: Authors' calculations using AFR & JBWere 2021 and 2022 Rich List data (AFR, 2021; 2022) and AFR & JBWere 2022 Financial Review Philanthropy 50 List (McLeod, 2021, 2022).

Table 8 shows the size of the top donations in comparison to the wealth held by the different wealth cohorts. For example, the average donation in the 2022 Philanthropy 50 list (\$18.8 million) is worth only 0.25% of the average wealth of the 50 wealthiest Australians, and 1.56% of their average wealth growth in the last year. As explained above, once a person clears a certain level of wealth, the best way to understand their income is through the change in their wealth, rather than the personal income they earn, as the change in the value

of their assets is more important to their wealth (for an extended explanation of this see ProPublica (Eisinger et al., 2021)). That means the amount they donate as a share of their income is better understood through the change in the value of their assets. When we do this, we can see that the 2022 Financial Review Philanthropy 50 List donations represent only the equivalent of the 95th percentile of tax-deductible donations (as presented above in Section 3). We might expect a higher level of donation from this cohort, given its wealth. We should also take into account that many of these individuals are not donating at these rates, as in these assumptions we have aligned the top donation with the person holding the most wealth.

Returning to the data analysed in the previous section, only 15 of the top 200 are on the 2022 Financial Review Philanthropy 50 List, and almost half of the donations on this list are made by people who are deceased, inflating the average donation. For example, the Paul Ramsay Foundation was the largest donor in 2022, contributing \$143 million, or 15.2% of donations in the 2022 Financial Review Philanthropy 50 List.

Because the 2022 Financial Review Philanthropy 50 List only includes the top 50 donations, there is a gap in information about donors outside the list. But we can examine what their giving rates would look like under different assumptions. The first assumption we can make is the most generous, which is to assume that every person on the AFR Top 200 Rich List donated the same amount as the lowest donation on the 2022 Financial Review Philanthropy 50 List. We then calculated that amount as a share of their wealth and wealth growth over the past year. It is important to acknowledge that there are likely some donors who have donated above the minimum donation on the 2022 Financial Review Philanthropy 50 List, but who have chosen to keep their donation private.

Table 9 shows the average wealth held by people on the AFR Top 200 Rich List who did not feature on the 2022 Financial Review Philanthropy 50 List. Their average wealth was \$2.36 billion in 2022, up from \$2.07 billion in 2021. Table 9 also shows the minimum donation required to make the 2022 Financial Review Philanthropy 50 List, which was \$4.4 million donated by both the Besen Family Foundation and the McCusker Charitable Foundation. The minimum donation required to make the 2021 Financial Review Philanthropy 50 List was \$4 million.

TABLE 9: DONATIONS FOR THOSE IN THE AFR TOP 200 RICH LIST BUT NOT ON THE FINANCIAL REVIEW PHILANTHROPY 50 LIST, AFR TOP 200 RICH LIST AND FINANCIAL REVIEW PHILANTHROPY 50 LIST, (2021 AND 2022)

	2021	2022
Donations for those in the AFR Top 200 but not on the Financial Review Philanthropy 50 List	\$ Billions	\$ Billions
Total wealth of those in the top 200 but not on the Financial Review Philanthropy 50 List	\$385.7	\$437.4
Average wealth of people in top 200 not on the Financial Review Philanthropy 50 List	\$2.1	\$2.4
Average change in wealth of those in top 200 not on the Financial Review Philanthropy 50 List	\$0.251	\$0.331
Minimum donation required to make Financial Review Philanthropy 50 List	\$0.004	\$0.004
Minimum donation as a share of the average wealth of top 200 person not on the Financial Review Philanthropy 50 List	0.19%	0.19%
Minimum donation as a share of average change in wealth of top 200 person not on the Financial Review Philanthropy 50 List	1.59%	1.33%

Source: Authors' calculations using 2022 AFR Top 200 Rich List data (AFR, 2022) and 2021 and 2022 Financial Review Philanthropy 50 List (McLeod, 2021, 2022).

Table 9 shows the minimum donation to get on the 2022 Financial Review Philanthropy 50 List represent only 0.19% of the average wealth held by those in the 2022 top 200 not currently on the Financial Review Philanthropy 50 List. The donation would only represent 1.33% of their average change in wealth. As explained above, there are good reasons for treating the change in wealth as the equivalent of a person's income when they are extremely wealthy. In that sense, we can compare change in wealth and income-based donations. Currently, around 4% of people who make tax-deductible donations donate at a rate above 1.33% of their income (see Figure 7 in the Section on Tax-Deductible Rates of Giving).

Table 10 shows the average amount given by the top 10 ranking foundations (\$60.2 million) represents just 0.274% of the wealth held by Australia's 10 wealthiest individuals, in a period when their average wealth grew 33.41%. While an average philanthropic donation of \$60.2 million appears large, it is less significant given the 10 wealthiest Australians grew their wealth by an average of \$4.66 billion in this period, according to our calculations.

TABLE 10: TOP 10 WEALTHIEST AUSTRALIANS AND TOP 10 DONATIONS FROM TRUSTS AND FOUNDATIONS, AFR TOP 200 RICH LIST AND FINANCIAL REVIEW PHILANTHROPY 50 LIST, (2021 AND 2022)

Top 10 Financial Review Philanthropy 50 List donations in comparison to the wealth of the top 10 wealthiest Australians	2021	2022
Total wealth held by top 10 (\$ Billions)	\$177.1	\$219.4
Average wealth of top 10 (\$ Billions)	\$17.7	\$21.9
Average change in wealth of top 10 (\$ Billions)	\$4.03	\$4.66
Total value of top 10 donations on the Financial Review Philanthropy 50 List (\$ Millions)	\$625.5	\$602.0
Average top 10 donation on the Financial Review Philanthropy 50 List (\$ Millions)	\$62.6	\$60.2
Average of Financial Review Philanthropy 50 List donations as a share of wealth (%)	0.35%	0.27%
Average of Financial Review Philanthropy 50 List donations as a share of change in wealth (%)	1.55%	1.29%

Source: Authors' calculations using AFR 2022 Top-200 Rich List data (AFR, 2022) and AFR 2021 and 2022 Financial Review Philanthropy 50 List (McLeod, 2021, 2022).

In addition to the Financial Review Philanthropy 50 List produced by the AFR and JBWere, The Australian produces a Top 25 Philanthropists List, using a different methodology (for an extended discussion of the differences in methodology, refer to the Appendix). It includes some corporate contributions, resulting in some additional contributions being counted. A second notable difference is that The Australian's list only includes donations by living people, excluding donations from foundations like the Paul Ramsay Foundation.

Table 11 shows how the 10 largest donations on the Top 25 Philanthropists List compare to the wealth of the top 10 Australians. It uses wealth and donations data from 2021, as the Top 25 Philanthropists List for 2022 has not been released. On average the top 10 personal donations were worth \$27.22 million, representing 0.154% of the wealth of the 10 wealthiest Australians and 0.676% of their wealth growth over the year.

TABLE 11: 2021 TOP 10 DONATIONS FROM THE TOP 25 PHILANTHROPISTS LIST IN COMPARISON TO THE WEALTH OF THE TOP 10 WEALTHIEST AUSTRALIANS , AFR TOP 200 RICH LIST AND TOP 25 PHILANTHROPISTS LIST, (2021)

Top 10 donations from the Top 25 Philanthropists List in comparison to the wealth of the top 10 wealthiest Australians	
Total wealth held by top 10 (\$ Billions)	\$177.1
Average wealth of top 10 (\$ Billions)	\$17.7
Average change in wealth of top 10 (\$ Billions)	\$4.0
Total value of top 10 donations (\$ Millions)	\$272.2
Average top 10 donation (\$ Millions)	\$27.2
Average of donations as a share of wealth (%)	0.15%
Average of donations as a share of change in wealth (%)	0.68%

Source: Authors' calculations using AFR 2021 Top-200 Rich List data (AFR, 2021) and Top 25 Philanthropists List 2021 data (The Australian, 2021).

The personal donations in the 2021 Top 25 Philanthropists List (\$27.22 Million; Table 11) are smaller than the amounts on the 2021 Financial Review Philanthropy 50 List⁸ (\$62.55 million; Table 10). This reflects the inclusion of deceased⁹ people in the Financial Review Philanthropy 50 List. Two of the top 10 donations in the 2021 Financial Review Philanthropy 50 List were deceased estates, and 24 of the total entries were estates, trusts or foundations in the name of a deceased person. These donations accounted for 43% of the \$964 million donated by the 50 leading donors. As wealth continues to grow in Australia, there is scope for personal donations to increase above the current low average of 0.154%.

UNDERSTANDING THE MATCHED DONATIONS OF THE WEALTHIEST AUSTRALIANS¹⁰

To help understand the current giving rates among the wealthiest Australians, in this section we summarise the giving rates for those for whom we have both wealth and donations data. We also use the cut-off points for donations to estimate the maximum number of people who donate above a certain level.

MAIN POINTS

- 15 of the 2022 AFR Top 200 gave a donation that was on the 2022 Financial Review Philanthropy 50 List. Of those:
 - 1 donated more than 1% of their total wealth last year.
 - 14 donated worth more than 2% of their wealth growth in the last year.
- Based on our calculations, 97.5% of people donated at a rate that was less than 0.75% of their overall wealth.
- Among people whose wealth levels could be identified and matched with their donation, the largest proportion of wealth donated was 1.46%.

Evaluating donations based solely on size favour those with more wealth, as their donations are less financially burdensome. To help mitigate this issue, in this section we look at donation based on the share of the individual's wealth.

Table 12 summarises the rates of donation for those who are on both the Financial Review Philanthropy 50 List and the AFR Top 200 Rich List. It shows that in 2022, only 6.7% of the donations from those on both lists were above 1% of the wealth held by that person, compared to 20% in 2021.

The minimum donation to get on the Financial Review Philanthropy 50 List in 2022 was \$4.4 million, representing 0.69% of the minimum wealth on the 2022 AFR Top 200 Rich List (\$629 million). We can therefore calculate that only three people in the AFR Top 200 donated at a rate exceeding 0.75% of their wealth.

⁸ Notably, differences in methodology mean this list of personal donations includes corporate donations, where the individual has donated through the business they own. While there are some issues with looking at donations made in this way – as it attributes donations made by a corporate entity to an individual, it still provides some valuable insights around those levels of donation. Indeed, even with the most generous parameters on what to include as a donation, there is still clear scope for increased giving.

⁹ While the 2021 Financial Review Philanthropy 50 List includes donations for people who are deceased, these are not included in the 2021 Top 25 Philanthropists List.

¹⁰ The Financial Review Philanthropy 50 List provides a summary of the top 50 donations made by individuals and foundations in Australia. In addition to donations made by living individuals, the list includes donations or allocations made by the estate or trusts from deceased individuals. This means that many of the donations on the list cannot be directly matched with the wealth of a specific individual. Of the 50 donations on the Financial Review Philanthropy 50 List, 21 are foundations in the name of a deceased person, or bequests made on behalf of a deceased person. 15 of the remaining 29 donations are made by members on the AFR Top 200 Rich List, and the final 14 donations are made by individuals who are alive, but for whom there is no available wealth data.

TABLE 12: DONATIONS BY THOSE ON BOTH THE FINANCIAL REVIEW PHILANTHROPY 50 LIST AND THE AFR TOP 200 RICH LIST, (2021 AND 2022)

Range of Donations	2021		2022	
	Number of Donors	Percentage of Donations	Number of Donors	Percentage of Donations
Wealth donated is between 0 to <0.10%	0	0.0%	1	6.7%
Wealth donated is between 0.10% to <0.25%	6	40.0%	6	40.0%
Wealth donated is 0.25 to <0.50%	4	26.7%	3	20.0%
Wealth donated is 0.50% to <0.75%	1	6.7%	2	13.3%
Wealth donated is 0.75% to <1%	1	6.7%	2	13.3%
Donate 1% or more	3	20.0%	1	6.7%

Source: Authors' calculations using 2021 and 2022 AFR Top 200 Rich List data (AFR, 2021, 2022) and 2021 and 2022 Financial Review Philanthropy 50 List (McLeod, 2021, 2022).

The following Tables 13–14 and Figures 17–19 use wealth and donations data from 2021 only.

Table 13 is a similar summary to Table 12, this time looking at The Australian's Top 25 Philanthropists List donations.¹¹ These donations represent a lower share of wealth than the Financial Review Philanthropy 50 List donations, with 82% worth less than 0.5% of the person's wealth. Of those, 39% are worth less than 0.25% of the person's wealth. As can be seen in Table 13, only a small share of the donations exceeds 1% of a person's wealth (7% of those on the list, and only 1% of the 2021 AFR Top 200).

Using the same type of calculations as applied to the 2021 Financial Review Philanthropy 50 List, we can estimate a threshold share of wealth above which people did not donate. To make The Australian's Top 25 Philanthropists List in 2021, the required donation was \$3 million, which is worth 0.508% of the \$590 million held by the lowest person on the AFR Top 200 Rich list that year. The Top 25 Philanthropists List shows five people donated over 0.5% of their wealth in 2021, which means 97.5% of people in the AFR Top 200 donated at a rate below 0.508% of their wealth.

TABLE 13: SHARE OF WEALTH DONATED BY THE AUSTRALIAN TOP 25 PHILANTHROPISTS LIST DONORS, (2021)

Share of Wealth Donated	Number of Donors	Percentage of donors
Wealth donated is between 0 to <0.1%	4	14.3%
Wealth donated is between 0.1% to <0.25%	7	25.0%
Wealth donated is 0.25 to <0.50%	12	42.9%
Wealth donated is 0.50% to <0.75%	2	7.1%
Wealth donated is 0.75% to <1%	1	3.6%
Donate 1% or more	2	7.1%

Source: Authors' calculations using 2021 AFR Top 200 Rich List data (AFR, 2021) and The Australian Top 25 Philanthropists List data 2021 (The Australian, 2021).

¹¹ The total number of people on the list is 28 rather than 25, because three of the donations listed are combined donations involving multiple people on the AFR & JBWere Rich List. To provide the most generous reading possible, in each instance where multiple parties are listed, we attribute the full donation to each of the parties listed.

Table 14 provides a summary of the combined donations on the 2021 Financial Review Philanthropy 50 List and The Australian's Top 25 Philanthropists List. Where a donor appears on both lists the higher figure has been taken for their donations. When using this approach, the total number of donors giving above 1% of their wealth is four, which represents just 2% of the AFR Top 200.

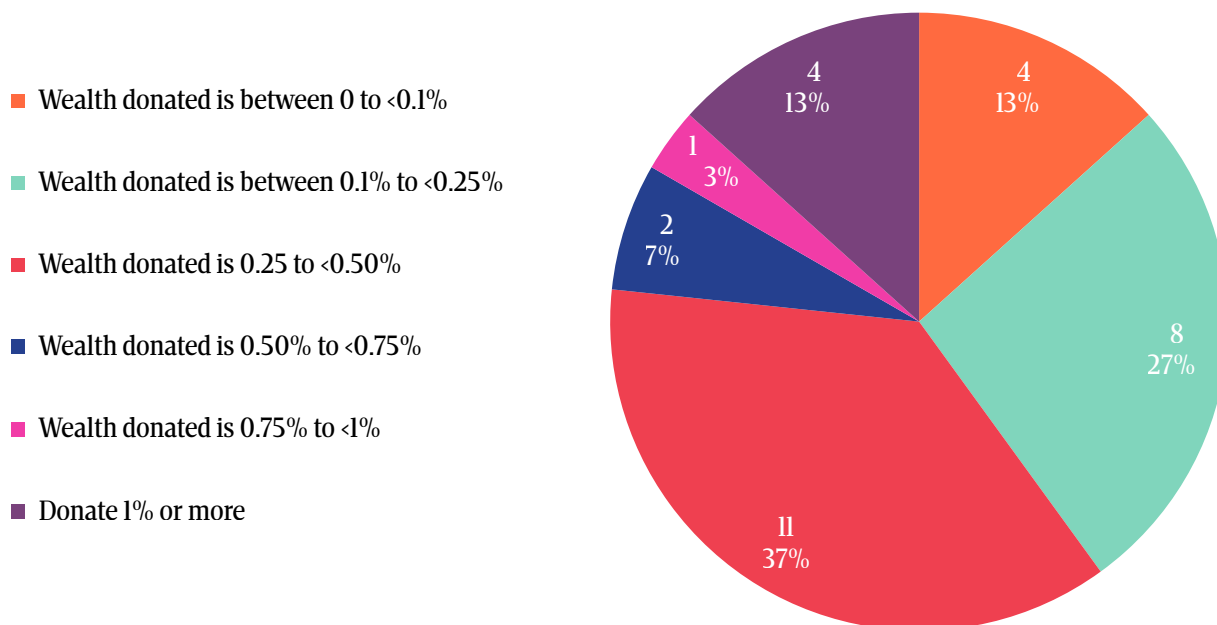
TABLE 14: SHARE OF WEALTH DONATED BY THE FINANCIAL REVIEW PHILANTHROPY 50 LIST AND THE AUSTRALIAN TOP 25 PHILANTHROPISTS LIST DONORS, (2021)

Range of Donations	Number of Donors	Percentage of Donations
Wealth donated is between 0 to <0.1%	4	13.3%
Wealth donated is between 0.1% to <0.25%	8	26.7%
Wealth donated is 0.25 to <0.50%	11	36.7%
Wealth donated is 0.50% to <0.75%	2	6.7%
Wealth donated is 0.75% to <1%	1	3.3%
Donate 1% or more	4	13.3%

Source: Authors' calculations using 2021 AFR Top 200 Rich List data (AFR, 2021), 2021 Financial Review Philanthropy 50 List (McLeod, 2021), and The Australian Top 25 Philanthropists List data 2021 (The Australian, 2021).

Figure 18 provides a visualisation of the different amounts donated, showing the majority of donors sit in the ranges between 0 and 0.5% of wealth donated. Again, it is important to recognise that this shows the proportion of donations for which we have data. Because most of the top 200 are not on these lists, the higher shares of donations are over-represented. We can assume there are donations outside the list that would sit in the lower rates of wealth donated. Again, this is because we can also calculate that a donation above 0.69% of the net wealth of anyone on the 2021 AFR Top 200 Rich List would be worth enough to make the 2021 Financial Review Philanthropy 50 List or The Australian's top donation list.

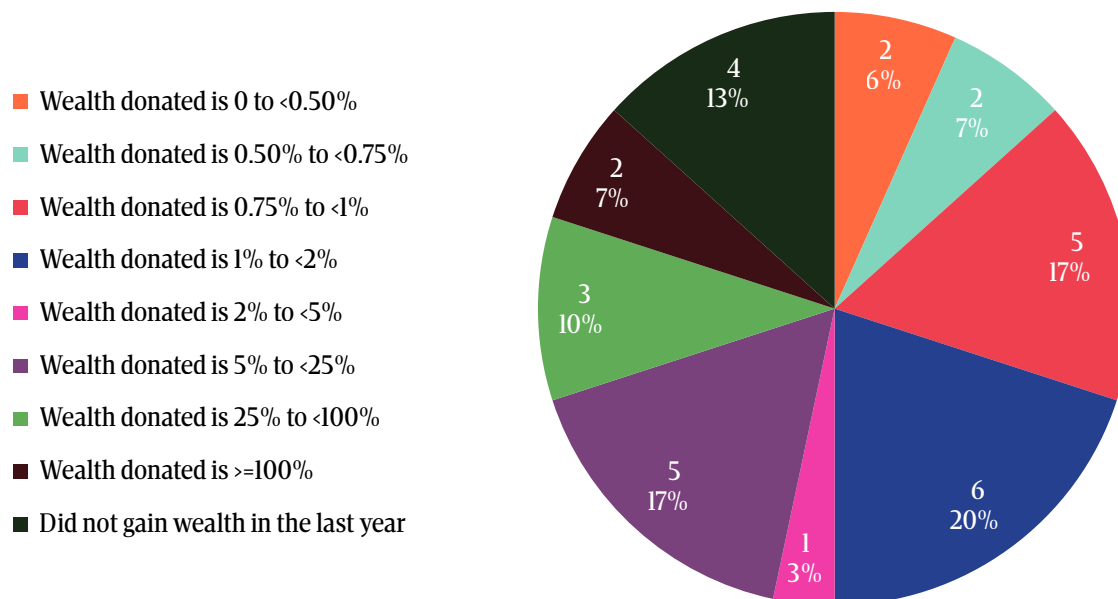
FIGURE 18: SHARE OF WEALTH DONATED BY THE FINANCIAL REVIEW PHILANTHROPY 50 LIST AND THE AUSTRALIAN TOP 25 PHILANTHROPISTS LIST DONORS, (2021)



Source: Authors' calculations using 2021 AFR Top 200 Rich List data (AFR, 2021), 2021 Financial Review Philanthropy 50 List data (McLeod, 2021), and The Australian Top 25 Philanthropists List data 2021 (The Australian, 2021).

Figure 19 summarises the donations made on both lists as a share of the change in wealth in the last year. It shows that 15 people across the two lists donated up to 2% of their wealth growth over the year. Four people who made donations had no growth in their wealth.

FIGURE 19: SHARE OF CHANGE IN WEALTH DONATED BY THE FINANCIAL REVIEW PHILANTHROPY 50 LIST AND THE AUSTRALIAN TOP 25 PHILANTHROPISTS LIST DONORS, (2021)



Source: Authors' calculations using 2021 AFR Top 200 Rich List data (AFR, 2021), 2021 Financial Review Philanthropy 50 List data (McLeod, 2021), and The Australian Top 25 Philanthropists List data 2021 (The Australian, 2021).

This measure of donation is sensitive to the year-on-year changes people experience in their wealth, which in some cases will not directly impact the donations made in that year. For example, the person may have donations allocated to them in the last year through a giving vehicle like a PAF which was actually given to that fund in a different financial year.

HOW THE WEALTHIEST AUSTRALIANS COMPARE TO THEIR INTERNATIONAL PEERS

International peers offer another way to understand the comparative rate at which Australian HNW individuals donate. In this part of the analysis, we first include a summary of structured giving analysis undertaken by Philanthropy Australia. We then look directly at the top 10 donations across Australia, the United Kingdom and the United States, noting that data is unavailable for Canada and New Zealand.

MAIN POINTS

- Australia gives at a lower percentage of GDP (0.81%) compared to the United Kingdom (0.96%), Canada (1%), New Zealand (1.84%)¹², and the United States (2.1%).
- Australia's top 10 donations as a share of the top 10 wealth (0.15%) are much smaller than the top 10 donations in the United Kingdom (1.25%) and the United States (1.58%).
- Australia's top 10 donations as a share of change in top 10 wealth (1.55%) are smaller than the top 10 donations in the United Kingdom (7.27%) and the United States (5.16%).
- Australia's top donation as a share of the wealthiest person's wealth (0.32%) was much lower than in the United Kingdom (2.2%) and the United States (5.73%).

¹² One of the reasons giving is high in New Zealand is the reliance on gambling funds.

The Philanthropy Australia Blueprint indicates Australia lags behind comparison countries for total giving as a share of GDP, as summarised in Table 15. Comparisons should be treated with a degree of caution as the data is from different years across the different jurisdictions. However, it shows Australians gave 0.81% of GDP in the comparison year (2016), which is the lowest total out of all countries included, and less than half of the United States total giving which was 2.1% (in 2019).

TABLE 15: INTERNATIONAL BENCHMARKS FOR GIVING, PHILANTHROPY AUSTRALIA, (2021)

	Australia	United Kingdom	Canada	New Zealand	United States
Total Giving as a % of GDP	0.81%	0.96%	1%	1.84%	2.1%
Individual Giving as a % of GDP	0.38%	0.54%	0.77%	0.67%	1.44%
Philanthropic Assets as a % of GDP	0.7%	3.2%	0.3%	N/A	4.8%
Bequest giving as a % of GDP	0.03%	0.12%	N/A	0.06%	0.2%
Comparison year	2016				2019

Source: Philanthropy Australia (2021).

While the differences in methodology mean that direct comparisons are not possible to the analysis of Australian donations listed above, Table 16 shows the Forbes Philanthropy Scores for 2021 and 2020, based on the giving of the richest Americans. The analysis above is for donations made in the last year, whereas the donations for the Forbes Philanthropy Score represent donations over an individual's entire life. As can be seen in Table 16, in 2021 at least 19 of the Forbes 400 had donated at least 10% of their wealth (the number may be higher given the number of people for which data is not available). That number is significantly lower than the previous year, reflecting in part that wealth growth outpaced donations growth.

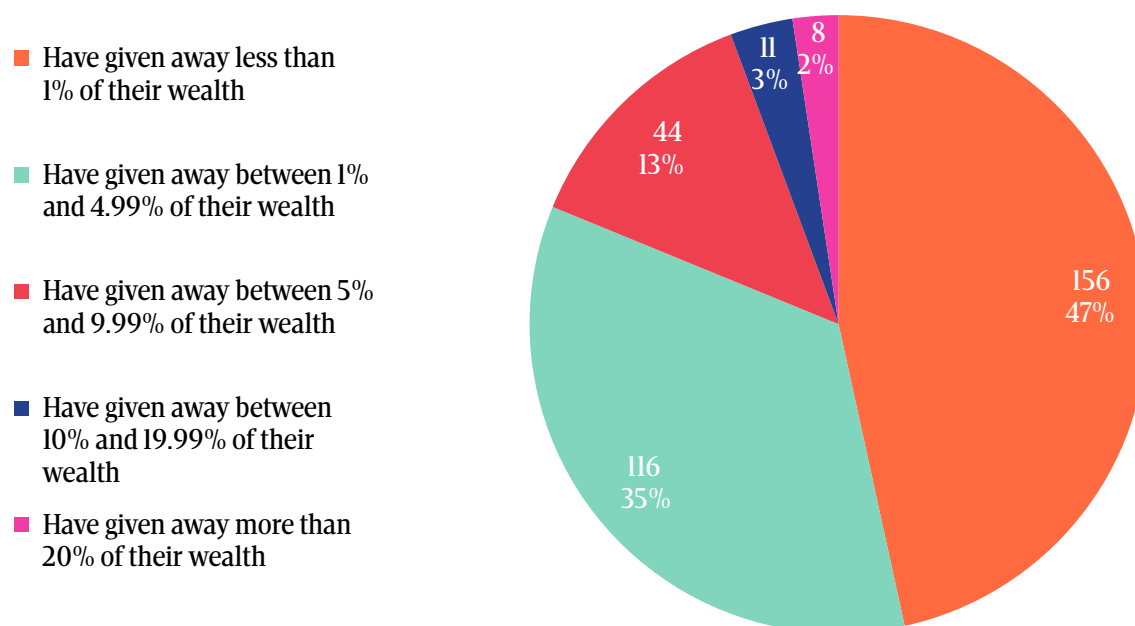
TABLE 16: FORBES PHILANTHROPY SCORES, (2020 AND 2021)

Score	Score definition	Number of Forbes 400 Members (2021)	Number of Forbes 400 Members (2020)
1	Have given away less than 1% of their wealth	156	127
2	Have given away in between 1% and 4.99% of their wealth	116	120
3	Have given away in between 5% and 9.99% of their wealth	44	56
4	Have given away in between 10% and 19.99% of their wealth	11	19
5	Have given away more than 20% of their wealth	8	10
N/A	Data unavailable	65	68

Source: Forbes Philanthropy Score 2021(Tucker, 2021).

Figure 20 provides a visualisation of the 2021 Forbes Philanthropy Scores. Of those for whom data is available, 53% have donated at least 1% of their wealth, and 18% have donated at least 5% of their wealth. These numbers are not directly comparable to the Australian figures, as they represent lifetime rather than annual donations. However, they highlight that there is a significant section of wealthy Americans donating at levels over their lifetime that would be hard for Australians to meet based on current rates of donation, which are low both as a share of overall wealth and change in wealth.

FIGURE 20: SHARE OF WEALTH DONATED, FORBES 400 LIST, (2021)



Source: Forbes Philanthropy Score 2021 (Tucker, 2021).

Table 17 shows the top 10 United States donations as a share of the top 10 Americans' wealth. In 2021, the top 10 donations were worth 2% of the wealth held by the 10 wealthiest Americans and 5% of their wealth growth. Comparisons should be treated with a degree of caution, since the donations are not counted in the same way as Australian donations, and because Australia's donations also include those made by deceased people. However, the donations on the list are significantly higher than the Australian amounts, highlighting that Australia has room for improvement.

TABLE 17: WEALTH OF TOP 10 WEALTHIEST AMERICANS, AND THE TOP 10 US DONATIONS (USD, PHILANTHROPY 50 AND FORBES RICH LIST, (2021))

Wealth of Top 10 Wealthiest Americans, and the Top 10 US donations*	
Total Wealth Held by Top 10 (US\$ Billions)	1,049
Average Wealth (US\$ Billions)	104.9
Average Change in Wealth (US\$ Billions)	42.57
Change in Wealth	68.30%
Total of Top 10 US Donations (US\$ Billions)	21.95
Average Top 10 Donation (US\$ Billions)	2.195
Average Donation as Share of Wealth	2.09%
Average Donation as Share of Change in Wealth	5.16%

Source: Data from The Chronicle of Philanthropy, Philanthropy 50 Donation List (Di Mento, 2021) and the Forbes Rich List (Forbes, 2021). *Values are in USD billions.

Table 18 shows the top 10 United Kingdom donations as a share of the top 10 wealth. In 2021, the top 10 donations were worth 1.34% of the wealth held by the United Kingdom's 10 wealthiest people and 7.27% of their wealth growth.

TABLE 18: WEALTH OF THE UNITED KINGDOM'S WEALTHIEST TOP 10, AND THE TOP 10 UNITED KINGDOM DONATIONS*, (GBP), THE SUNDAY TIMES, (2021)

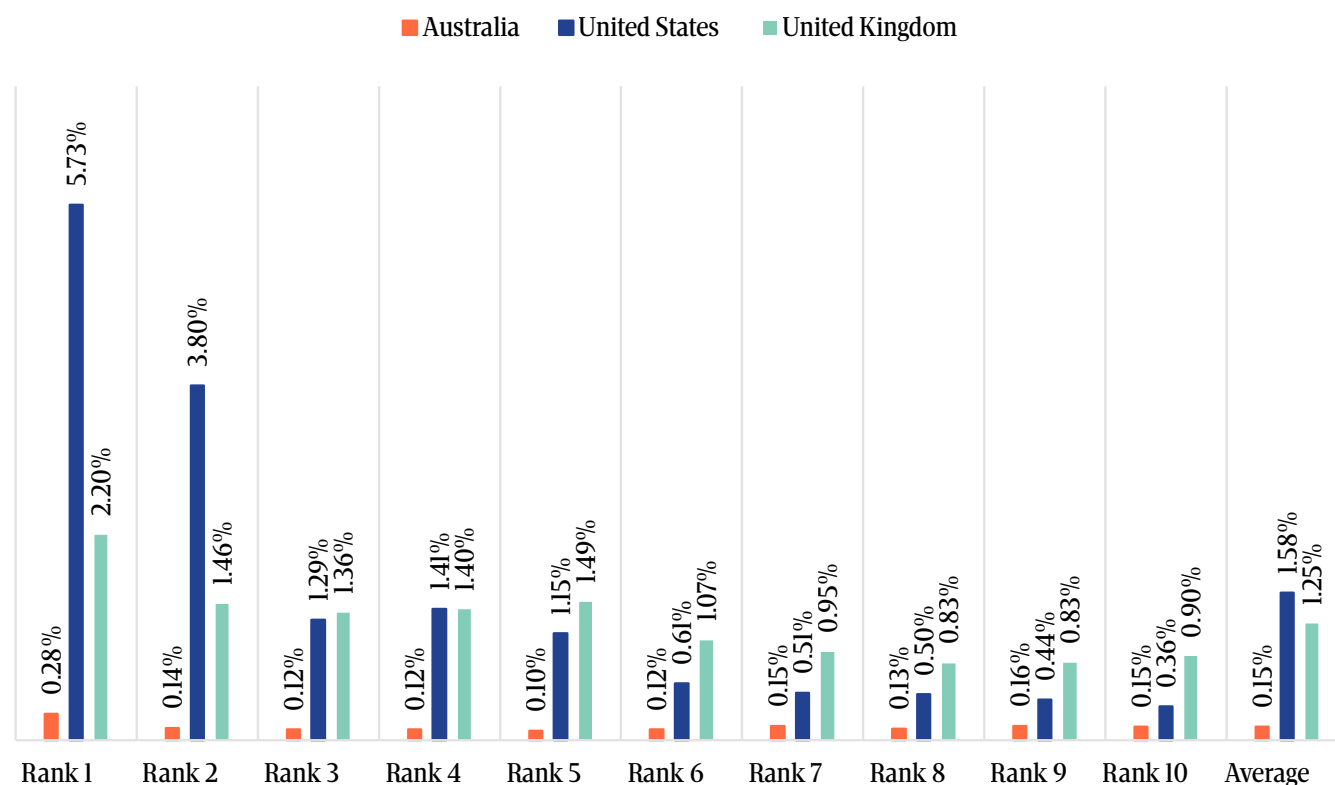
Wealth of UK's Wealthiest Top 10, and the Top 10 UK donations*	
Total Wealth Held by Top 10 (£ Billions)	153.97
Average Wealth (£ Billions)	15.40
Average Change in Wealth (£ Billions)	2.84
Change in Wealth	22.65%
Total of Top 10 UK Donations (£ Billions)	2.07
Average Top 10 Donation (£ Millions)	206.69
Average Donation as Share of Wealth	1.34%
Average Donation as Share of Change in Wealth	7.27%

Source: Authors' calculations from The Sunday Times Rich List (Watts, 2021) and The Sunday Times Giving List (The Sunday Times, 2021). * Per the original data source, the donations used are by the donor and their family, which may inflate the value of donations.

Again, differences in methodology mean that we should make comparisons only with a high degree of caution. However, the differences in donations as a share of wealth are stark. In 2021, the top 10 donations of those on The Australian Top 25 Philanthropists List as a share of the wealth of the top 10 Australians represented 0.353% of their wealth, whereas they represent 1.34% of the wealth of the 10 wealthiest people in the United Kingdom. Similarly, the top 10 donations of those on The Australian Top 25 Philanthropists List 2021 represent 1.55% of the wealth growth of the top 10 Australians, compared to 7.27% in the United Kingdom.

Figure 21 compares the top 10 wealth to the top 10 donations in the United States, the United Kingdom, and Australia. Average donation rates as a share of wealth across the top 10 are significantly higher in the United States and the United Kingdom than they are in Australia. None of the Australian donations as a share of wealth exceed the lowest donation in the comparison countries. The average of the donations as a share of wealth for Australia, at 0.15%, is more than 10 times lower than the United States rate of 1.58% and nearly 10 times lower than the United Kingdom rate of 1.25%.

FIGURE 21: TOP 10 PERSONAL DONATIONS AS A SHARE OF TOP 10 WEALTH, SELECTED COUNTRIES*, (2021)



Source: Authors' calculations using data from 2021 AFR Top 200 Rich List (AFR, 2021), The Australian Top 25 Philanthropists List 2021 (The Australian, 2021), the Forbes Rich List (Forbes, 2021), The Chronicle of Philanthropy, Philanthropy 50 Donation List (Di Mento, 2021), The Sunday Times Rich List (Watts, 2021), and The Sunday Times Giving List (The Sunday Times, 2021). * Data for the same period for Canada and New Zealand was not available; Comparison should be treated with some caution, as the values are calculated from a variety of sources using different methodologies.

These figures highlight that the top end of Australian donations are significantly behind their international peers. While there are some differences in the methodologies between the collection of donation data across the different countries, these differences in top-level donations reflect similar differences to the overall level of donations highlighted at the start of this section.

SUMMARY

The rates of giving from Australian UHNW individuals, when understood through the trends in donations from the AFR Top 200, show significant room for improvement. While some members of the AFR Top 200 donate a sizeable share of their wealth, the rate of wealth growth has outpaced donations as a share of wealth.

When we look across the donations made on the 2022 Financial Review Philanthropy 50 List, 21 were made by deceased people through their will or by trusts in the name of a deceased person. This shows many wealthier Australians are waiting to make charitable contributions until they pass away. It also shows that rates of donation among the living are not keeping pace with donations made by those who have passed away.

Of those donations made by living people, only 15 out of 29 were made by people who are on the 2022 AFR Top 200 Rich List, and only seven of the top 25 made donations that were on the 2022 Financial Review Philanthropy 50 List. This means that some of their less wealthy peers are giving both higher amounts overall and as a share of their wealth.

Estimating the maximum amount donated using the two philanthropic donation lists, we showed that at most three people on the AFR Top 200 Rich List donated above 0.75% of their wealth in 2022 and five in 2021 (assuming donations are publicly available and included in these lists). When considered against the backdrop of their average 15.7% wealth growth over the past year, there is potential for significantly increased rates of giving.

When comparing donations as a share of wealth in Australia, the United States and the United Kingdom, the wealthiest Australians are not generous relative to their international peers.

Based on various measures of income and wealth inequality and poverty (the Gini coefficient, the ratio of mean to median net wealth and income, and the share of wealth held by those at the very top of the wealth distribution, poverty rates), OECD data suggest there are higher levels of inequality and poverty in the United States than Australia. Cash assistance by government to those in need is lower in the United States than Australia although total government social spending is comparable. While this evidence suggests a somewhat stronger need for philanthropic support in the United States than in Australia, the level of social need in Australia remains high despite higher levels of government cash assistance to those in need in Australia. Giving in terms of volunteering time has not been included in this report. However, recently released Australian census data on volunteering showed a 19% decline in volunteering from 2016 to 2021 (Australian Bureau of Statistics, 2022).

We now turn to look at giving through private ancillary funds (PAFs), which are a form of structured giving vehicle. Because of the monetary size required to make them worthwhile to use, PAFs are not available to less wealthy Australians to use as a giving vehicle. PAFs therefore offer a unique insight into the giving patterns of wealthy Australians.

5. PRIVATE ANCILLARY FUNDS (PAFs) IN AUSTRALIA

Giving among wealthier individuals, particularly those in the UHNW category, can occur via structured giving, including bequests (20%); private ancillary funds (PAFs; 16%); public ancillary funds (PubAFs; 16%); other charitable trusts (23%) and corporate donations (cash; 23%; Philanthropy Australia, 2021). In this section we outline the trends in PAFs as one of the main forms of structured giving in Australia. We concentrate on PAFs as the funds required to establish them and make them worthwhile means they are only suitable as a structured giving vehicle for HNW and UHNW individuals, whereas other forms of structured giving include donations from other groups.

The growth of funding within PAFs has been relatively gradual (with the exception of the Paul Ramsay Foundation), in contrast to the unprecedented growth in personal wealth. Thus, the gains of increased wealth have not been shared through increased charitable contributions in PAFs.

MAIN POINTS

- The number of PAFs in Australia has more than doubled over the last decade, from 822 in 2008/09 to 1,731 in 2018/19.
- The combined wealth held by all PAFs in Australia has grown over the last decade from \$2 billion in 2008/09 to \$7.3 billion in 2018/19.
- The average donation received by PAFs declined to a six-year low in 2018/19 of \$315,000.
- The average PAF distribution in 2018/19 was \$326,000, an all-time high.
- In the last five years, growth in the overall wealth held by PAFs has been significantly outpaced by the growth in the wealth of the Top 200 Australians. PAFs have shrunk from representing 3.05% of the wealth of the Top 200 to 2.14%.
- The value of PAF distributions as a share of the wealth of the 200 wealthiest Australians has also declined over the last five years, from 0.22% to 0.17%.

PAFs are a type of private structured giving vehicle originally designed to encourage increased private philanthropic donations among wealthier Australians (Hill & Doyle, 2011). They offer a strategic way to provide long-term structured giving to Australian charities with deductible gift recipient (DGR) status. PAFs provide a number of tax and governance advantages over other types of trusts or giving options, and these are particularly suitable for UHNW individuals. This includes allowing direct control of the strategy through which charitable distributions are allocated, and tax concessions which can be applied over multiple years.

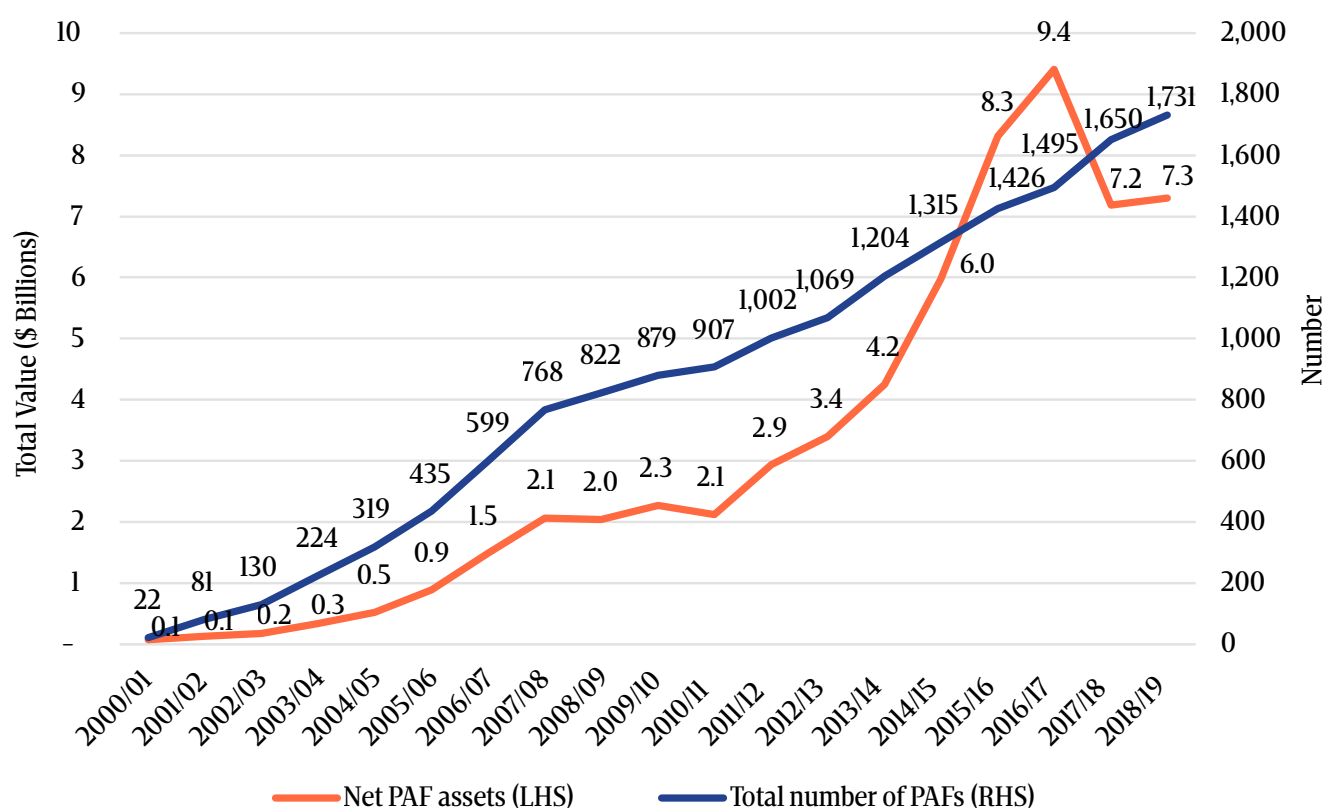
This section of the report examines:

- The total value of the assets held by PAFs.
- The overall level of donations received by PAFs (PAFs usually receive a large donation when they are created, and smaller top-up donations over time; McLeod, 2018). In some cases, they are also left in a person's will, such as in the case of Paul Ramsay, who made a sizeable bequest to the Paul Ramsay Foundation.
- The level of distributions, reflecting the actual monetary value PAFs provide to the charitable sector. PAFs are required to distribute a minimum of 5% of funds each year, though donations exceeding that amount can be carried over into subsequent years.

PAF TOTAL VALUE OVER TIME

From their creation in 2000/2001, the number of PAFs has grown steadily (Figure 22)¹³. Their overall value has also grown until 2016/17 when it peaked at \$9.4 billion, though estimates are affected by decisions made by large foundations in recent years as to their use or non-use of a PAF structure. Growth slowed through the period from 2007 to 2011 due to the impact of the Global Financial Crisis (GFC), and uncertainty around guideline changes.

FIGURE 22: TOTAL VALUE OF PAFs AND NUMBER OF PAFs OVER TIME, ATO, (2000/01-2018/19)



Source: Data from ATO Charities Table 4, private and public ancillary funds, 2000/01 to 2018/19 income years (ATO, 2022). LHS – left hand side. RHS – right hand side.

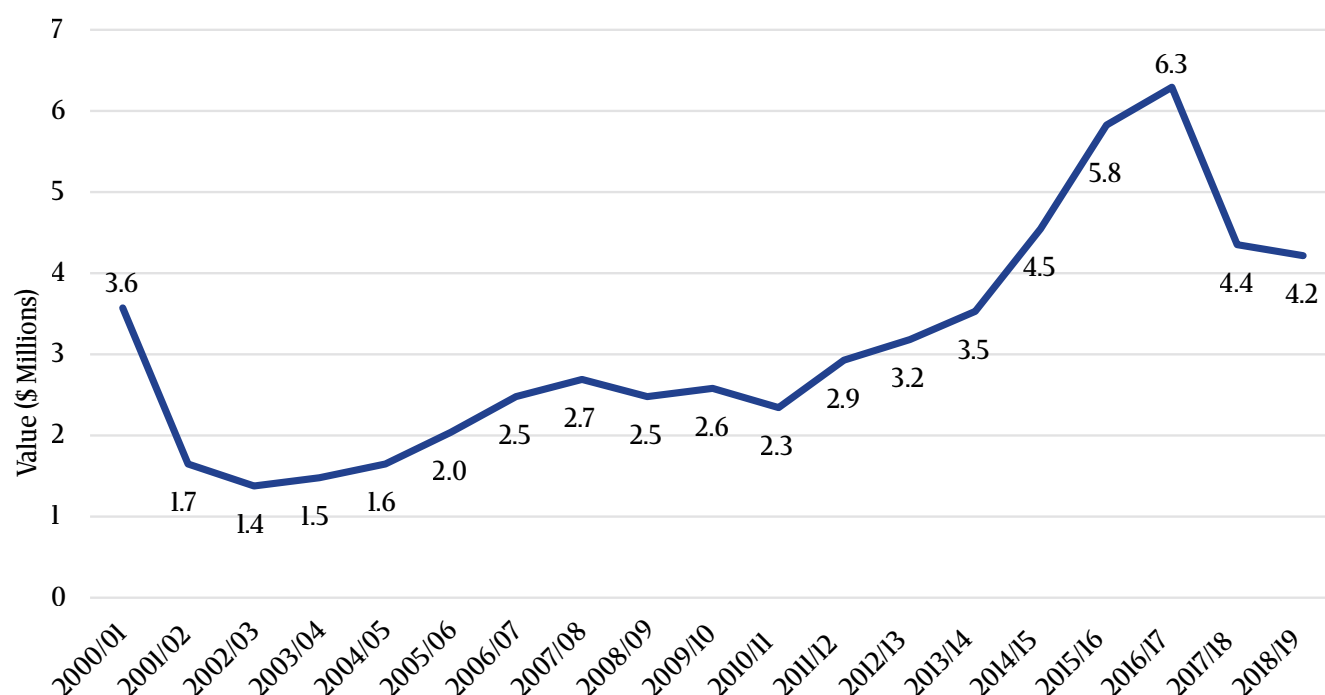
Since peaking at \$9.4 billion in 2016/17, overall net PAF asset value has fallen to \$7.3 billion in 2018/19. This largely reflects changes to the legal structure of the Paul Ramsay Foundation, which impacted the structure of the funds held by the foundation.

The average size of PAFs has remained relatively stable, currently sitting at \$4.2 million. The average size spiked after 2014/15 following the allocation of funds from Paul Ramsay's will. Importantly, with only 1,731 PAFs in Australia, the contributions of a small set of people can have a significant influence.¹⁴

¹³ Just released ATO data in 2019/20 shows a further increase in net assets to \$7.6 billion, and an increase of total number of PAFs to 1,819.

¹⁴ Multiple analyses of the overall value held in PAFs have been conducted which note the significance of the Paul Ramsay Foundation in the overall value of PAFs in Australia (for examples, see McLeod and the QUT Philanthropy Centre PAF Report).

FIGURE 23: MEAN VALUE OF PAFs, ATO, (2000/01-2018/19)

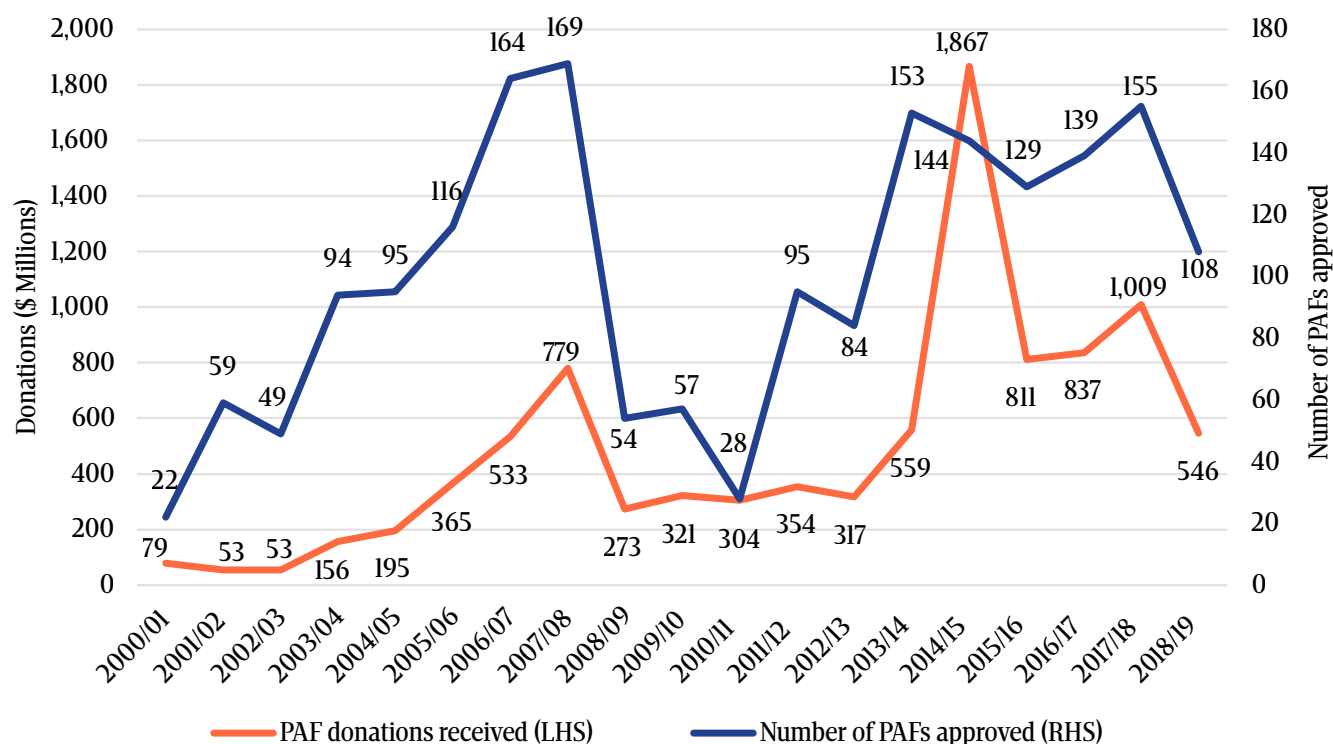


Source: Data from ATO Charities Table 4, private and public ancillary funds, 2000/01 to 2018/19 income years (ATO, 2022).

PAF DONATIONS RECEIVED

PAFs are generally set up with a large donation, and receive smaller top-up donations in later years, so the number of PAFs created in a given year influences the total donations they receive. This is evident in Figure 24, which shows the level of PAF donations received largely tracks the number of PAFs approved each year.

FIGURE 24: PAF DONATIONS RECEIVED AND NUMBER OF PAFs APPROVED PER YEAR, ATO, (2000/01-2018/19)

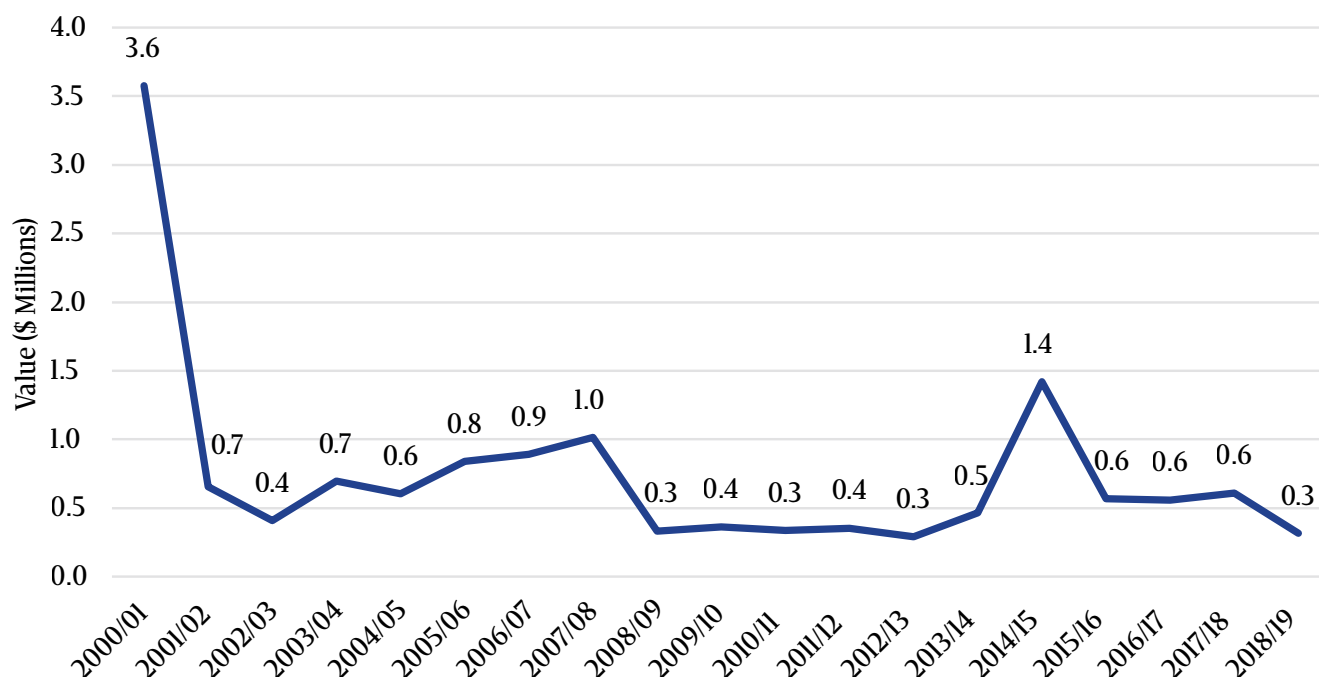


Source: Data from ATO Charities Table 4, private and public ancillary funds, 2000/01 to 2018/19 income years (ATO, 2022). LHS – left hand side. RHS – right hand side.

The annual donations received by PAFs have varied over time.

1. In the first phase, donations grew steadily from 2000/01 to 2007/08 in line with the increase in the number of PAFs overall. Donations fell in 2008/09 due to the onset of the GFC and uncertainty around proposed changes to the legislation around PAFs flagged by the Rudd Government (McGregor-Lowndes et al., 2019; McLeod, 2018).
2. In the second phase, the impact of the GFC continued to influence donations until 2012/13, with a donations spike in 2014/15 associated with the funding of the Paul Ramsay Foundation.
3. In subsequent years, donations have fallen back below the 2014/15 level, while remaining above post-GFC levels. Notably, donation levels fell to a six-year low in 2018/19, despite strong economic gains by some of the wealthiest Australians.

FIGURE 25: MEAN PAF DONATION RECEIVED, ATO, (2000/01-2018/19)

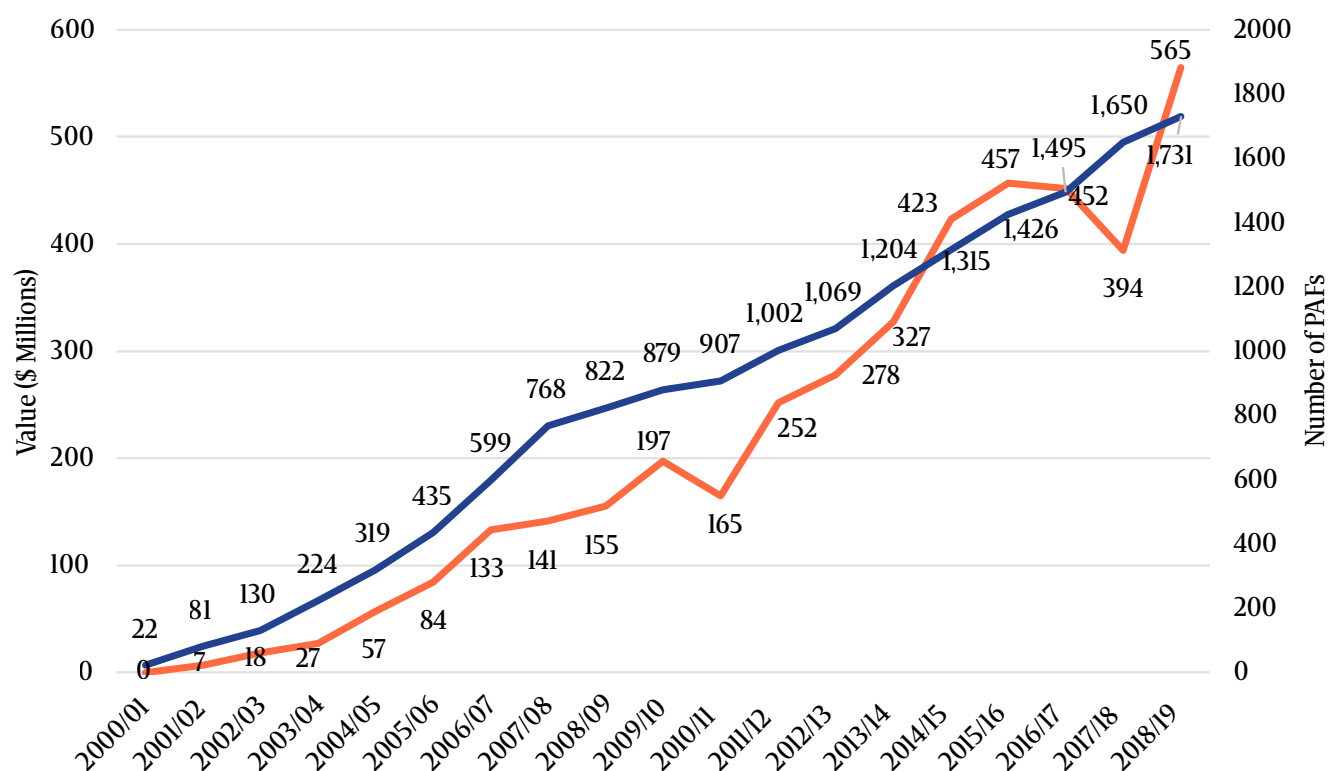


Source: Data from ATO Charities Table 4, private and public ancillary funds, 2000/01 to 2018/19 income years (ATO, 2022).

PAF DISTRIBUTIONS

As can be seen in Figure 26, annual PAF distributions have tracked relatively closely with the number of PAFs over time. PAF distributions have grown from \$6.7 million in 2001/02, to \$197 million in 2009/10, to a record high of \$564.6 million in 2018/19. As the number of PAFs continues to grow, distributions can be expected to grow correspondingly.

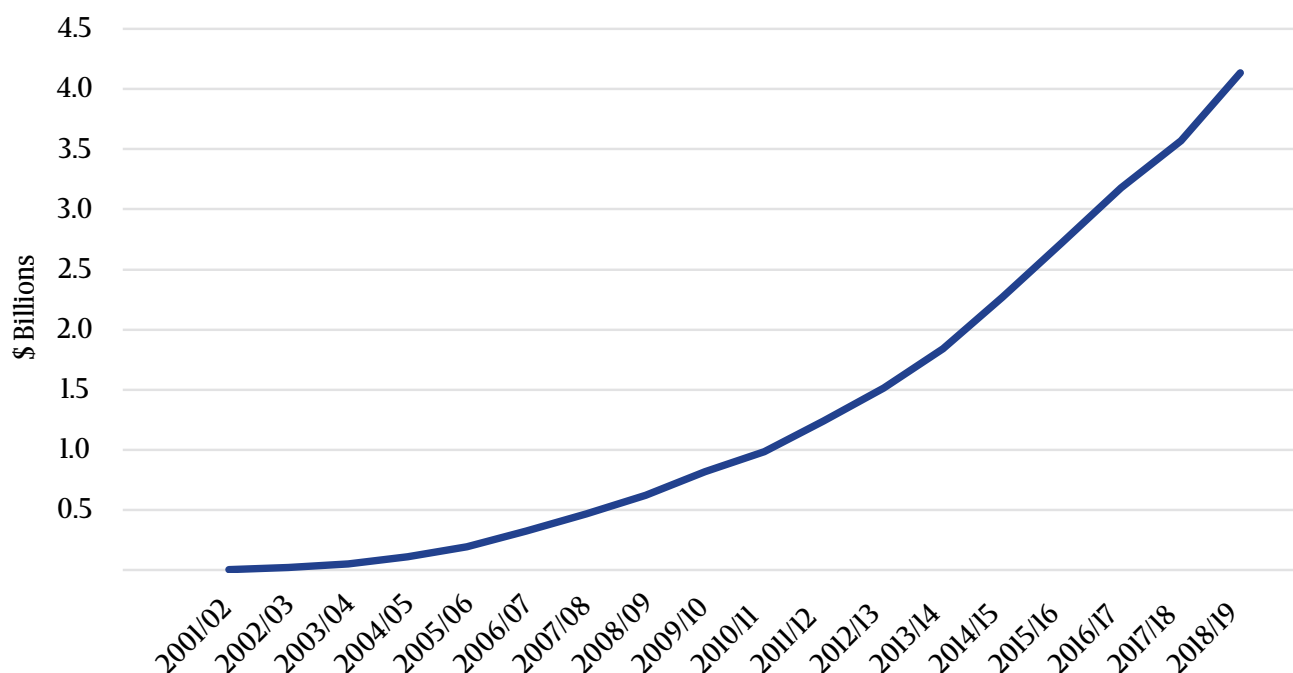
FIGURE 26: ANNUAL PAF DISTRIBUTIONS AND NUMBER OF PAFs OVER TIME, ATO, (2000/01-2018/19)



Source: Data from ATO Charities Table 4, private and public ancillary funds, 2000/01 to 2018/19 income years (ATO, 2022). LHS – left hand side. RHS – right hand side.

To date, PAFs have made cumulative distributions of \$4.13 billion (to the 2018/19 reporting period). As can be seen in Figure 27, it took over a decade for cumulative distributions to reach \$1 billion in 2011/12, and just three years to reach the second billion in 2014/15. By 2018/19, cumulative distributions had doubled again to over \$4 billion.

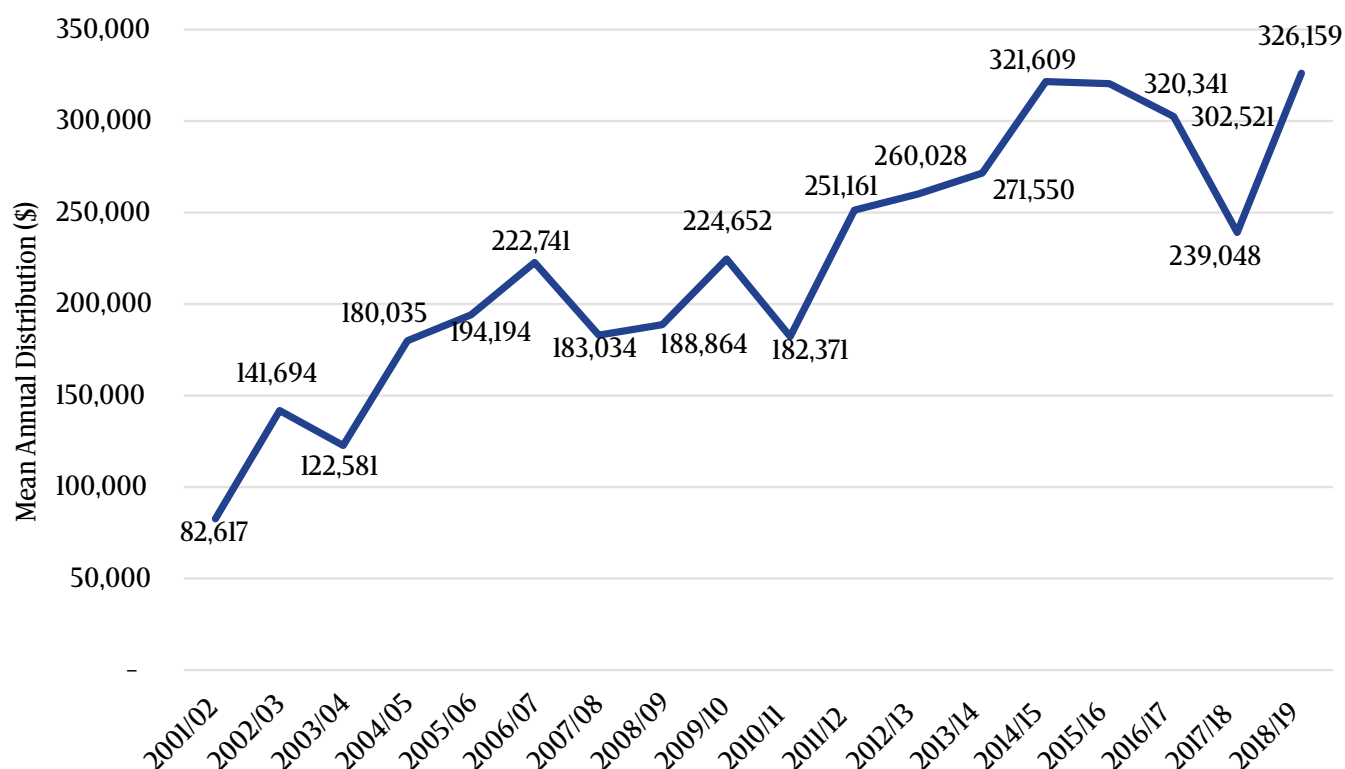
FIGURE 27: CUMULATIVE PAF DISTRIBUTIONS MADE, ATO, (2000/01-2018/19)



Source: Authors' calculations using data from ATO Charities Table 4, private and public ancillary funds, 2001/02 to 2018/19 income years (ATO, 2022).

The average PAF distribution has grown from \$82,617 in 2001/02 to a record \$326,159 in 2018/19.

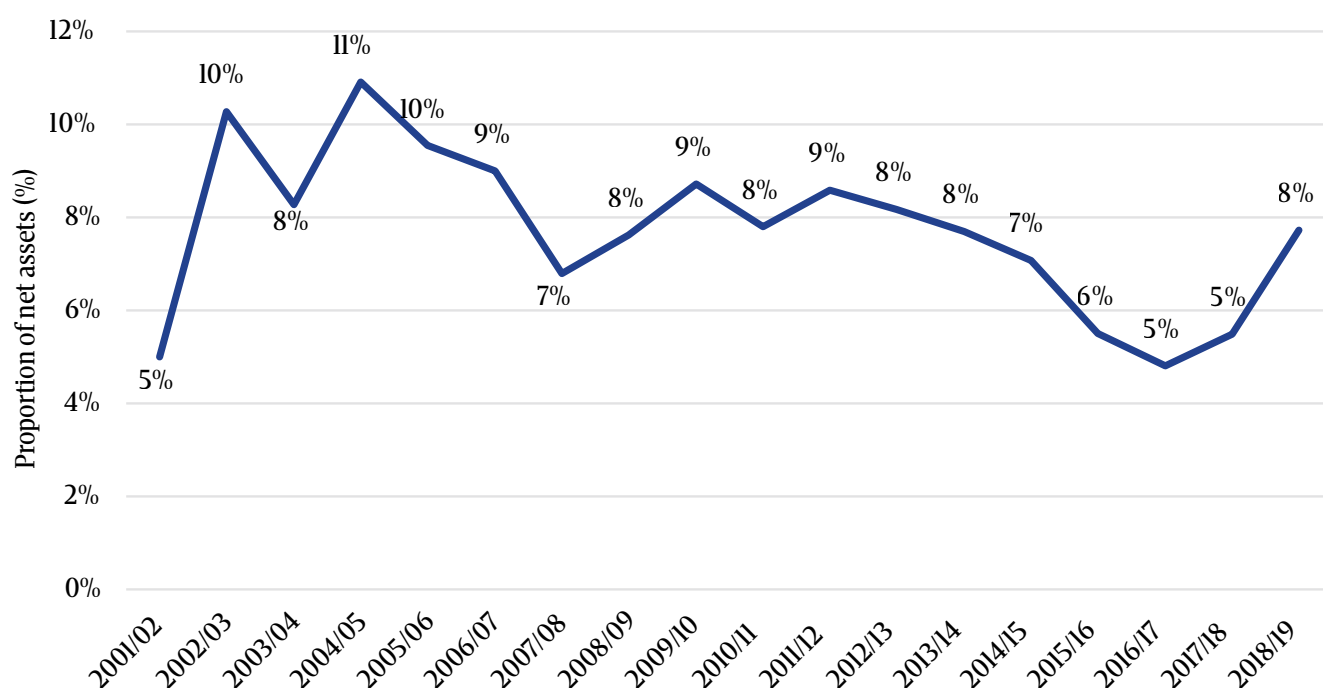
FIGURE 28: MEAN PAF ANNUAL DISTRIBUTION, ATO, (2000/01-2018/19)



Source: Authors' calculations using data from ATO Charities Table 4, private and public ancillary funds, 2000/01 to 2018/19 income years (ATO, 2022).

Distributions as a share of net PAF assets have remained consistent at around 8%, after peaking at 11% in 2004/05. In recent years, distributions have represented a lower share of net PAF assets, in part reflecting the growing corpus of funds being added each year. In 2018/19, distributions as a share of net PAF assets reached a six-year high of 7.73%.

FIGURE 29: DISTRIBUTIONS AS A SHARE OF NET PAF ASSETS, ATO, (2000/01-2018/19)



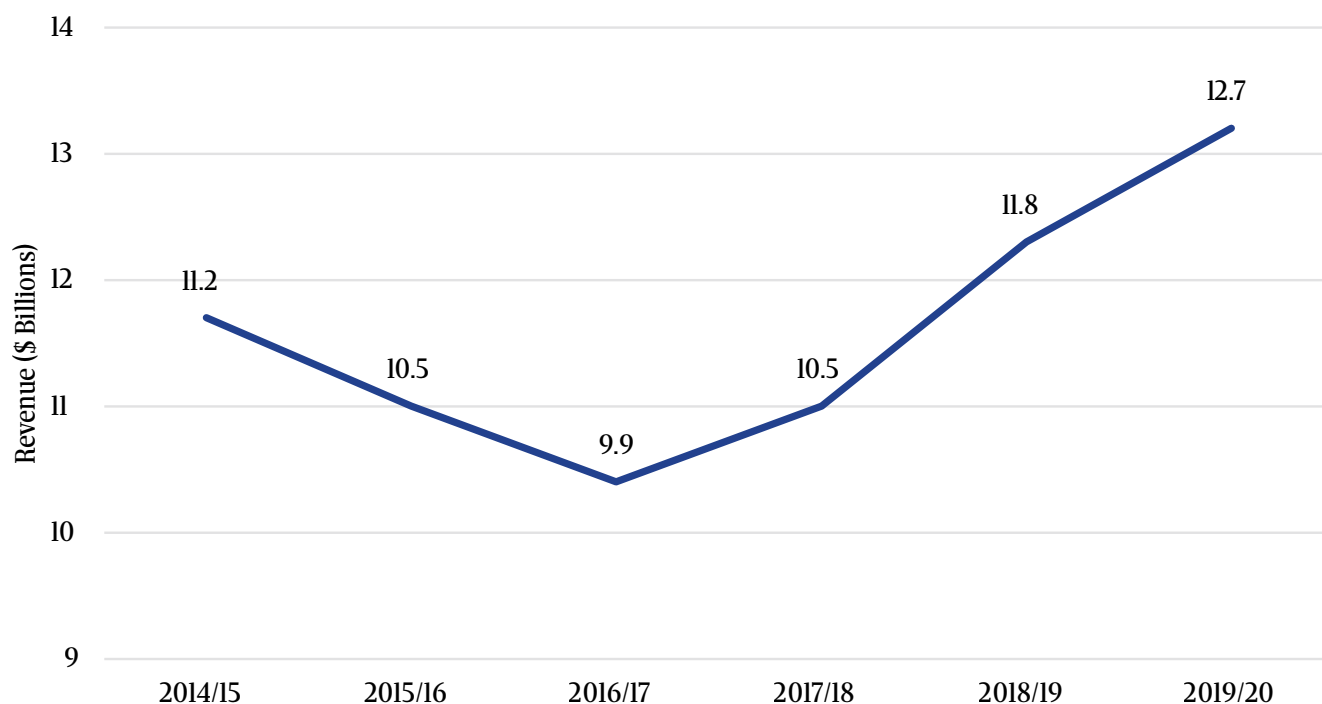
Source: Authors' calculations using data from ATO Charities Table 4, private and public ancillary funds, 2000/01 to 2018/19 income years (ATO, 2022).

PAFs IN RELATION TO DONATIONS AND BEQUESTS

In these next sections, we consider the contribution PAFs make to the charitable sector, and their growth in relation to changes in wealth for the 200 wealthiest Australians.

PAFs are counted in ACNC report data as donations and bequests, which represent an important component of the Australian charitable sector's revenue stream. In 2018/19, donations and bequests provided \$11.8 billion to the Australian charitable sector, increasing to \$12.7 billion in 2019/20 (see Figure 30) (ACNC, 2021; 2022). This is marginally higher than the \$11.2 billion in donations and bequests recorded in 2014/15.

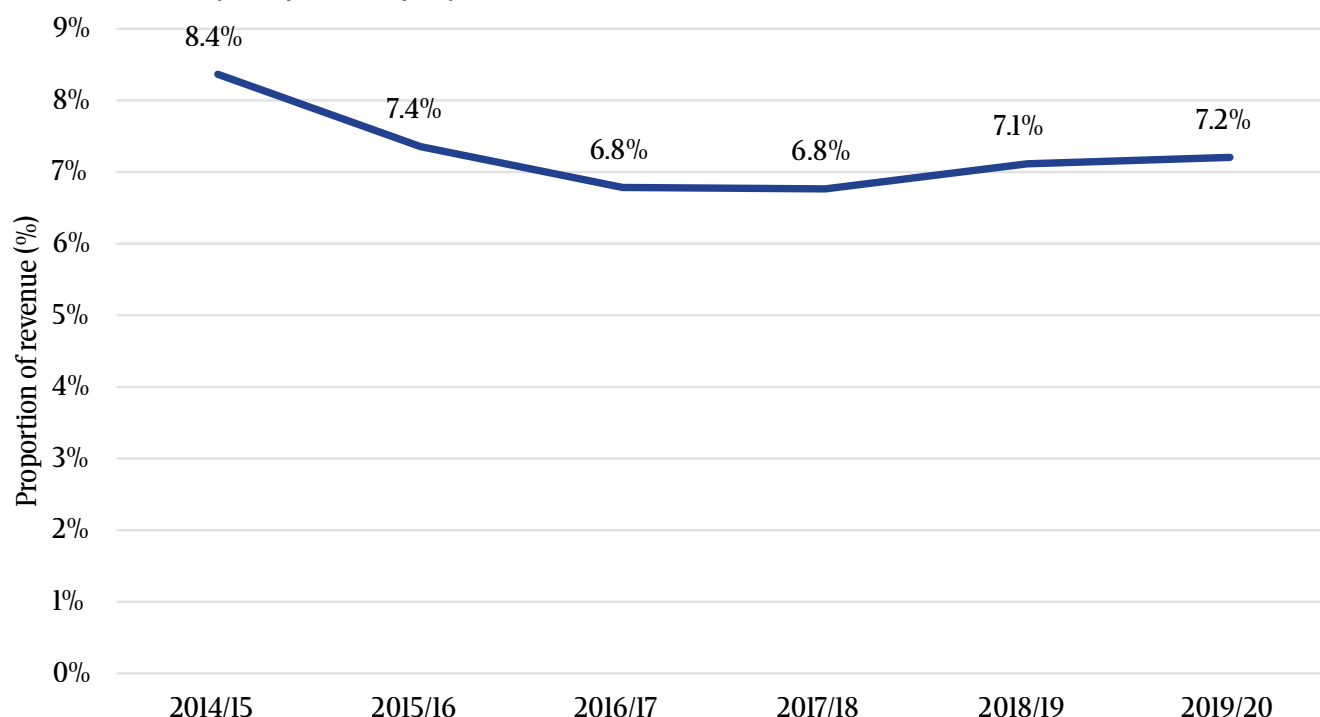
FIGURE 30: REVENUE FROM DONATIONS AND BEQUESTS, ATO AND ACNC, (2014/15-2019/20)



Source: Authors' calculations using data from ATO Charities Table 4, private and public ancillary funds, 2014/15 to 2019/20 income years (ATO, 2022) and from ACNC (2022).

However, the value of donations and bequests as a share of sector revenue has fallen from 8.4% in 2014/15 to 7.2% in 2018/19 (see Figure 31). This suggests the economic gains through this period have not flowed to the charitable sector. Donations from the general population are likely to have fallen further with the changes to household financial wellbeing during the COVID-19 pandemic.

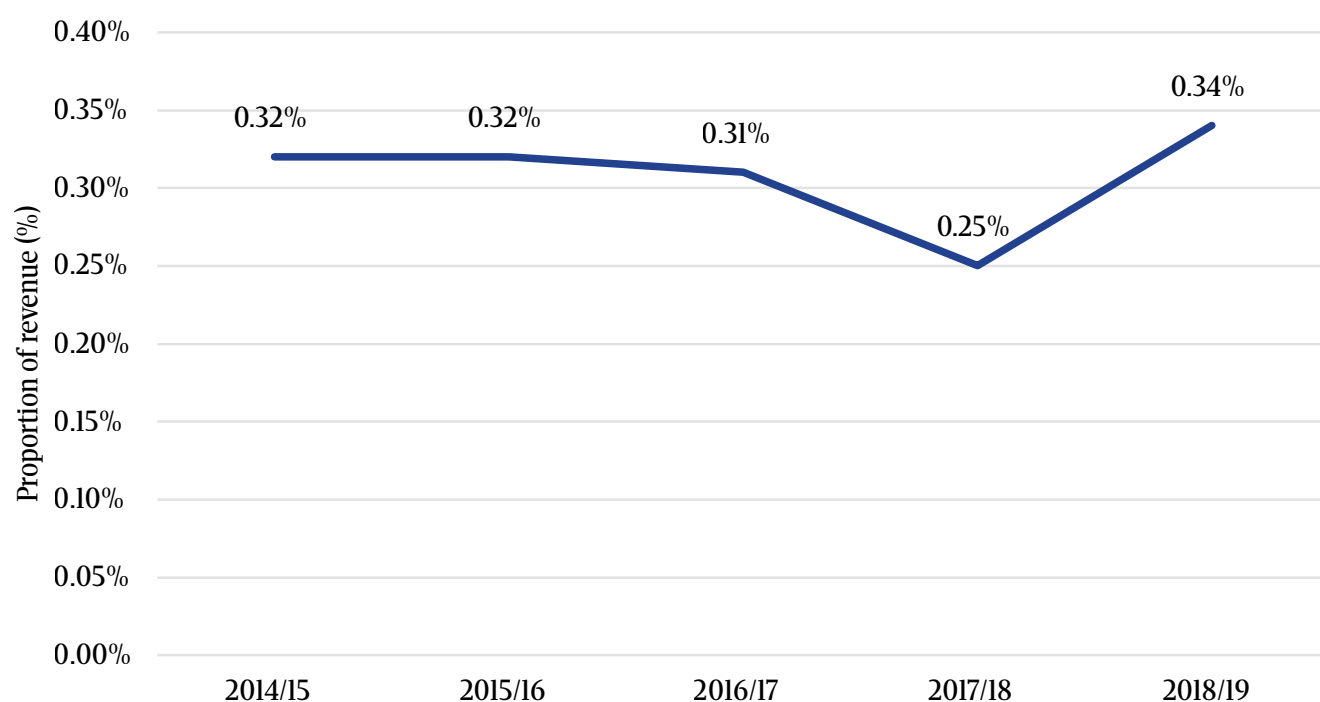
FIGURE 31: DONATIONS AND BEQUESTS AS A PROPORTION OF CHARITABLE SECTOR REVENUE, ATO AND ACNC, (2014/15-2019/20)



Source: Authors' calculations using data from ATO Charities Table 4, private and public ancillary funds, 2014/15 to 2019/20 income years (ATO, 2022) and from ACNC (2022).

PAFs have remained relatively stable as a source of revenue to the Australian charitable sector over the past five years, providing 0.32% of sector revenue in 2014/15 and 0.34% in 2018/19 (Figure 32). Again, this does not include the impact of the COVID-19 pandemic on charities' revenue, as this data is not yet available for analysis.

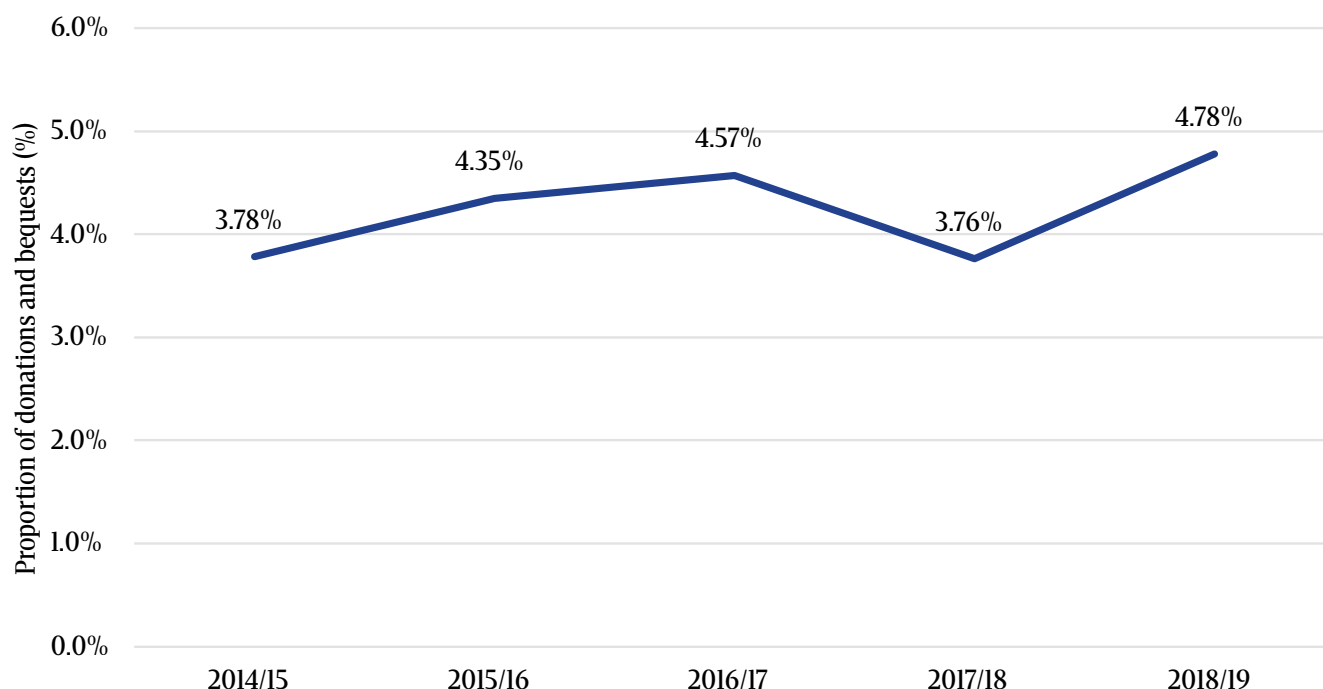
FIGURE 32: PAF DISTRIBUTIONS AS A SHARE OF TOTAL AUSTRALIAN CHARITABLE SECTOR REVENUE, ATO AND ACNC, (2014/15-2018/19)



Source: Authors' calculations using data from ACNC annual charities reports 2014/15 year through to 2018/19 year (ACNC, 2019; 2020; Cortis et al., 2015; 2016; Powell et al., 2017), and ATO Charities Table 4, private and public ancillary funds, 2000/01 to 2018/19 income years (ATO, 2022).

PAF distributions as a share of donations and bequests have increased slightly, from 3.78% in 2014/15 to 4.78% in 2018/19 (Figure 33). However, it should be noted that distributions reached their lowest share just one year earlier.

FIGURE 33: PAF DISTRIBUTIONS AS A SHARE OF DONATIONS AND BEQUESTS, ATO AND ACNC, (2014/15-2019/20)



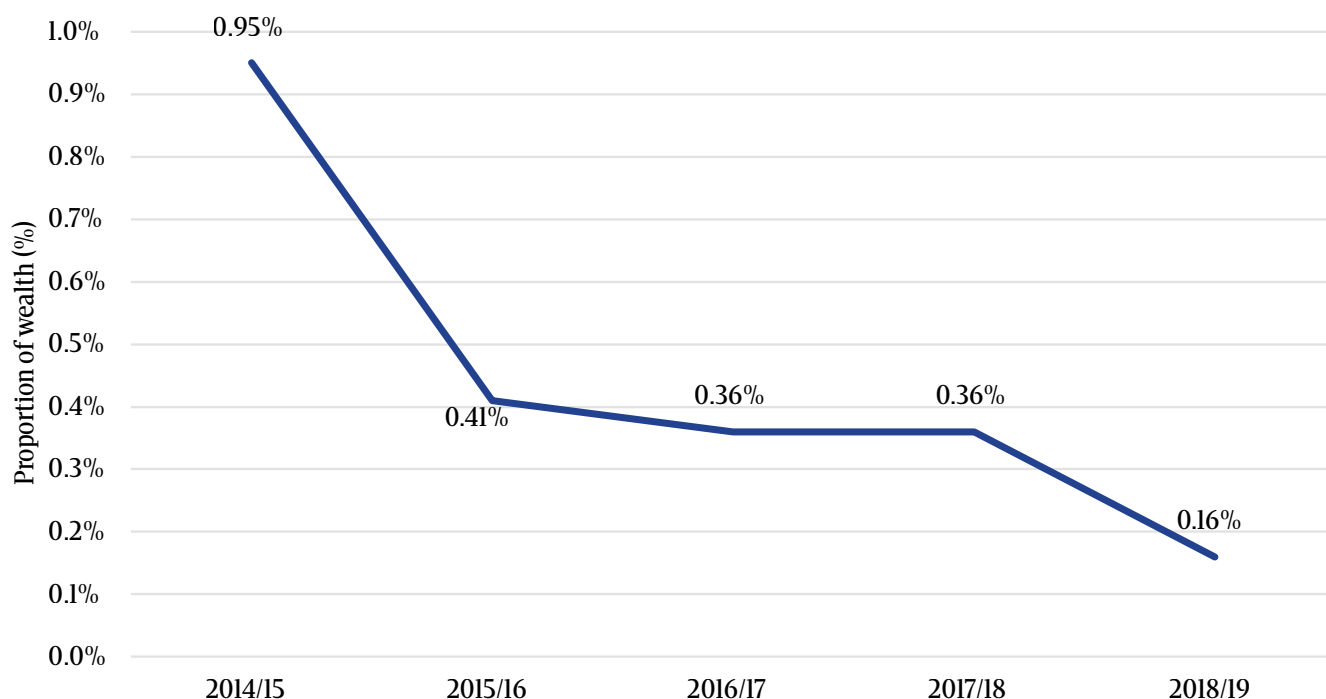
Source: Authors' calculations using data from ACNC annual charities reports 2014/15 year through to 2018/19 year (ACNC, 2019; 2020; Cortis et al., 2015; 2016; Powell et al., 2017), and ATO Charities Table 4, private and public ancillary funds, 2000/01 to 2018/19 income years (ATO, 2022).

PAFs AND THE 200 WEALTHIEST AUSTRALIANS

As we discussed in Chapter 2, the wealth of the 200 wealthiest Australians has grown significantly in recent years, from \$195.9 billion in 2014/15 to \$555 billion in 2021/22, with annual wealth growth ranging from 13.1% to 24% over that period.

However, the value of PAF donations as a share of this wealth has declined sharply. While PAF donations reflected nearly 1% of the wealth held by the AFR Top 200 in 2014/15, this declined to 0.16% in 2018/19.

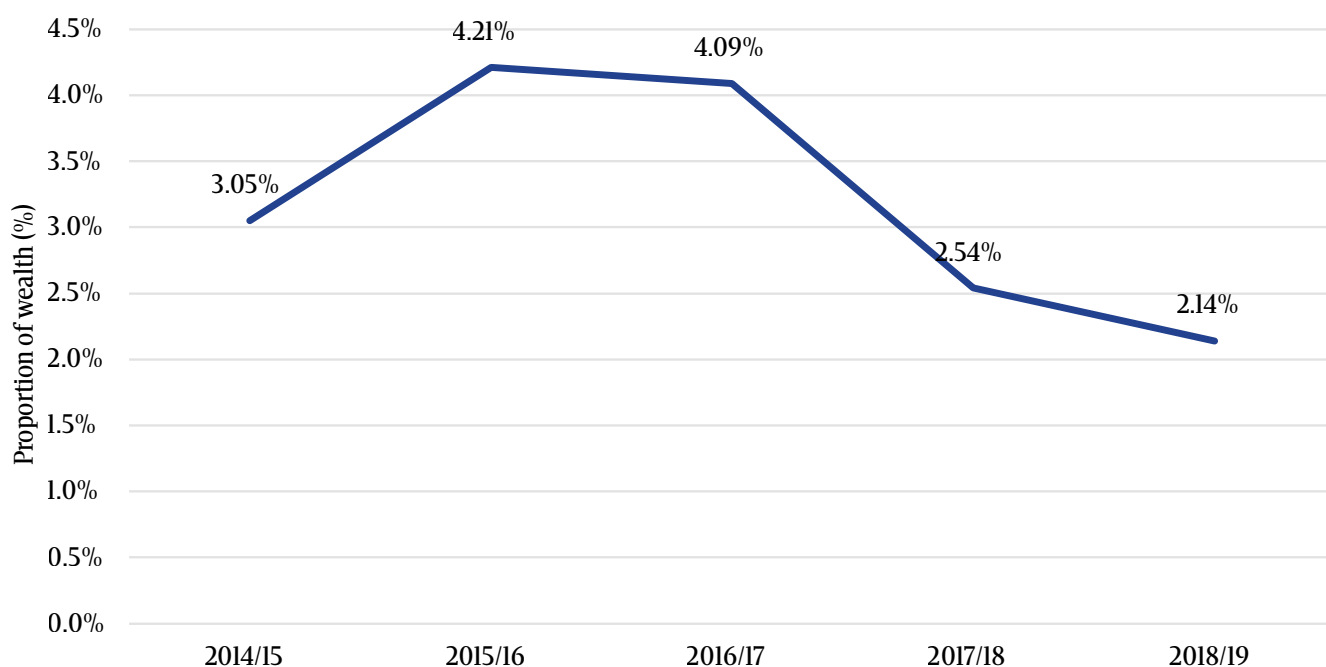
FIGURE 34: PAF DONATIONS AS A SHARE OF AFR TOP 200 RICH LIST WEALTH, ATO, (2014/15-2018/19)



Source: Authors' calculations using data from AFR Top 200 Rich List years 2015 through to 2019 (AFR, 2015; 2016, 2017, 2018, 2019). ATO Charities Table 4, private and public ancillary funds, 2000/01 to 2018/19 income years (ATO, 2022).

PAF assets as a share of top 200 wealth showed a slight improvement in 2015/16 and 2016/17, with Paul Ramsay's donation boosting the overall PAF asset pool. However, PAF assets as a share of top 200 wealth fell to 2.14% in 2018/19, reflecting an overall halving of relative value from its high of 4.21% in 2015/16.

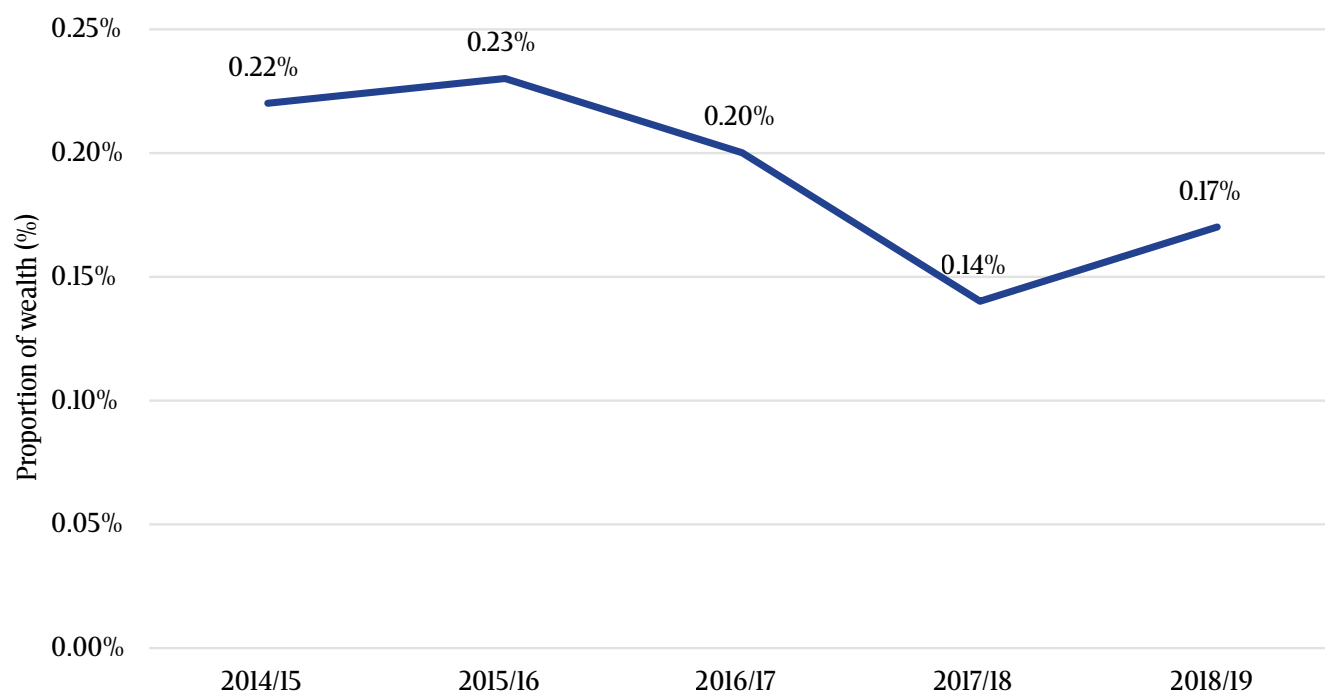
FIGURE 35: PAF ASSETS AS A SHARE OF AFR TOP 200 RICH LIST WEALTH, ATO, (2014/15-2018/19)



Source: Authors' calculations using data from AFR Top 200 Rich List years 2015 through to 2019 (AFR, 2015; 2016, 2017, 2018, 2019). ATO Charities Table 4, private and public ancillary funds, 2000/01 to 2018/19 income years (ATO, 2022).

PAF distributions as a share of top 200 wealth declined marginally over the period, from 0.22% in 2014/15 to 0.17% in 2018/19.

FIGURE 36: PAF DISTRIBUTIONS AS A SHARE OF AFR TOP 200 RICH LIST WEALTH, ATO, (2014/15-2018/19)



Source: Authors' calculations using data from AFR Top 200 Rich List years 2015 through to 2019, and ATO Charities Table 4, private and public ancillary funds, 2000/01 to 2018/19 income years (ATO, 2022).

SUMMARY

At first glance, the story of PAF growth in Australia is encouraging. They have grown in number, size and distributions made over the last decade. However, they have not kept pace with the growth in wealth that has occurred over this period.

The average donation received by PAFs, and the average distribution they make, have fallen as a share of top 200 wealth, to 0.16% and 0.17% respectively in 2018/19. Given the growth in wealth that occurred over 2020 and 2021, we can expect to see a further decline on these numbers.

It is clear there is much greater scope for increased giving among many of the wealthiest Australians. As shown in the previous section, currently only 15 of the 200 wealthiest Australians feature in the top 50 philanthropic donations, including three of the top 10 and only nine of the top 50.

6. MODELLING ALTERNATIVE LEVELS OF GIVING

This section estimates potential donations given a set of assumptions developed in sections 1–5.

Estimated amounts of revenue raised are presented in Table 20 and methodological caveats are discussed in the Appendix. These estimated values highlight the significant revenue that would be available to the Australian charitable sector if donation rates increased.

For context, Australian charities received approximately \$176 billion in revenue in 2020, up from \$166 billion in 2019 (ACNC, 2021; 2022). Approximately half came from government funding (estimated \$88.8 billion in 2020), one-third from goods and services (estimated \$57.2 billion), and 7% from donations (estimated \$12.7 billion) (ACNC, 2021; 2022).

MAIN POINTS

The 200 wealthiest Australians have a combined wealth of \$555 billion (AFR, 2022).

- If they all donated 1.46% of their wealth (the largest rate of giving in the 2022 Financial Review Philanthropy 50 List), it would raise an additional \$8.1 billion for the charitable sector, boosting donations revenue by 63.8% from \$12.7 billion to \$20.8 billion.
- Donations from the 2022 Top 50 givers on the Financial Review Philanthropy 50 List represented 0.04% of GDP.
- A commitment by the 200 wealthiest Australians to the 'Pledge 1%'¹⁵ model would generate \$5.55 billion for the sector, an additional 3.4% in revenue and 47.0% in donations.
- Extending the 1% giving pledge to households with net wealth greater than \$50 million, using our exploratory analysis on the distribution of high-end household net wealth in Australia, would increase estimated donations by between \$7.9 billion and \$8.5 billion (depending on data sources used).

Table 19 summarises different donation rates identified through the report so far. This includes income donation data and donations as a share of wealth data. The table highlights the disparities between wealth-adjusted donations of the wealthiest compared to the least wealthy Australians. For example, the average share of income donated by the bottom 25% of Australians is 0.43%, while the 2021 top 10 Australian personal donations represented only 0.146% of the top 10 wealth. Likewise, the highest rate of giving among the AFR Top 200 also on the Financial Review Philanthropy 50 List, at 1.46% of that person's wealth, is well below the wealth growth of the 200 wealthiest Australians in 2022, which was 17.88%.

The second entry in Table 19 shows that the 2021 top 25 personal donations on the Financial Review Philanthropy 50 List (\$405 million) represent just 0.158% of the wealth held by the 25 wealthiest individuals (approximately \$256 billion). The combined value of the top 50 philanthropic donations on the Financial Review Philanthropy 50 List in 2022 is just under \$1 billion, which represents 0.25% of the total wealth held by the 50 wealthiest Australians (approximately \$376 billion).

¹⁵ Pledge 1% is a global corporate philanthropy movement whose member companies commit to giving 1% of equity, staff time or product back to their communities.

TABLE 19: EXISTING AND POTENTIAL RATES OF DONATIONS, BY AUSTRALIA AND UNITED STATES, (2021 AND 2022)

Description of Giving Rate	Percentage of Wealth Donated
Average of 2021 top 10 Australian personal donations on the Financial Review Philanthropy 50 List as share of 2021 top 10 wealth	0.146%
Current 2021 top 25 Australian personal donations on the Financial Review Philanthropy 50 List as a share of 2021 top 25 wealth	0.158%
Current 2022 top 50 Australian philanthropic donations on the Financial Review Philanthropy 50 List as a share of 2022 top 50 wealth	0.250%
Average donation of 2022 top 25 Australian donors on the Financial Review Philanthropy 50 List as a share of their wealth	0.423%
Average share of wealth donated by the 15 donors in the 2022 AFR Rich List and 2022 Financial Review Philanthropy 50 List	0.440%
Average of top 10 US donors as share of top 10 wealthiest	1.58%
Top Australian personal donation on the Financial Review Philanthropy 50 List as a share of wealth	0.357%
Top United States donation (out of top 10) as a share of wealth	5.73%
Percentage of income that bottom 25% income earners donate	0.43%
Top share of wealth donated out of 2022 AFR Top 200	1.46%
Wealth growth for 2022 top 200 Australians in 2020	17.88%

Source: Authors' calculations.

If the 200 wealthiest Australians donated at the same rate as the top United States donation (5.73% as a share of top 10 wealth), it would generate \$31.8 billion for the charitable sector. This would more than double the level of revenue provided to the sector through donations (\$12.7 billion in 2020) and boost the sector's overall revenue by approximately 18.1%. This highlights the degree to which the Australian charitable sector could benefit if Australia's wealthiest people shifted their rates of donation towards the more generous levels in other countries.

The total wealth held by the 200 wealthiest Australians grew by 17.88% in 2022, to \$555.02 billion. Donating these funds would represent approximately 56.4% of the sector's total revenue in the 2020 reporting year. If this money had been donated in 2020, it would represent almost eight times the \$12.7 billion in total donations made that year (ACNC, 2022). It would also exceed the estimated \$88 billion provided to the sector by government in 2020 (ACNC, 2022).

While there is no consensus on an appropriate amount for wealthy people to donate, there is evidently scope for them to donate at higher rates given the growth in wealth they are experiencing. One movement gaining growing popularity in Australia is the Pledge 1% movement, which encourages corporate entities to donate 1% of their profits or other resources. If the 200 wealthiest Australians contributed at the same rate (assuming their known existing donations all remained constant), it would raise an additional \$5.55 billion for the charitable sector (equivalent to 3.34% of the sector's revenue). It is evident from these examples that even small shifts in giving would significantly alter the revenue available to the charitable sector.

In Chapter 2 we estimated the full distribution of household net wealth in Australia drawing on the existing ABS Survey of Income and Housing and HILDA data, and the top 200 wealth data. Using the estimated distribution of household net wealth, a one-off 1% pledge by those with household net wealth over \$10 million would generate \$23.63 billion on the basis of the ABS Survey of Income and Housing estimates and \$19.54 billion on the basis of the HILDA estimates. If the pledge applied to households with net wealth greater than \$50 million, a one-off 1% pledge would generate \$8.48 billion on the basis of the ABS Survey of Income and Housing estimates and \$7.93 billion on the basis of the HILDA estimates.

TABLE 20: MODELLED ALTERNATIVE RATES OF GIVING AND AMOUNTS GENERATED BY AUSTRALIA AND UNITED STATES, (2022)

If each of the 2022 top 200 gave at the rate of...	Percentage of Wealth Donated	Amount of additional Funds (Billions)	Proportion of the sector's existing revenue	Proportion of 2020 total donations to sector
Average of top 10 Australian personal donors on the Financial Review Philanthropy 50 List as share of top 10 wealthiest Australians	0.146%	0.810	0.46%	6.38%
Current top 25 Australian personal donations on the Financial Review Philanthropy 50 List as a share of top 25 wealthiest Australians	0.158%	0.877	0.50%	6.90%
Current top 50 Australian philanthropic donations on the Financial Review Philanthropy 50 List as a share of top 50 wealth	0.250%	1.388	0.79%	10.93%
Average donation of top 25 Australian donors on the Financial Review Philanthropy 50 List as a share of their wealth	0.423%	2.348	1.33%	18.49%
The 1% giving pledge	1.000%	5.550	3.15%	43.70%
Average share of wealth donated by the 15 donors in the top 200 wealthiest and Financial Review Philanthropy 50 List	0.440%	2.442	1.39%	19.23%
Average of top 10 US donors as share of top 10 wealthiest	1.58%	8.769	4.98%	69.05%
Top Australian personal donation on the Financial Review Philanthropy 50 List as a share of wealth	0.357%	1.981	1.13%	15.60%
Top US donation as a share of top 10 wealth	5.73%	31.803	18.07%	250.41%
Percentage of income that bottom 25% income earners donate	0.43%	2.387	1.36%	18.79%
Top share of wealth donated from the Financial Review Philanthropy 50 List out of 2022 AFR Top 200	1.46%	8.103	4.60%	63.81%
Top 200 Australians' wealth growth in 2020	17.88%	99.238	56.38%	781.40%

Source: Authors' calculations.

7. INHERITANCE TAX

This section of the report considers the application of an inheritance tax to increase ‘compulsory giving’ by HNW individuals, with proceeds directed (hypothecated) to charities. While Australia has not had an inheritance tax since 1979, most OECD countries impose such a tax.

It is difficult to determine what revenue may be generated from an inheritance tax. This is for two reasons. The first is a large data gap. We have detailed information on wealth holdings for those in the ABS Survey of Income and Housing and the HILDA Survey as well as UHNW individuals (e.g., the AFR Top 200 Rich List). But there is a large gap between the wealth holdings of those at the top of the wealth distribution in the ABS and HILDA surveys and the bottom of the UHNW lists. We use statistical modelling to simulate the wealth distribution to cover this gap.

The second reason it is difficult to determine the amount generated by an inheritance tax is that once a tax is imposed, individuals will undertake behaviours to reduce tax liabilities. Depending on the tax code applied, this could include increased giving to charities. While this may reduce the tax take, it will serve the same purpose as a hypothecated inheritance tax. In this section we take no account of these likely behavioural responses and calculate the upper revenue limit at different tax rates applied to net wealth excluding owner occupied housing equity.

MAIN POINTS

There is currently no inheritance tax in Australia although historically Australia has had an inheritance tax and most OECD countries currently apply inheritance taxes.

We undertook an exploratory analysis of a possible inheritance tax in Australia using our estimated full distribution of household net wealth drawing on survey data and the AFR Top 200 Rich List.

Applying Australian death rates to estimated individual net wealth data (excluding owner occupied housing equity), we estimate the annual inheritance tax base is \$147 billion of taxable wealth using ABS data, and \$157 billion using HILDA survey data.

- A 5% inheritance tax would raise \$2.3 billion with a \$10 million minimum net wealth (excluding owner occupied housing equity) threshold, \$1.7 billion with a \$20 million minimum, and \$1.2 billion with a \$50 million minimum, based on simulation using ABS survey data.
- Annual donations to the charitable sector are approximately \$12.7 billion. To raise this amount through an inheritance tax alone would require a tax rate of 8% with no tax thresholds applied, 26.1% with a \$10 million tax threshold applied, or 35% with a \$20 million tax threshold applied, based on simulation using ABS survey data.

INHERITANCE TAX

Inheritance tax is a tax on the transfer of wealth levied on the individual legacies left to beneficiaries. Many countries having reduced or abolished taxes on inheritances and estates since the mid-1990s (Coram, 2021; Drometer et al., 2018; Perret, 2021; Schechtl, 2021). Taxes on wealth are increasingly being considered again as an option to collect additional revenue, promote social mobility and strengthen equality of opportunity (Gross et al., 2017; Organisation for Economic Co-operation and Development [OECD], 2015; Perret, 2021). The share of inherited wealth has increased particularly in Western countries, with the number and value of inheritances expected to increase (OECD, 2021a). In most countries, inheritance tax impacts a small number of wealthy individuals (Coram, 2021; Gross et al., 2017).

Inheritance is a powerful driver of social and economic inequality through redistributing wealth, with some arguing it should be taxed at a higher rate than earned income and self-made wealth (Batchelder, 2020; Coram,

2021; De Nardi & Yang, 2016; Drometer et al., 2018; OECD, 2021a; Piketty et al., 2013). An inheritance tax can enhance horizontal equity (people receiving the same amount of income or assets should be taxed similarly) and vertical equity (taxpayers with a greater ability to pay tax should pay relatively more tax) (OECD, 2021a). An inheritance tax also provides greater incentive to give to charity, with estimates of a decline in charitable bequests of between 12–20% when an inheritance tax is not in place (OECD, 2021a). Inheritance taxes may have advantages over other forms of wealth taxation, making capital tax evasion harder (OECD, 2021a). However, exemptions for charitable giving may also provide greater benefit to high wealth households and create tax avoidance opportunities (OECD, 2021a).

Inheritance taxes are one of the most unpopular taxes and divide public opinion. Countries have recently abolished inheritance taxes as they are often considered unfair (a form of double taxation) and complicated, raise insufficient revenue, have high administrative and compliance costs, may deter entrepreneurship in heirs, and may have place burdens of liquidity on small and family businesses (Coram, 2021; Drometer et al., 2018; Gross et al., 2017; Henrekson & Waldenström, 2016; OECD, 2021a; Schechtl, 2021).

In some countries which do not have an inheritance tax, bequests may be incorporated into other tax regimes such as income tax, stamp duty or a capital gains tax (Coram, 2021; Drometer et al., 2018).

INHERITANCE TAX IN AUSTRALIA

Australia removed the federal inheritance tax in 1979. Inherited wealth is now the only form of income that does not get taxed (Coram, 2021). Farmers and small business owners led the push to abolish the inheritance tax. Key factors behind the abolition were the ability to avoid inheritance tax with estate planning, the failure to index the tax threshold making lower value estates increasingly subject to taxation, and increasing compliance costs (Coram, 2021; Duff, 2005). In 1979, inheritance tax represented 0.2% of total federal taxes (OECD, 2021b).

INHERITANCE TAX INTERNATIONALLY

Of the 26 countries in the OECD, 17 tax inheritances, and nine do not (Australia, Austria, Canada, Czech Republic, New Zealand, Norway, Portugal, Sweden, Ukraine and the United States) (Drometer et al., 2018). Inheritance taxation systems vary in terms of the tax regime, tax classes (distance to heir), marginal tax rates and exemptions (Drometer et al., 2018).

Drometer et al. describe the different components of the inheritance tax systems in OECD countries as follows (Drometer et al., 2018):

Tax regime. The tax regime can be non-progressive or progressive. A non-progressive regime applies either a fixed tax rate or a fixed chargeable amount independent of the value bequeathed. Under progressive regimes, the most common tax regime, the tax rate increases with the amount bequeathed, the tax classes of the heirs (i.e., the more distant the family relation, the higher the tax rate), or both.

Tax Classes. The closeness of relationship between the deceased and the inheritance recipient plays a role in determining the marginal tax rate under this regime. Some countries distinguish between close relatives (such as children, parents, and spouses) and others (distant relatives and unrelated beneficiaries), while others combine blood relatives.

Marginal tax rates. Marginal tax rates differ between countries, from 1–10% of the bequest in Turkey, 10–55% in Japan, and 24–40% in the United States, depending on the tax class. A marginal tax rate of 40% applies in the United Kingdom, irrespective of the tax class or amount bequeathed. Marginal tax rates and personal exemptions must be examined together.

Exemptions. Personal exemptions may be based on bequest amounts, tax classes, personal situations, the number of heirs, age of the recipient or disablement.

In general, there is considerable variation between countries in tax exemptions and tax schedules. Differences in the exemption thresholds affect the number of people impacted by inheritance taxes. The lower the exemptions, the more the tax encroaches on the middle classes (Klitgaard & Paster, 2021; Schechtl, 2021). Countries differ substantially in the taxation of heirs, with direct heirs seldomly taxed at all, and non-direct

heirs or foreigners with more distant relationships taxed the most (Schechtl, 2021). Table A31 in Appendix 6 compares the characteristics of the 17 OECD countries which tax inheritance (Drometer et al., 2018).

Within the OECD, inheritance taxation is a minor source of revenue, accounting for 0.1% of GDP, and 0.5% of total tax revenue on average (Drometer et al., 2018; Klitgaard & Paster, 2021; OECD, 2021a; Schechtl, 2021).

Many countries also provide exemptions for transfers of specific assets (e.g. main residence, business and farm assets, pension assets, and life insurance policies), and inheritance tax can be avoided through in-life gifts (OECD, 2021a). Other tax rules, such as the use of preferential valuation rules, allow taxpayers to minimise their inheritance or estate tax (OECD, 2021a). These exemptions primarily benefit the wealthiest households (OECD, 2021a).

IMPACTS ON BEHAVIOUR

Inheritance taxation may have varying effects on the behaviour of donors and heirs. Prospective donors might save less (substitution effect) or save more (income effect), transfer assets earlier, or invest more heavily in their children's education (OECD, 2021a). Inheritance taxation may give heirs an incentive to work and save more, and reduce risks of misallocating capital (OECD, 2021a).

ATTITUDES TOWARDS AN INHERITANCE TAX

A recent study (Coram, 2021) investigated contemporary public attitudes towards wealth transfer taxation, concluding a targeted tax in Australia may generate less public resistance than expected. The study found a lack of expectation by both young adults (aged 18–24) and seniors (aged 60–70), that bequests should or would be left to descendants, with two-thirds of participants speaking positively about an estate tax (Coram, 2021). Participants who supported the tax did not place importance on legacies being passed down from one generation to another, but suggested the tax rate should be relatively low and applied only to estates above \$3–5 million (Coram, 2021). Those opposed to the tax were concerned about breaking up family farms and businesses and excessive interference by government in people's private affairs (Coram, 2021).

These results supported other Australian research which found older Australians wanted to spend their money on themselves and enjoy their retirement (Bray & Gray, 2016; Hamilton & Hamilton, 2006). However, another study found the majority of Australians wanted to leave an inheritance for their children (Council on the Ageing New South Wales, 2017). Research in the United Kingdom found inheritance tax to be an emotive topic, and due to the influence media, perceived as a 'tax on love' (Lewis & White, 2006).

The framing of inheritance tax may influence people's attitudes towards it (Coram, 2021). In Sweden, Bastani and Waldenström (Bastani & Waldenström, 2022) report informing people about the aggregate importance of inherited wealth and its link to inequality of opportunity significantly increases support for inheritance taxation. In the United Kingdom, a series of workshops softened anti-inheritance tax views by shifting the focus to the broader social benefits of the tax (Prabhakar, 2008, 2009).

INHERITANCE TAX MODELS

Many models have been proposed for inheritance tax dependent on redistribution objectives: zero or negative tax rate, positive tax rate, and a recipient-based inheritance tax. Fahri and Werning suggest subsidising bequests through a zero or negative progressive tax rate with subsidies decreasing with the size of inheritance, to reduce consumption inequality among the next generation (Farhi & Werning, 2010). A positive and high tax rate is optimal if society cares primarily about those receiving small inheritances and the objective is equality of opportunity, with large inheritances taxed at a higher rate than income from work (Batchelder, 2020; Piketty et al., 2013). A recipient-based inheritance tax, concerned with the overall amount of wealth received by individuals over their lifetime regardless of the source, also promotes equality of opportunity (OECD, 2021a).

Gross et al. found the perception of a fair inheritance tax rate is dependent on the heir's income, the value of the bequest, the relationship between testator and heir, the bequeathed asset itself and the governmental debt (Gross et al., 2017). An average proposed inheritance tax rate of 16% was considered fair, with the tax rate decreasing with a close relationship between testator and heir and when the asset is a family-occupied

house or family enterprise (Gross et al., 2017). The fair inheritance tax rate increases with the value of bequest and income of the heir, representing equity considerations (Gross et al., 2017). The authors concluded that to be considered fair, inheritance tax design should consider need-based, equity-based, and family-based dimensions (Gross et al., 2017).

RECOMMENDATIONS FOR INHERITANCE TAX DESIGN

Coram argues wealth transfer taxation is worth considering in Australia following a period of increased government spending and revenue constraints in the aftermath of the COVID-19 pandemic (Coram, 2021). The OECD report found inheritance taxes can raise revenue and enhance equity, at lower administrative and efficiency costs than alternatives (OECD, 2021a). Inheritance tax can also enhance equality of opportunity, reduce wealth concentration, have more limited effects on savings than other taxes levied on wealthy taxpayers, have positive effects on heirs' incentives to work and on donors' charitable giving, and reduce risks of misallocating capital to less skilled heirs (OECD, 2021a).

The OECD report makes the following recommendations for designing inheritance taxes that enhance the revenue raising potential, efficiency, and equity of inheritance (OECD, 2021a).

- A tax exemption threshold that allows small inheritances to be passed on free of tax, combined with a progressive inheritance tax rate schedule, may reduce absolute and relative wealth inequality.
- A recipient-based inheritance tax taking into account the amount of wealth previously received by the beneficiary allows for progressive tax rates to be levied. It may encourage the division of estates and further reduce concentrations of wealth.
- A high progressive savings tax, or a lower savings tax combined with a progressive inheritance tax, may help prevent large wealth accumulation over generations.
- Tax wealth transfers under a separate tax rather than through income tax.
- Tax exemption thresholds should allow recipients to receive a small amount of wealth tax-free.
- Avoid excessive gaps between the tax treatment of tax classes.
- Avoid tax exemptions and reliefs for which there is no strong rationale and which tend to be regressive and benefit wealthier households. Exemptions or reliefs for business assets should be carefully designed as they also benefit the wealthy.
- Gift tax exemption thresholds should approximate as much as possible a reasonable lifetime exemption threshold.
- Asset valuation should be based on fair market value.
- Liquidity issues can be prevented through payment instalments and deferred payments.
- Measures should prevent tax avoidance and evasion.
- Apply reporting obligations for transfers above a certain low-value threshold.
- Cost basis of the assets transferred at death should be 'stepped up' for capital gains tax purposes to their fair market value at the time of the bequest.
- Taxing rights in respect of cross-border inheritances should be better aligned across countries and adequate double taxation relief should be provided. 'Tail provisions' should be introduced to ensure people remain subject to inheritance taxes for a number of years after they move abroad.
- Provide information on inherited wealth and inequality, and reframe inheritance tax reforms around issues of fairness, equality of opportunity and inequality reduction to make inheritance taxes more acceptable.

ESTIMATING INHERITANCE TAX

Inheritance taxes will only be applied against the net wealth of deceased individuals, and thus we randomly select individuals from our simulated net wealth distribution based on death rates stratified by age and sex. That is, high risk demographic groups will have a larger chance of being selected resulting in better estimates of an inheritance tax on total tax receipts. An important differentiation from the modelling of wealth in Chapter 2 is that in this chapter we have modelled individual net wealth, rather than household net wealth. For this we have used the individual record files from the ABS and HILDA, which provide important additional demographic information, although net wealth (with and without owner occupied housing equity) is supplied at a household level. Therefore, we have taken the steps below to transform household net wealth into individual net wealth. Given the different methodologies applied by the ABS and HILDA surveys, we have again conducted analyses separately for both surveys when combining data with the AFR Top 200 Rich List to estimate gaps in wealth.

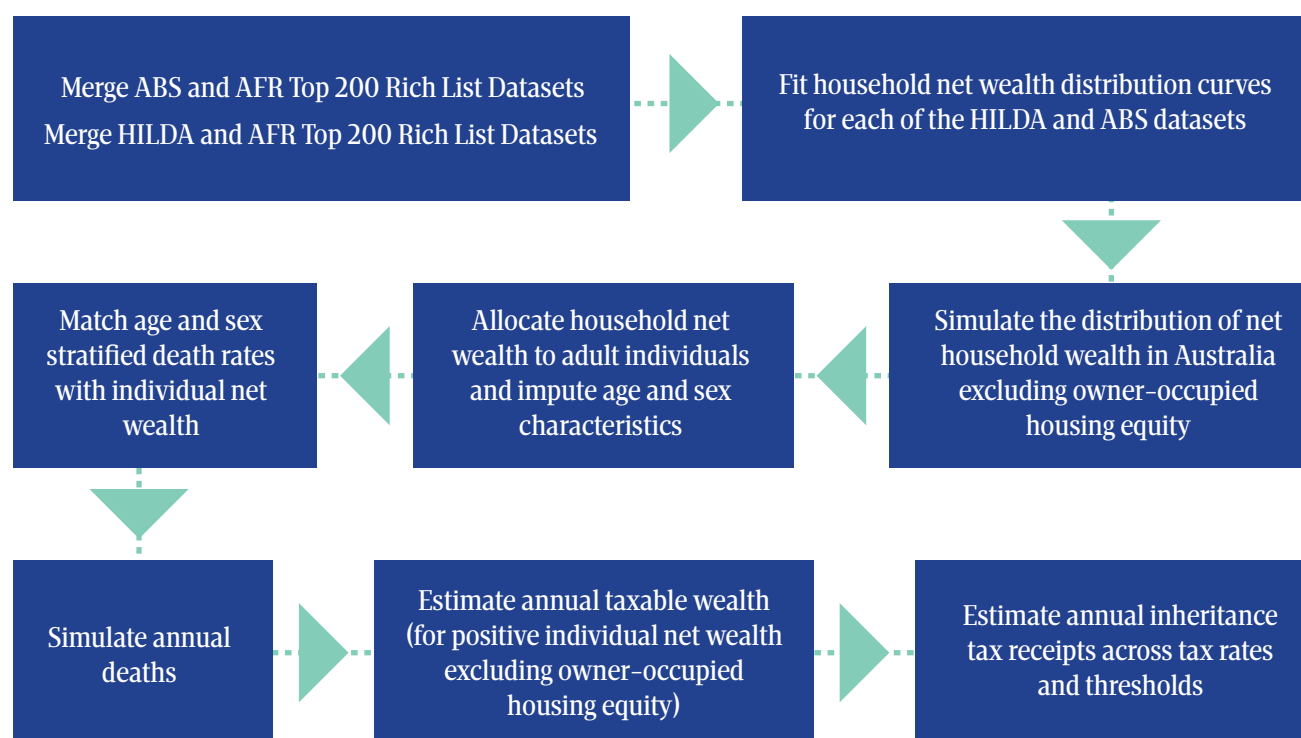
For the purposes of calculating inheritance tax, we assume that the tax does not apply to primary residences. Other assumptions include:

- Individuals will only be taxed if over the age of 18.
- Taxes will be applied to individual net wealth excluding owner-occupied housing equity. Given survey data only provides combined household wealth, we calculate individual net wealth by dividing household net wealth (excluding owner-occupied housing equity) by the number of adults in a household.
- Wealth without owner occupied housing equity as per HILDA and ABS surveys is negative for some individuals (i.e., have more liabilities than assets), which would exclude them from any inheritance tax. When simulating population wealth, individuals with negative wealth will be excluded. While it would be necessary to take into account negative wealth when estimating total wealth in Australia, it is not necessary when computing wealth that would be subject to an inheritance tax.

A generalised pareto curve exhibited excellent fit to the available Australian net wealth data when using both ABS and HILDA datasets, with this fit again used to simulate the two datasets to match the weighted populations represented by each source dataset. For the dataset simulated using the ABS survey and the AFR Top 200 Rich List, which represented a weighted population of 15.75 million individuals (over the age of 18 and with positive net wealth), the mean net wealth (excluding owner-occupied housing equity) was estimated to be \$838,894.80, and median net wealth was \$257,703.00.

For the dataset simulated using the HILDA survey and the AFR Top 200 Rich List, which represented a weighted population of 18.46 million individuals (over the age of 18 and with positive net wealth), the mean net wealth (excluding owner-occupied housing equity) was estimated to be \$891,171.94, and median net wealth was \$227,763.

FIGURE 37: METHOD FOR ESTIMATION OF POTENTIAL INHERITANCE TAX COLLECTIONS



Age and gender were linked to net wealth for the two simulated datasets based on the available statistics in the source datasets (the AFR Top 200 Rich List, and the ABS Survey of Income and Housing or HILDA survey). This was achieved through hot deck imputation, which is particularly useful for survey data with large amounts of missing data. The dataset simulated using the ABS and AFR Top 200 Rich List was imputed using demographic information only from the ABS survey and AFR Top 200 Rich List, while the dataset created using the HILDA and AFR Top 200 Rich List relied on information available from these two sources only. Younger people were over-represented at the lower end of the wealth spectrum, while older individuals had higher levels of mid-to-high levels of wealth. The median age of individuals in the AFR Top 200 Rich List was notably older than the Australian average.

The most recent death statistics collected from the Australian Bureau of Statistics were stratified by age and sex, and subsequently linked to the demographic characteristics of the simulated sample. Each person was given a probability of death based on these rates, which could be used to simulate the tax collected each year. The statistical approach randomly picks individuals in the sample, with people with a higher probable death rate more likely to be selected in the sample (i.e., a simulated occurrence of a death). In total, 250 random samples were drawn using boot strap methods, with a maximum of 169,301 deaths in each sample reflecting the number of deaths in 2019 according to ABS statistics (2020 and 2021 statistics were not selected due to the impact of COVID-19). In each randomly drawn sample, the wealth of the individuals selected is expected to differ. Therefore, the average wealth across all 250 randomly drawn sample was calculated and used as an estimate of the amount of wealth subject to a hypothetical inheritance tax. The results from the two simulated datasets have been presented separately below.

ABS AND THE AFR TOP 200 RICH LIST

The average total taxable wealth across the ABS and the AFR Top 200 Rich List was \$147.5 billion. Different inheritance tax rates were selected to exhibit the impact tax rates may have on the overall level of inheritance tax collected (Table 21). Applied across the full wealth distribution, an inheritance tax rate of 2.5% generates approximately \$3.69 billion of revenue. At a tax rate of 5% the tax revenue is \$7.37 billion. At 30%, tax revenue jumps to \$44.25 billion.

There are several important caveats which mean the estimates presented are the outer limit of the tax revenue that might be generated from an inheritance tax. First, an inheritance tax would be applied above a threshold, reducing the possible wealth to which a tax could be applied. Second, we expect giving behaviour to change with the introduction of an inheritance tax. That is, many of the wealthiest individuals will avoid inheritance taxes by distributing their wealth in different ways, with donations expected to increase as a mechanism to increase tax deductions, as well as dividing estates.

As outlined in Chapter 6, annual donations to the charitable sector are approximately \$12.7 billion. Assuming individuals do not arrange their affairs to reduce inheritance tax liabilities prior to death, a tax rate of 8% would be required to generate this donation revenue base. A 26.15% tax rate would be required if a \$10 million tax threshold was applied, and 35.01% if a \$20 million tax threshold was applied.

As a point of comparison, net Goods and Services Tax (GST) collections in Australia in 2020/21 were \$72.9 billion, company tax collections were \$98.8 billion and overall tax receipts \$519 billion (Australian Federal Government, 2022). Therefore, at a 5% tax rate with no threshold, an inheritance tax would generate 10.1% of GST revenue and 7.5% of company tax revenue. At a 10% tax rate with no threshold, an inheritance tax would generate 20.23% of GST revenue and 14.93% of company tax revenue. A 5% inheritance tax with no threshold would increase total government collections by 1.4% with reference to 2020/21 total collections, while a 10% tax would result in a 2.8% increase.

HILDA AND THE AFR TOP 200 RICH LIST

The average taxable wealth for the HILDA and the AFR Top 200 Rich List bootstrapped datasets was \$157.1 billion. Applied across the full wealth distribution, an inheritance tax rate of 2.5% generates approximately \$3.9 billion. At 5% the tax revenue is \$7.86 billion, and at 30%, tax revenue jumps to \$47.13 billion.

Assuming individuals do not arrange their affairs to reduce inheritance tax liabilities prior to death, a tax rate of 7.51% would be required to generate the roughly \$12.7 billion donated to the charitable sector each year. A 19.77% tax would be required if a \$10 million tax threshold was applied, and 25.43% if a \$20 million tax threshold was applied.

In comparison to other taxes, a 5% inheritance tax with no threshold would generate 10.8% of GST revenue and 8% of company tax revenue. At a 10% tax rate with no threshold, an inheritance tax would generate 21.55% of GST revenue and 15.9% of company tax revenue. An inheritance tax without any threshold at a rate of 5% would increase total government collections by 1.5% with reference to 2020/21 total collections, while a 10% tax would result in a 3% increase.

TABLE 21: ESTIMATED INHERITANCE TAX REVENUE, BY TAX RATE, ABS SURVEY OF INCOME AND HOUSING (2017/18) AND THE AFR TOP 200 RICH LIST (2021)

	Estimated Inheritance Tax Revenue (\$ Billions)			
Inheritance Tax Rate (%)	No Threshold	\$10 Million Threshold	\$20 Million Threshold	\$50 Million Threshold
Total Taxable Net Wealth (Excluding Owner-Occupied Housing Equity)	\$147.49 billion	\$45.13 billion	\$33.70 billion	\$23.28 billion
2.5%	3.69	1.13	0.84	0.58
5.0%	7.37	2.26	1.69	1.16
7.5%	11.06	3.38	2.53	1.75
10.0%	14.75	4.51	3.37	2.33
12.5%	18.44	5.64	4.21	2.91
15.0%	22.12	6.77	5.06	3.49
17.5%	25.81	7.90	5.90	4.07
20.0%	29.50	9.03	6.74	4.66
22.5%	33.18	10.15	7.58	5.24
25.0%	36.87	11.28	8.43	5.82
27.5%	40.56	12.41	9.27	6.40
30.0%	44.25	13.54	10.11	6.98

TABLE 22: ESTIMATED INHERITANCE TAX REVENUE, BY TAX RATE, HILDA (2018) AND THE AFR TOP 200 RICH LIST (2021)

	Estimated Inheritance Tax Revenue (\$ Billions)			
Inheritance Tax Rate (%)	No Threshold	\$10 Million Threshold	\$20 Million Threshold	\$50 Million Threshold
Total Taxable Net Wealth (Excluding Owner-Occupied Housing Equity)	\$157.10 billion	\$59.70 billion	\$46.40 billion	\$32.64 billion
2.5%	3.93	1.49	1.16	0.82
5.0%	7.86	2.98	2.32	1.63
7.5%	11.78	4.48	3.48	2.45
10.0%	15.71	5.97	4.64	3.26
12.5%	19.64	7.46	5.80	4.08
15.0%	23.57	8.95	6.96	4.90
17.5%	27.49	10.45	8.12	5.71
20.0%	31.42	11.94	9.28	6.53
22.5%	35.35	13.43	10.44	7.35
25.0%	39.28	14.92	11.60	8.16
27.5%	43.20	16.42	12.76	8.98
30.0%	47.13	17.91	13.92	9.79

Source: Authors' calculations.

8. CONCLUSION

This report builds insights across a range of areas to understand giving based on income and wealth, and highlight the degree to which increased rates of giving are both possible and necessary. It remains an open question as to how much of an increase there should be. However, the modelling in Chapter 5 of the report shows the additional revenue that could be raised and used for social good by the Australian charitable sector at different levels of increased giving.

The first section of the report outlined the various studies that have been conducted previously on HNW. It is noteworthy that there is no definitive study on the topic, and that the relatively low level of available data is a persistent issue.

Before the pandemic, around 60% of Australian charitable organisations were financially insecure (SVA & CSI, 2020), with the sector in significant need of increased revenue. The crisis support needed by Australians throughout the pandemic has placed increased strain on the sector, and means the number of financially insecure organisations has likely increased. In short, there is great need for increased support.

To help build a clearer understanding of the HNW and UHNW population in Australia, Chapter 2 summarised key wealth information in Australia. It also positioned the wealth of Australia in relation to other similar countries. As this section highlighted, Australia is one of the wealthiest countries in the world on a per capita basis, and has one of the largest HNW and UHNW populations when considered on a per capita basis. Despite relatively low levels of wealth inequality by international comparison, the 200 wealthiest Australians hold almost 4.6% of Australia's wealth, while representing just 0.00001% of the adult population.

Chapter 3 outlined the different tax-deductible giving patterns currently present in Australian data. It highlighted how those towards the bottom of the distribution (especially the bottom 25%) continue to give at rates that exceed their higher income peers. As noted in this section, those in the bottom 25% of income donate at an average rate more than 20 times higher than those in the top 25% of income. However, the data is heavily skewed by a small number of individuals in the bottom 25% who donate far in excess of their taxable income. When we exclude such individuals the rate of giving is comparable across the income distribution though those in the bottom quartile still exhibit a marginally higher mean donation rate.

Chapter 4 outlined the giving patterns of the 200 wealthiest Australians, who represent the top end of the UHNW distribution. While those who are lower in the UHNW category are not on the list, it represents a useful entry point into their giving patterns. This section highlighted that the wealth of the top 200 Australians increased at a significantly higher rate than the rate at which they donated through 2021. This demonstrated there is capacity for the wealthiest Australians to give more.

Chapter 5 outlined the evolution of PAFs as a giving vehicle in Australia. As an important structured giving vehicle requiring high levels of wealth to be utilised, PAFs offer insights into giving trends among HNW and UHNW individuals. This section showed that while there has been steady growth in the number and value of PAFs in Australia, this has not kept pace with the growth in wealth experienced by the 200 wealthiest Australians.

Chapter 6 estimated the amount of money that could be donated under a range of alternative scenarios. These were compared to the current Australian charitable sector and current donations. This highlighted that subtle shifts in the rates of giving from the 200 wealthiest Australians could have a substantial impact on donations to the charitable sector. For example, if each of the 200 wealthiest Australians donated 1.46% of their wealth (the largest rate of giving among the 2022 AFR Top 200), it would provide an additional \$8 billion.

Finally, there is a different level of impact in changing rates of donations based on how much wealth a person holds. The higher up the wealth distribution that changes occur, the bigger the change in overall donations. Changing the giving patterns of the 200 wealthiest Australians would represent a change in the giving patterns of roughly 4.6% of Australia's overall wealth.

It is important to consider the impact if the AFR Top 200 (and all UHNW individuals more generally) donated the wealth they gained throughout 2021/22. While this is aspirational, it is potentially game changing for the

Australian charitable sector. It would generate \$99 billion, almost eight times the total donations made to charities last year based on ACNC data. A donation of that size represents 56.3% of last year's total annual revenue for the Australian charitable sector.

This report has shown there is scope for increased levels of giving among HNW and UHNW Australians. Despite some measures suggesting that Australia is a generous nation, the analysis in this report shows there is clear opportunity for increased giving among the nation's wealthiest, particularly given the unprecedented gains in their wealth in recent years.

An alternative to 'voluntary giving' is the application of an inheritance tax to increase 'compulsory giving' by HNW individuals. Chapter 7 highlighted the impact of an inheritance tax with the proceeds of the tax directed (hypothecated) to charities. While it is difficult to determine what revenue may be generated from an inheritance tax, our estimates showed it could be an important part of the tax mix.

APPENDICES

The Appendixes present additional information on the data sources used throughout the main report, provides further findings on Australian wealth and giving, and provides details of the modelling of inheritance tax.

The data has been used to give a picture of income and wealth of the wealthiest individuals and households (including those in the HNW category), compare these with the total population, and look at patterns and changes over time. International data has been used to examine giving comparisons to analyse United States and United Kingdom UHNW and their giving patterns.

Included in this Appendix is additional analysis of data from the ATO, ABS and HILDA on the net wealth of households, income. And rates of giving. Giving rates of the top income earners and high-income households, and patterns of giving over time have also been examined.

The Appendixes contains information on:

1. The pattern of wealth in high wealth households, and pattern changes over time.
2. Comparison of wealth in high wealth households to the rest of the population.
3. The pattern of income in high income earners, and pattern changes over time.
4. Comparison of income in high income households to the rest of the population.
5. Comparison of giving rates for high income earners to the rest of the population.
6. Pattern of giving for high income earners.
7. What giving looks like in wealthy postcodes.
8. Estimating the maximum share of wealth donated for individuals in the top 200 wealthiest Australians.
9. Estimating the full distribution of wealth and Inheritance Tax in Australia.

APPENDIX 1: HIGH NET WEALTH, WEALTH AND DONATION DATA SUMMARY

HIGH NET WEALTH DATA

Four main data sources were used to analyse HNW: ATO 2% sample files (ATO, 2021a), ATO data cubes (ATO, 2021b), ABS Survey of Income and Housing (ABS, 2021), and The HILDA Survey (DSS & MIAESR, 2020)(Table A23).

ATO provides de-identified series of CURF sample files of individual tax returns for 2% of the population. Sample files used in this report were from the years 2013/14–2018/19. Data analysed included income and tax-deductible donations. ATO data Cubes contain information by postcode level from the years 2013/14–2018/19. Data analysed included income and tax-deductible donations. ATO sample files and data cubes include income from: salary/wage; allowances; employment termination payments; interest; Government pensions or allowances; dividends; rental income; income from business; capital gains; partnerships and trusts distributions; superannuation income; and foreign source income. Tax-deductible donations are also measured.

The ABS Survey of Income and Housing is a national survey that collects information about an individual's disposable income, net wealth, and assets. Deidentified CURF data has been used from the years 2013/14 and 2017/18. ABS household net wealth is the value of all the assets owned by a household less the value of all its liabilities.

Assets include:

- non-financial assets, such as dwellings and their contents, land, and vehicles
- own incorporated and unincorporated businesses
- other financial assets such as bank accounts, shares, trusts, superannuation accounts, and
- the outstanding value of loans made to other households or businesses.

Liabilities are the value of loans outstanding including:

- mortgages
- investment loans
- credit card debt
- borrowings from other households, and
- other personal and study loans.

The HILDA Survey is a household-based panel study that collects information about net wealth, financial asset components, and household disposable income. Data has been used from 2009/10– 2017/18. In HILDA, the following financial asset components were measured: bank accounts; superannuation; cash investments; equity investments (shares); trust funds; and the cash-in value of life insurance policies. In respect of non-financial assets, wealth data were sought for: the home; other property; business assets; collectables; and vehicles.

TABLE A23: HIGH NET WEALTH DATA SOURCES BY YEAR AND TYPE OF DATA

Source	Years	Data
ATO – sample files (ATO, 2021a)	2013/14 2014/15 2015/16 2016/17 2017/18 2018/19	% sample files Demographics Income Deductions Losses Other
ATO – data cubes (ATO, 2021b)	2013/14 2014/15 2015/16 2016/17 2017/18 2018/19	Data cubes -by postcode
ABS (ABS, 2021)	2013/14 2017/18	Individual weekly/yearly Income Wages and salary Business Super/pension investment Other sources
ABS (ABS, 2022)	2019/20	Household income and wealth. Key statistics
HILDA (DSS & MIAESR, 2020)	Waves 9–19	Panel survey Demographics Income Assets and liabilities Households finances

UHNW AND DONATIONS DATA

Three main sources were used to analyse Australian UHNW and their giving patterns: The 2021 and 2022 AFR and JBWere AFR Top 200 Rich List (AFR, 2021; 2022), the AFR and JBWere 2021 and 2022 Financial Review Philanthropy 50 List (McLeod, 2021, 2022), and The Australian's 2021 top-25 Philanthropic Donation List (The Australian, 2021) (Table A23).

The 2021 and 2022 AFR Top 200 Rich List provides estimates of the wealth holdings of the richest 200 Australians, with an annual release. Note that for some individuals, the family or a partner are listed as the wealth holder, rather than just the individual.

The 2021 and 2022 Financial Review Philanthropy 50 list provides a list of the top 50 publicly known Australian donations which were made in the previous financial year. The list includes allocations from individuals made through foundations and the allocations of funds from the execution of wills and estates.

The 2021 Australian Top 25 Philanthropists List includes a list of the top 25 publicly known personal donations made by individuals. This donation list includes corporate donations made by individuals through their companies.

TABLE A24: ULTRA HIGH NET WEALTH AND DONATION DATA SOURCES BY YEAR AND TYPE OF DATA

Source	Years	Data
The AFR Top 200 Rich List (AFR, 2015; 2016, 2017, 2018, 2019, 2020, 2021, 2022)	2014/15 2015/16 2016/17 2017/18 2018/19 2019/20 2020/21 2021/22	Individual/Family Wealth Holder Estimated wealth held Change of wealth from previous year (note that not all individuals have values given for previous year wealth) Combined yearly wealth holdings calculated from individual level data Combined change in wealth calculated using previous years wealth amount
AFR & JBWere Financial Review Philanthropy 50 List (McLeod, 2021, 2022)	2016/17 2017/18 2018/19 2019/20 2020/21 2021/22	Donor (Individual or Foundation) Size of donation Combined yearly donations calculated from individual level data
The Australian Top 25 Philanthropists List (The Australian, 2021)	2019/20	Donor (individual) Amount donated in previous year

ULTRA HIGH NET WEALTH INTERNATIONAL DATA

Five main data sources were used in the international giving comparisons to analyse United States and United Kingdom UHNW and their giving patterns: The Forbes 400 Wealthiest Americans List (Forbes, 2021), The Forbes Philanthropy Scores (Tucker, 2021), The Philanthropy 50 list (Di Mento, 2021), The Sunday Times Rich List (Watts, 2021), and The Sunday Times Giving List (The Sunday Times, 2021).

The Forbes 400 Wealthiest Americans List provides individual wealth estimates for the 400 wealthiest Americans, with data on the change in their wealth over the last year, with an annual release. Note that for some individuals, the family or a partner are listed as the wealth holder, rather than just the individual.

The Forbes Philanthropy Score provides estimates of the lifetime share of wealth donated by members of the Forbes 400 wealthiest people list, with an annual update. Scores are given to members and then an aggregated list is given of the combined range of donations among the entire 400.

The Chronicle of Philanthropy, Philanthropy 50 list provides a list of the top 50 individual American philanthropic donors based upon donations made over the last year. The list differs from the Australian version in that it takes money pledged (i.e. given to a foundation) rather than funds which have been allocated (i.e. transferred from a foundation to a charity).

The Sunday Times Rich List provides individual wealth estimates for the 300 wealthiest people in the United Kingdom, with data on the change in their wealth over the last year. Note that for some individuals, the family or a partner are listed as the wealth holder, rather than just the individual.

The Sunday Times Giving List provides a summary of the 200 most generous philanthropic donations in the United Kingdom. Generosity scores are calculated using the donation in comparison to the donor's wealth, however, we take the top donations from the list (the raw values of each donation are also listed) to use in comparison to Australia and the United States.

TABLE A25: ULTRA HIGH NET WEALTH INTERNATIONAL DATA SOURCES BY YEAR AND TYPE OF DATA

Source	Years	Data
Forbes 400 Wealthiest Americans List (Forbes, 2021)	2021	Individual/Family Wealth Holder Estimated Wealth Change of wealth from previous year
Forbes Philanthropy Scores (Tucker, 2021)	2020 2021	Aggregated scores by individual rate of wealth donated
The Chronicle of Philanthropy, Philanthropy 50 list (Di Mento, 2021)	2021	Donor (individual) Amount donated in previous year
The Sunday Times Rich List (Watts, 2021)	2021	Individual/Family Wealth Holder Estimated Wealth Change of wealth from previous year
The Sunday Times Giving List (The Sunday Times, 2021)	2021	Donor (individual or family) Amount donated in previous year

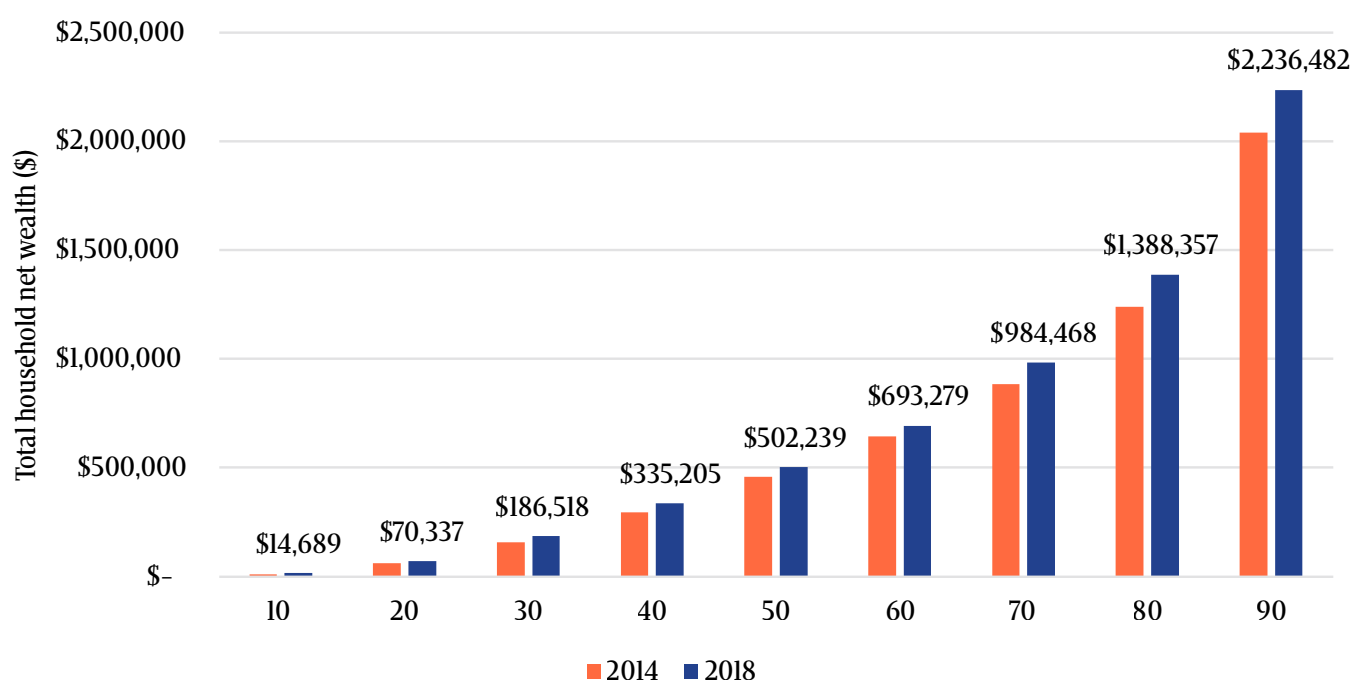
APPENDIX 2: HOUSEHOLD NET WEALTH IN AUSTRALIA

HOUSEHOLD NET WEALTH DECILES

In 2017/18, households within the top 1% of wealth holders, held 13% of total household net wealth, whereas households within the top 5% held 67% of total household net wealth. Mean net wealth of households within the top 1% of wealth holders was \$898,000 compared to \$734,000 for top 5% of wealth holders.

A similar pattern is seen in the HILDA data with household net wealth increasing more in the higher deciles of net household worth than in the lower deciles. Households in the 30th percentile for wealth in 2013/14 experienced, on average, a wealth increase of approximately \$28,000 from a baseline of \$158,340. Those in the 90th percentile experienced an increase of \$196,000 from a baseline of \$1.23 million.

FIGURE A38: HOUSEHOLD NET WEALTH, BY DECILE, HILDA, (2014 AND 2018)

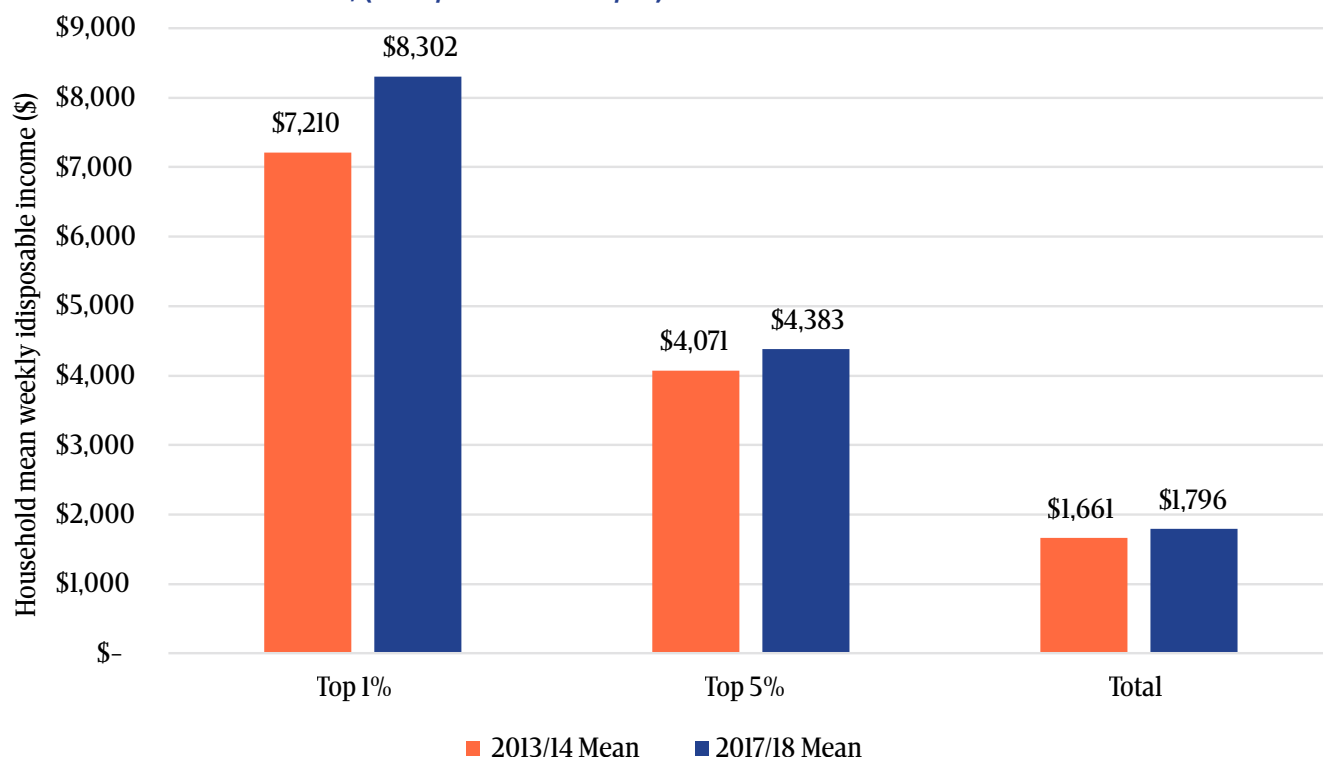


Source: Authors' calculations from The HILDA Survey: Waves 14 and 18 (DSS & MIAESR, 2020). Household net wealth is the value of all the assets owned by a household less the value of all its liabilities. Each decile represents one-tenth of the population in terms of increasing net wealth. Estimates are constant price estimates 2017/18 CPI.

HOUSEHOLD MEAN WEEKLY DISPOSABLE INCOME

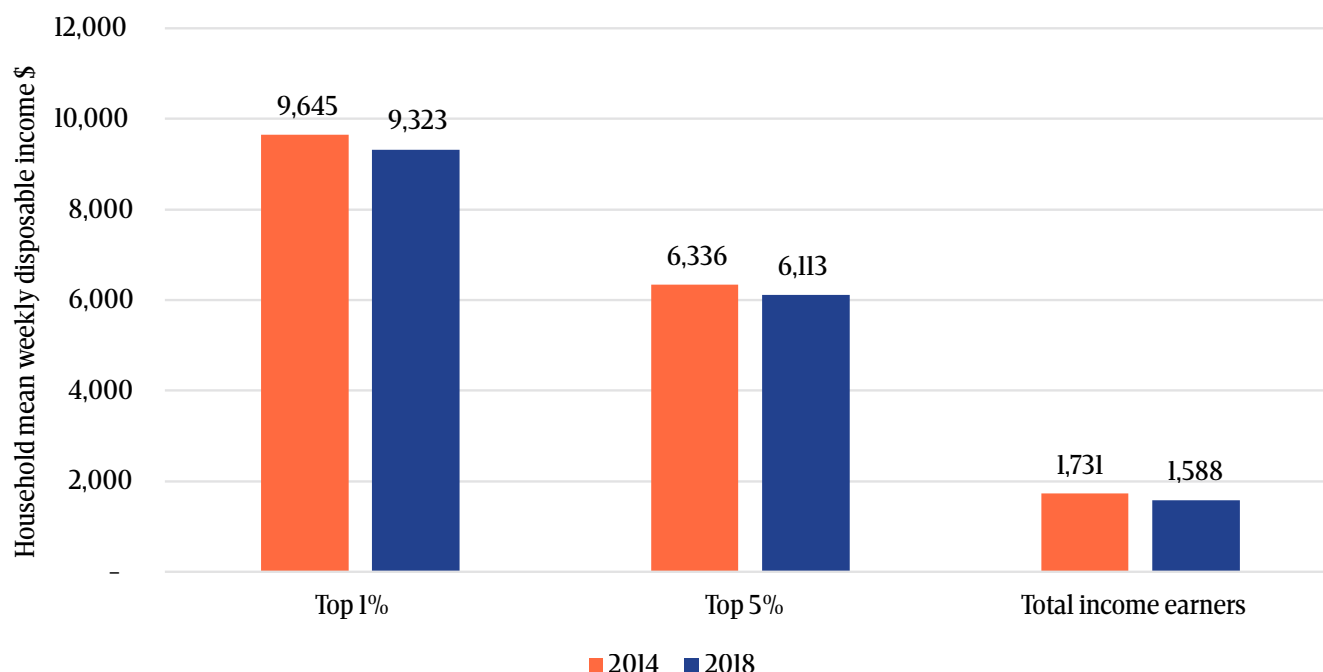
ABS data shows mean weekly household disposable income for the top 1% net wealth households increased at a larger rate from 2013/14 to 2017/18 than households in the top 5% net wealth households and total households. Mean weekly household disposable income of householders within the top 1% increased by \$1,092 a week from a base of \$7,210. Those in the top 5% household disposable increased by \$312 a week from a base of \$4,071. Total households have shown an increase in mean weekly household disposable of \$125 per week (Figure A39).

FIGURE A39: MEAN WEEKLY HOUSEHOLD DISPOSABLE INCOME, BY INCOME GROUP, ABS SURVEY OF INCOME AND HOUSING, (2013/14 AND 2017/18)



Source: Authors' calculations from ABS Survey of Income and Housing CURF (ABS, 2021). Top 1% and Top 5% refer to the households with net wealth in the Top 1% and Top 5% of sample file. Total refers to all households within the sample file and includes those within the Top 1% and Top 5%. Estimates are constant price estimates 2017/18 CPI.

FIGURE A40: MEAN WEEKLY HOUSEHOLD DISPOSABLE INCOME, BY INCOME GROUP, HILDA, (2014 AND 2018)

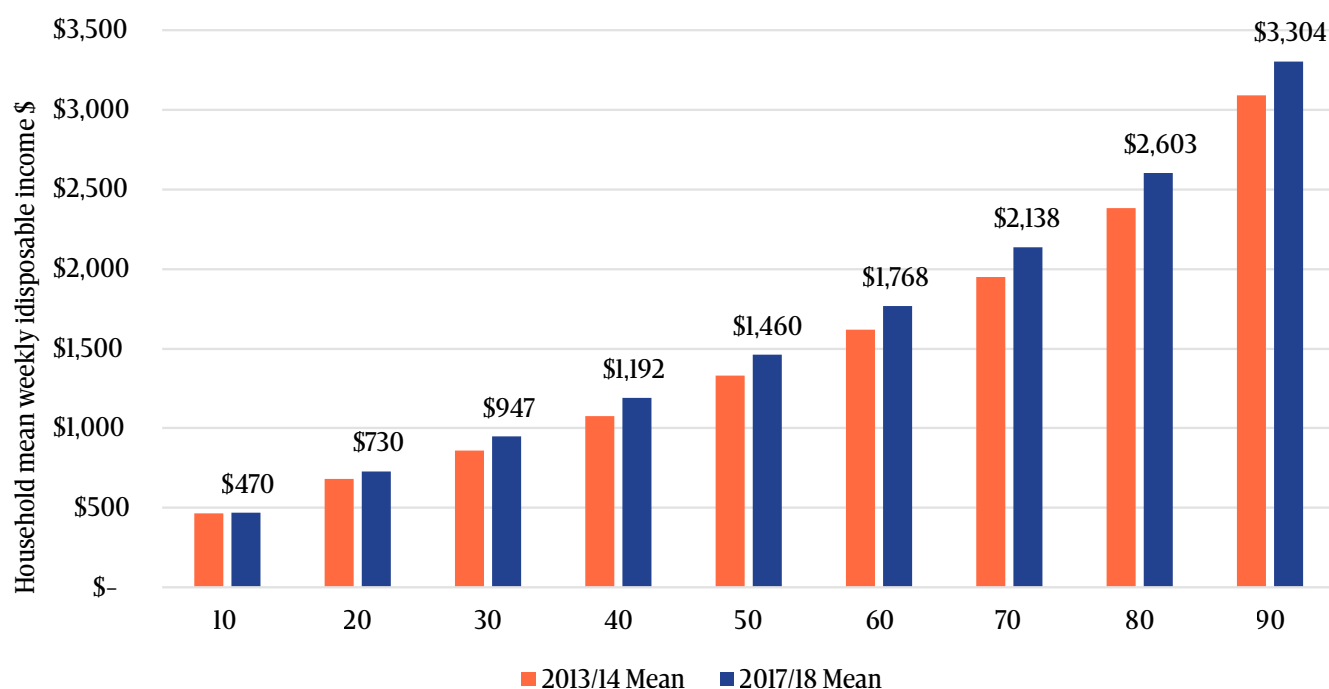


Source: Authors' calculations from The HILDA Survey: Waves 14 and 18 (DSS & MIAESR, 2020). Top 1% and Top 5% refer to the households with net wealth in the Top 1% and Top 5% of the file. Total income earners refers to all households within the sample file and includes those within the Top 1% and Top 5%. Estimates are constant price estimates 2017/18 CPI.

However, HILDA data shows mean weekly household disposable income for the top 1% net wealth households decreased by \$322 from 2013/14 to 2017/18, while mean weekly household disposable income in the top 5% net wealth households decreased by \$223 and total households by \$143a week (Figure A41).

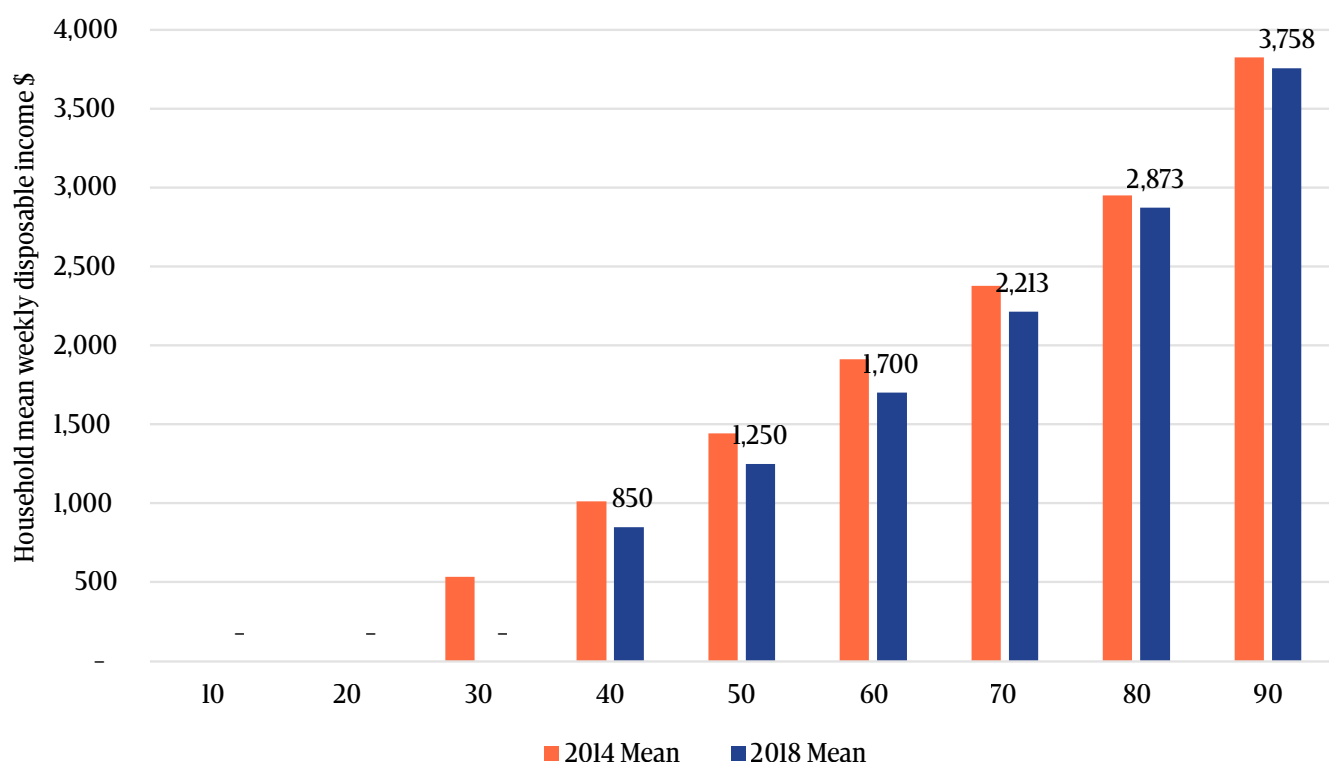
ABS data shows mean weekly household disposable income increased more in the higher deciles of net household wealth than in the lower deciles. Individuals in the 30th percentile for mean weekly household disposable income in 2013 experienced, on average, an increase of approximately \$89 from a baseline of \$858 a week. Those in the 90th percentile experienced an increase of \$214 from a baseline of \$3,090 a week.

FIGURE A41: MEAN WEEKLY HOUSEHOLD DISPOSABLE INCOME, BY DECILES, ABS SURVEY OF INCOME AND HOUSING, (2013/14 AND 2017/18)



Source: Authors' calculations from ABS Survey of Income and Housing CURF (ABS, 2021). Each decile represents one-tenth of the population in terms of increasing weekly household disposable income. Estimates are constant price estimates 2017/18 CPI.

FIGURE A42: MEAN WEEKLY HOUSEHOLD DISPOSABLE INCOME, BY DECILES, HILDA, (2014 AND 2018)



Source: Authors' calculations from The HILDA Survey: Waves 14 and 18 (DSS & MIAESR, 2020). Top 1% and Top 5% refer to the households with net wealth in the Top 1% and Top 5% of file. Total refers to all households within the sample file and includes those within the Top 1% and Top 5%. Estimates are constant price estimates 2017/18 CPI.

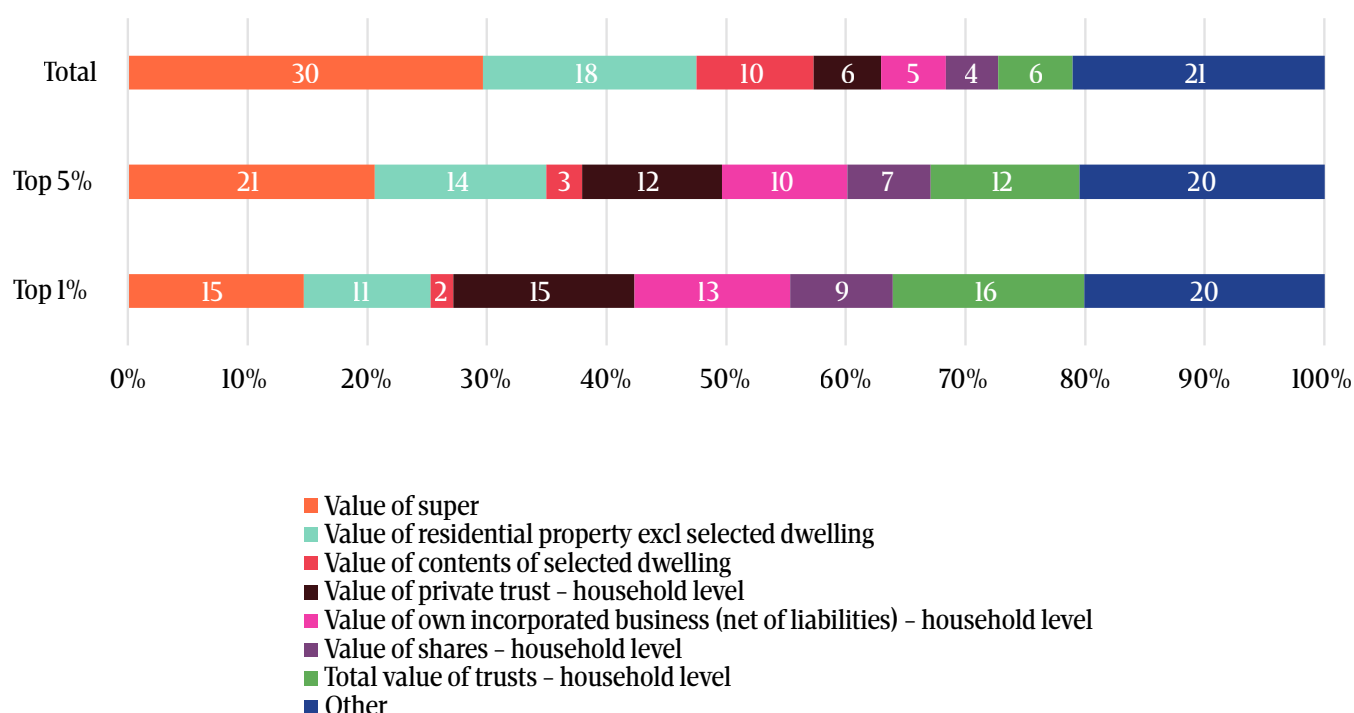
APPENDIX 3: A PROFILE OF AUSTRALIA'S WEALTHIEST USING POPULATION SURVEYS

CONTRIBUTIONS TO NET WEALTH

ABS Survey of Income and Housing files show within the top 1% of net wealth households, 15% of wealth came from superannuation, compared to 21% from the top 5% of net wealth households, and 30% from the total population.

The top 1% of net wealth households, reported greater contributions of total net wealth from trusts and incorporated businesses (28%) than those from the top 5% of net wealth households (22%) and from the total population (16%).

FIGURE A43: CONTRIBUTIONS TO HOUSEHOLD NET WEALTH, BY INCOME GROUP, ABS SURVEY OF INCOME AND HOUSING, (2017/18)

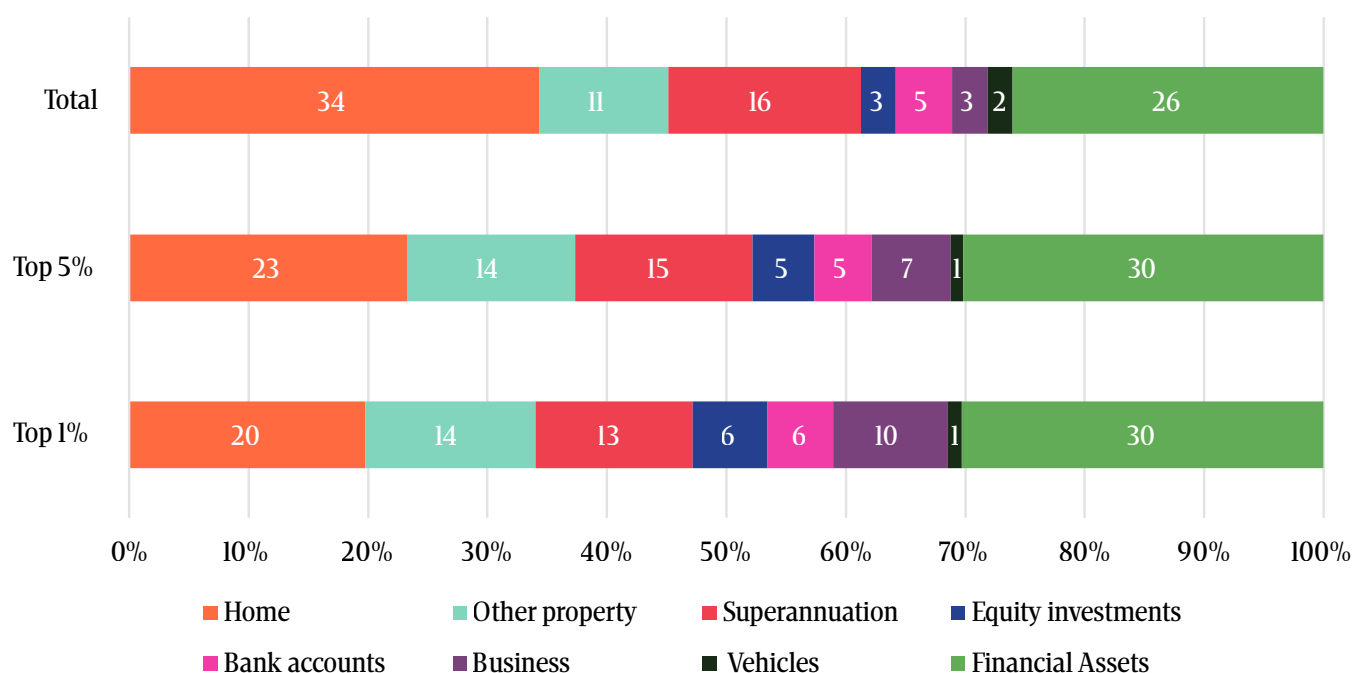


Source: Authors' calculations from ABS Survey of Income and Housing CURF (ABS, 2021). Household net wealth is the value of all the assets owned by a household less the value of all its liabilities. Top 1% and Top 5% refer to the households with net wealth in the Top 1% and Top 5% of sample file. Total refers to all households within the sample file and includes those within the Top 1% and Top 5%.

HILDA data shows within the top 1% of net wealth households, 13% of wealth came from superannuation, compared to 15% from the top 5% of net wealth households, and 16% from the total population.

The top 1% of net wealth households, reported greater contributions of total net wealth from business (10%) than those from the top 5% (7%) of net wealth households and from the total population (3%).

FIGURE A44: CONTRIBUTIONS TO HOUSEHOLD NET WEALTH BY INCOME GROUP, HILDA, (2018)

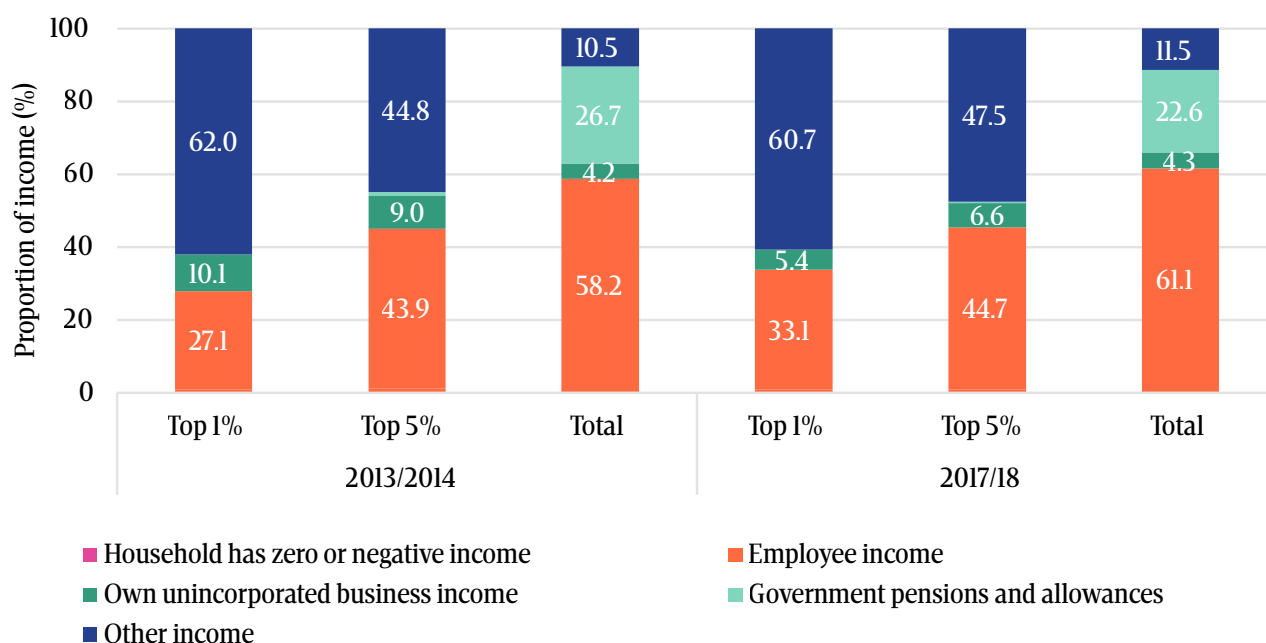


Source: Authors' calculations from The HILDA Survey: Wave 18 (DSS & MIAESR, 2020). Top 1% and Top 5% refer to the households with net wealth in the Top 1% and Top 5% of file. Total refers to all households within the sample file and includes those within the Top 1% and Top 5%. Estimates are constant price estimates 2017/18 CPI.

AUSTRALIA'S WEALTHIEST – INCOME SOURCES

Across the full distribution of households, the majority of income is derived from employee income. This is not the case for the top 1% of net wealth households who obtain the majority of their income from 'other income' sources (Figure A45).

FIGURE A45: PROPORTION OF INCOME CONTRIBUTIONS, BY INCOME GROUP, ABS SURVEY OF INCOME AND HOUSING, (2013/14 AND 2017/18)



Source: Authors' calculations from ABS Survey of Income and Housing CURF (ABS, 2021). Top 1% and Top 5% refer to the households with net wealth in the Top 1% and Top 5% of sample file. Total refers to all households within the sample file and includes those within the Top 1% and Top 5%.

CHANGES IN WEALTH OVER TIME

Net household wealth has been collected in Waves, 2, 6, 10, 14 and 18 in the HILDA survey. As can be seen in Table A26, since 2014 net wealth has increased slower in 99th percentile households. Households in the 50th, 90th and 95th percentiles have increased at a similar rate.

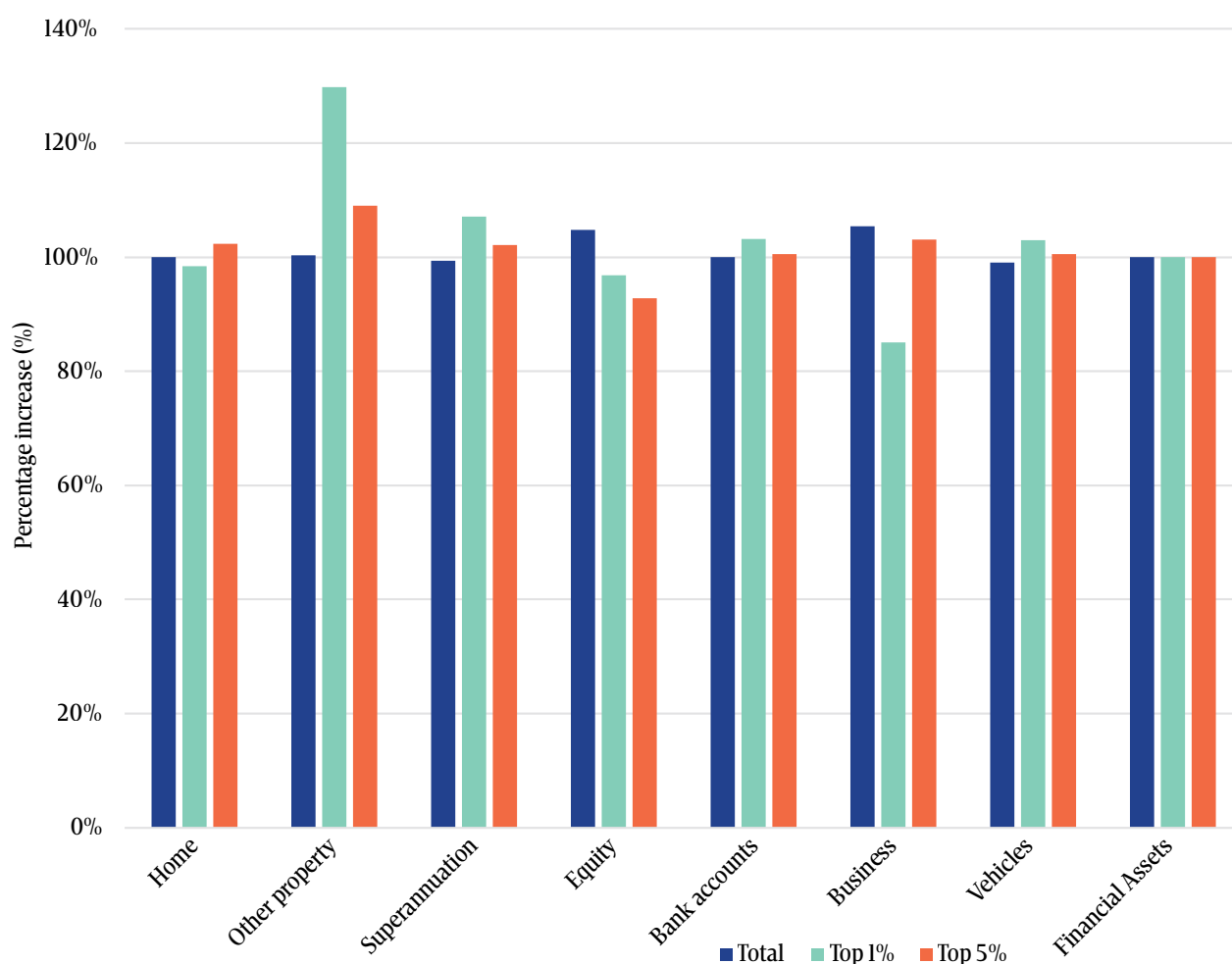
TABLE A26: MEAN REAL NET WEALTH HOUSEHOLDS, BY NET WEALTH PERCENTILES, HILDA, (2002, 2006, 2010, 2014, AND 2018)

Percentiles of net wealth	2002	2006	2010	2014	2018
50	327,795	439,082	455,303	439,959	502,239
90	1,363,444	1,798,056	1,807,181	1,960,592	2,236,482
95	2,004,357	2,692,422	2,684,984	2,800,998	3,305,571
99	5,948,369	9,736,576	9,520,946	9,049,506	9,403,855

Source: Authors' calculations from The HILDA Survey: Waves 2, 6, 10, 14 and 18 (DSS & MIAESR, 2020). Estimates are constant price estimates 2017/18 CPI. Household net wealth is the value of all the assets owned by a household less the value of all its liabilities.

Households within the top 1% of net wealth households reported greater increases in total values of bank accounts, homes, other property, vehicles and financial assets from 2014 to 2018, than total households and households within the Top 5% of net wealth households (Figure A46).

FIGURE A46: PERCENTAGE INCREASE IN TOTAL VALUE OF ASSET TYPE, BY INCOME GROUP, HILDA, (2014 AND 2018)



Source: Authors' calculations from The HILDA Survey: Waves 14 and 18 (DSS & MIAESR, 2020). Estimates are constant price estimates 2017/18 CPI. Top 1% and Top 5% refer to the households with net wealth in the Top 1% and Top 5% of each file. Total refers to all households within the file and includes those within the Top 1% and Top 5%.

Households within the top 1% of net wealth households reported a 1.2% increase in mean household financial year gross wages and salary from 2014 to 2018, compared to a 2.7% increase reported by top 5% of net wealth households and an 8% decrease reported by total households.

TABLE A27: MEAN HOUSEHOLD FINANCIAL YEAR GROSS WAGES & SALARY, BY INCOME GROUP, HILDA, (2002, 2006, 2010, 2014, AND 2018)

Mean	Total	Top 1%	Top 5%
2002	66,115	158,352	125,331
2006	73,638	122,170	114,560
2010	82,372	153,955	138,274
2014	94,089	169,530	147,265
2018	86,405	171,591	151,198

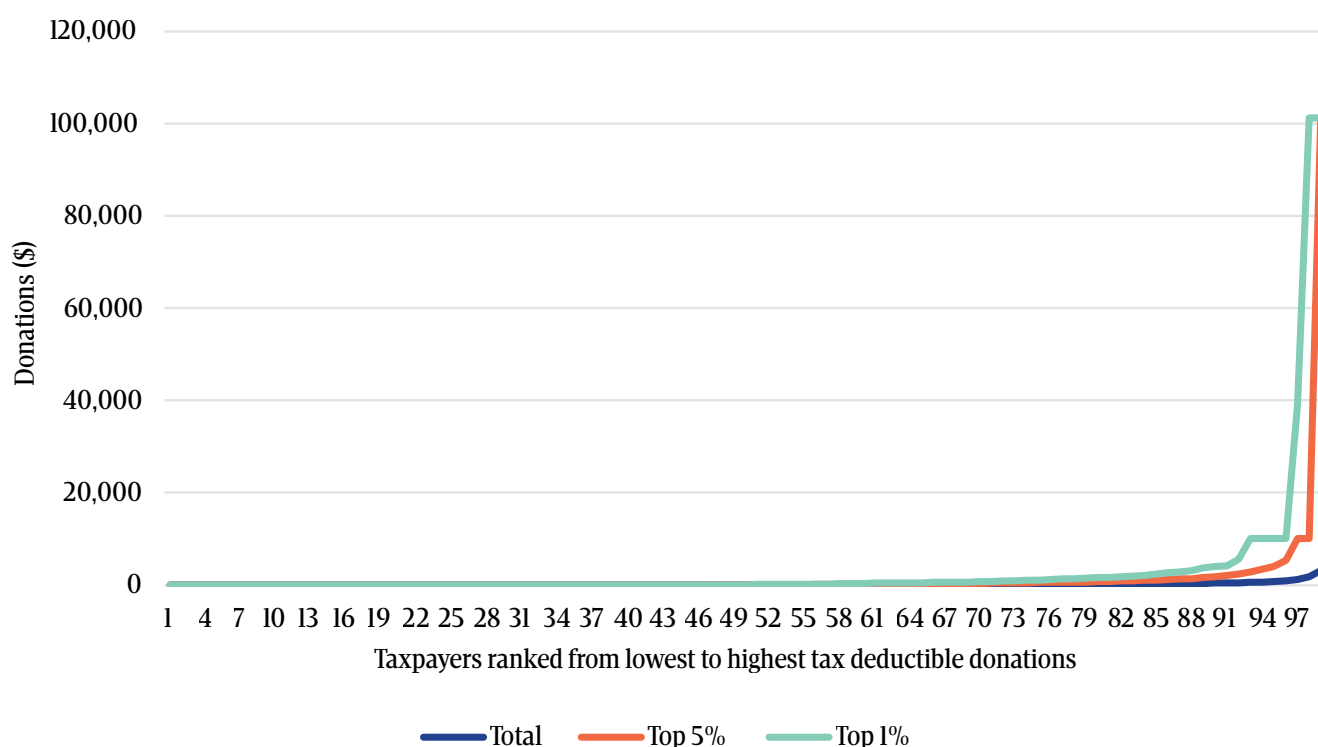
Source: Authors' calculations from The HILDA Survey: Waves 2, 6, 10, 14 and 18 (DSS & MIAESR, 2020). Estimates are constant price estimates 2017/18 CPI.. Top 1% and Top 5% refer to the households with net wealth in the Top 1% and Top 5% of each file. Total refers to all households within the file and includes those within the Top 1% and Top 5%.

APPENDIX 4: TAX-DEDUCTIBLE RATES OF GIVING

INCOME DONATIONS FOR TOTAL, TOP 5% AND TOP 1% INCOME EARNERS

When taxpayers are ranked from lowest to highest tax-deductible donations, a higher proportion of the top 1% income earners donate more than 10,000 compared to the top 5% income earners and total income earners. Of the top 1% income earners, 7% donate more than \$10,000, compared to 3% of the top 5% of income earners.

FIGURE A47: FREQUENCY DISTRIBUTION OF TAX-DEDUCTIBLE DONATIONS, BY INCOME GROUP, ATO 2% SAMPLE FILES, (2018/19)



Source: Authors' calculations from ATO 2% sample files (ATO, 2021a). Top 1% and Top 5% refer to individuals with taxable income in the Top 1% and Top 5% of each file. Total refers to all individuals within the file and includes those within the Top 1% and Top 5%. Donations are total tax-deductible donations.

On average, top 1% income earners donated \$3,924, compared to \$1,664 for top 5% income earners and \$282 for total income earners (Table A28). As a percentage of taxable income, the giving rates of top 1% (0.48%) and top 5% (0.45%) income earners were on average significantly lower than total income earners (1.87%).

TABLE A28: PERCENTILES OF TAX-DEDUCTIBLE DONATION, BY INCOME GROUP, ATO 2% SAMPLE FILES, (2018/19)

Percentile	\$ Donations			Giving rates %		
	Total	Top 5%	Top 1%	Total	Top 5%	Top 1%
10	0	0	0	0.00	0.00	0.00
20	0	0	0	0.00	0.00	0.00
30	0	0	0	0.00	0.00	0.00
40	0	0	0	0.00	0.00	0.00
50	0	18	56	0.00	0.01	0.01
60	0	130	312	0.00	0.04	0.04
70	21	359	709	0.03	0.12	0.10
80	103	706	1561	0.14	0.24	0.20
90	371	1732	3925	0.50	0.55	0.53
91	434	2043	4209	0.58	0.62	0.56
92	506	2357	5597	0.67	0.69	0.73
93	560	2762	10074	0.79	0.81	0.82
94	644	3424	10074	0.92	0.95	0.89
95	760	4029	10074	1.13	1.16	1.12
96	933	5279	10074	1.43	1.52	1.89
97	1217	10074	39238	1.86	2.31	2.84
98	1713	10074	101211	2.82	3.15	8.33
99	3109	101211	101211	5.54	4.93	14.33
Mean	282	1664	3924	1.87	0.45	0.48
Median	0	18	56	0	0.01	0.01
Total	18,467,392	5,451,267	2,570,185	-	-	-

Source: Authors' calculations from ATO 2% sample files 2018/19 (ATO, 2021a). Top 1% and Top 5% refer to individuals with taxable income in the Top 1% and Top 5% of each file. Total refers to all individuals within the file and includes those within the Top 1% and Top 5%. Donations are total tax-deductible donations. Giving rates are calculated as tax-deductible donations as a percentage of taxable income.

TAX-DEDUCTIBLE GIVING BY POSTCODE

The most expensive suburbs were sourced from CoreLogic, with the 5 most expensive suburbs included for Perth, Adelaide, Darwin, Canberra, and Hobart, and the 10 most expensive included for Sydney and Melbourne because of their larger size (Table A29).

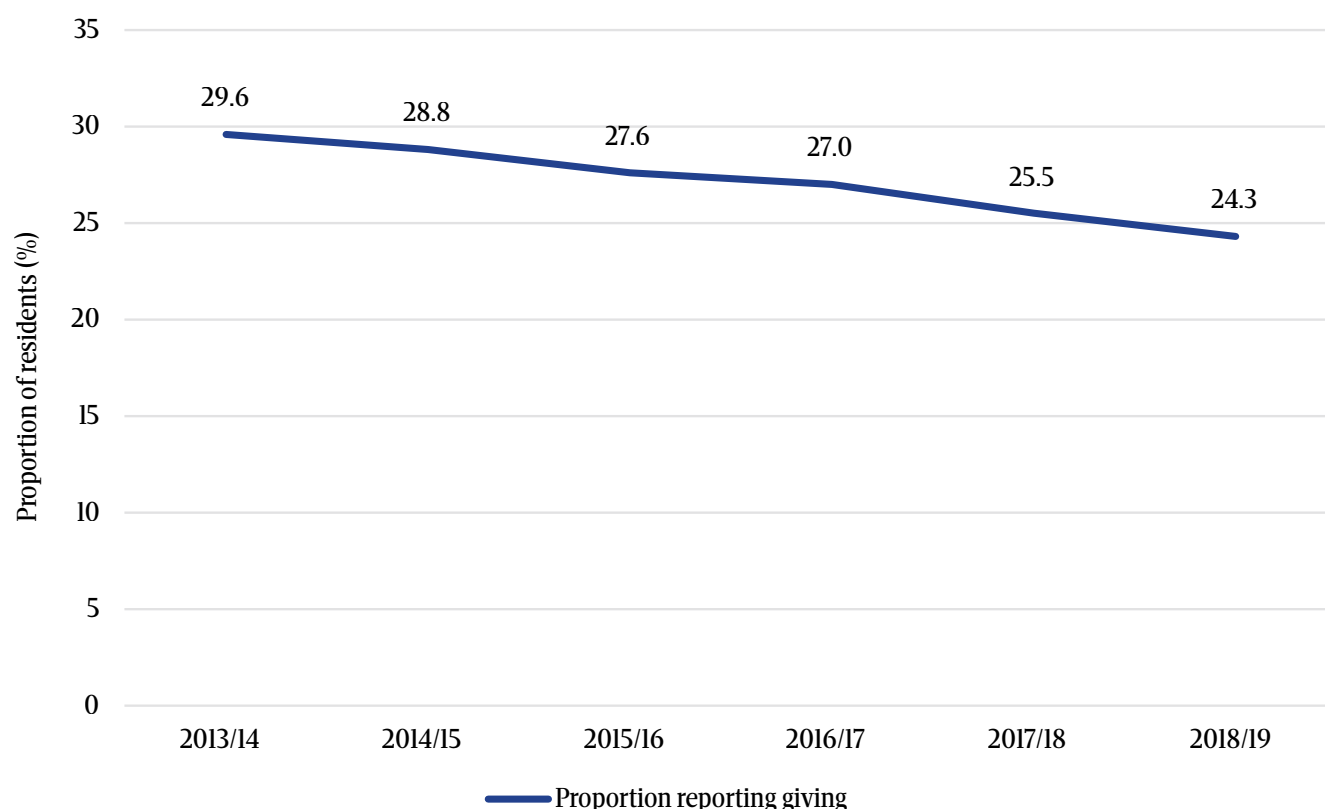
TABLE A29: MOST EXPENSIVE SUBURBS BY STATE, CORELOGIC, (2020)

Sydney	Perth	Melbourne	Adelaide	Darwin	Hobart	Canberra	Brisbane
Darling Point 2027	Peppermint Grove 6011	Toorak 3142	Unley 5061	Lyons 0810	Battery Point 7004	Forrest 2603	Tennerife 4005
Bellevue Hill 2023	Dalkeith 6009	Brighton 3186	Toorak Gardens 5065	Fannie Bay 0820	Sandy Bay 7005	Griffith 2680	Chandler 4155
Vaucluse 2030	Cottesloe 6011	Deepdene 3103	Leabrook 5068	Nightcliff 0810	Acton Park 7170	Red Hill 2347	Ascot 4007
Double Bay 2028	City Beach 6015	Canterbury 3126	St Peters 5069	Stuart Park 0820	West Hobart 7000	Yarralumla 2600	Hamilton 4007
Woolwich 2110	Nedlands 6009	Malvern 3144	Tusmore 5065	Virginia 0834	Sandford 7020	Reid 2612	New Farm 4005
Mosman 2028		Kew 3101					
Tamarama 2026		Hawthorn 3122					
Rose Bay 2029		Balwyn 3103					
Dover Heights 2030		Middle Park 3206					
Longueville 2066		Hawthorn East 3123					

Source: CoreLogic Best of the Best 2020 (CoreLogic, 2020)

Figure A48 shows that tax-deductible gifts and donations in the period from 2013/14 through to 2018/19 have steadily decreased from 29.6% to 24.3% across the wealthiest suburbs. A small portion of this may be attributable to a decline in the proportion of individuals reporting taxable income/loss from 2013/14 through to 2018/19 in the most expensive housing suburbs in each state (there has been a decline of 0.7% across the period from 98.2% to 97.5%). However, overall, this shows that there is a decline in the amount of reported tax-deductible gifts and donations.

FIGURE A48: PROPORTION OF PERSONS DONATING IN THE MOST EXPENSIVE HOUSING SUBURBS IN AUSTRALIA, ATO DATA CUBES, (2013/14-2018/19)



Source: Authors' calculations from ATO Data Cubes (ATO, 2021b). Most expensive suburbs sourced from CoreLogic with 5 most expensive suburbs included for Perth, Adelaide, Darwin, Brisbane, Canberra and Hobart. The 10 most expensive suburbs were included for Sydney and Melbourne.

MODELLING TAX-DEDUCTIBLE GIVING

The total amount of tax-deductible gifts/donations from the most expensive housing suburbs in all States for 2018/19 was \$1,119,742,362 (CPI adjusted to 2021). If the 2.6% national average of the most expensive suburbs of tax-deductible gifts/donations to taxable income/loss in 2018/19 was applied to the most expensive housing suburbs in all states, this would result in an increase in tax-deductible gifts/donations in 2018/19 of \$43,029,307,478 (CPI adjusted to 2021). Excluding tax-deductible gifts/donations from Western Australia, the national average proportion of tax-deductible gifts/donations to taxable income/loss in the wealthiest housing suburbs 2018/19 was 1%. A proportion of 1% applied to the wealthiest suburbs in all states, would result in an increase in tax-deductible gifts/donations in 2018/19 of \$42,340,833,341 (CPI adjusted to 2021).

APPENDIX 5: ESTIMATING MAXIMUM SHARE OF WEALTH DONATED AMONG THE TOP 200

It is possible to estimate the maximum share of wealth donated for individuals in the AFR Top 200 Rich List who were not on either philanthropic donation list, if we assume that all donations made are public (or we at least assume that any donation made that would make someone eligible for either donation list would be public, and that no one has made enough individual small donations to make the list through cumulative donations).

This can be calculated because the minimum donation required to make both donation lists is known, and the minimum required to make the rich list is also known. Since these values are known, using the following formula for the maximum share of wealth donated by people who did not make the list can be calculated as:

$$S_{\text{Max}} = \frac{D_{\text{Min}}}{W_{\text{Min}}}$$

Where:

S_{Max} = Maximum share of wealth donated

D_{Min} = Minimum donation required to make the donation list

W_{Min} = Minimum amount of wealth required to make the AFR & JBWere Rich List

The minimum donation to get on the 2022 Philanthropy 50 list was \$4.4 million, and the minimum amount of wealth to be on the AFR Top 200 Rich List is \$629 million, hence we can also calculate that only three people on the AFR Top 200 Rich List donated at a rate of their wealth that exceeded 0.75% of their wealth (the \$4.4 million is only worth 0.69% of \$629 million, and will only get smaller as a proportion of a person's wealth as we move up the AFR Top 200 Rich List).

Using the same type of calculations as applied to the 2022 Philanthropy 50 list, we can estimate a threshold share of wealth which people did not donate above. To make 2021 The Australian Philanthropy 25 list, the required donation was \$3 million, which is worth 0.508% of the \$590 million held by the lowest person on the 2021 AFR Top 200 Rich list. A total of five people donated above 0.50% based upon The Australian Philanthropy 25 list. Based upon the Philanthropy 25 list of donations, 97.5% of people on the AFR Top 200 Rich List donated at a rate below 0.508% of their wealth.

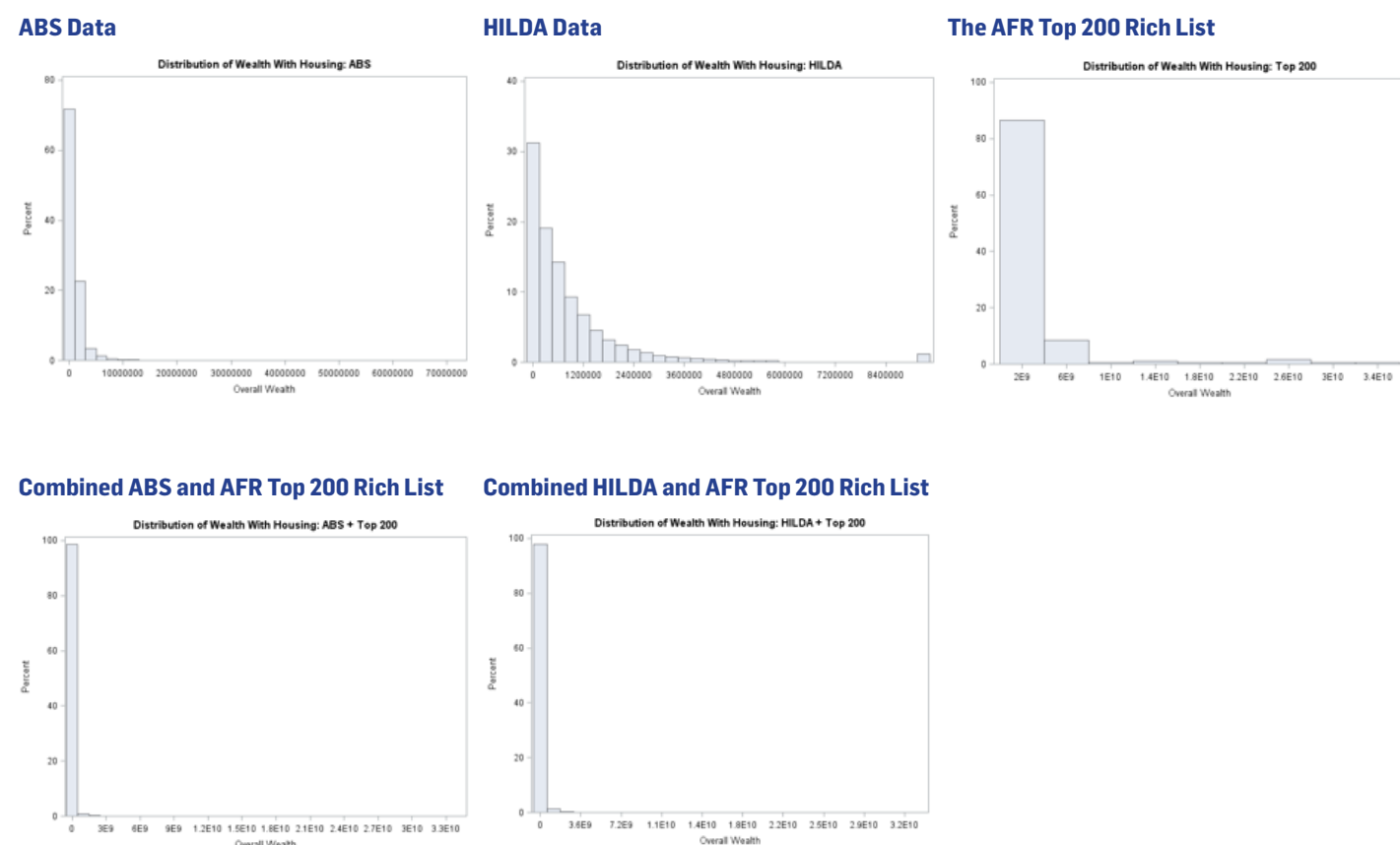
APPENDIX 6: THE DISTRIBUTION OF WEALTH AND INHERITANCE TAXES

The inheritance tax calculations involve combining multiple data distributions, and advanced statistical procedures such as simulation of distributions, hot deck imputation and bootstrapping as described below to estimate net wealth with and without owner-occupied housing.

THE ESTIMATION OF HOUSEHOLD NET WEALTH INCLUDING OWNER-OCCUPIED HOUSING EQUITY

To estimate household net wealth including owner-occupied housing equity (presented in Chapter 2), the distributions of the ABS (ABS, 2021), HILDA (DSS & MIAESR, 2020) and the AFR Top 200 Rich List datasets (Australian Financial Review, 2022) were first examined. Figure A49 displays the distribution of weighted household net wealth including owner-occupied housing equity for the individual ABS and HILDA surveys respectively, and for the combined ABS and the AFR Top 200 Rich List, and HILDA and the AFR Top 200 Rich List datasets. Each household for the AFR Top 200 data is given a weight of 1 given the datapoint represents one household.

FIGURE A49: HOUSEHOLD NET WEALTH INCLUDING OWNER-OCCUPIED HOUSING EQUITY (ABS, HILDA, AFR TOP 200 RICH LIST)



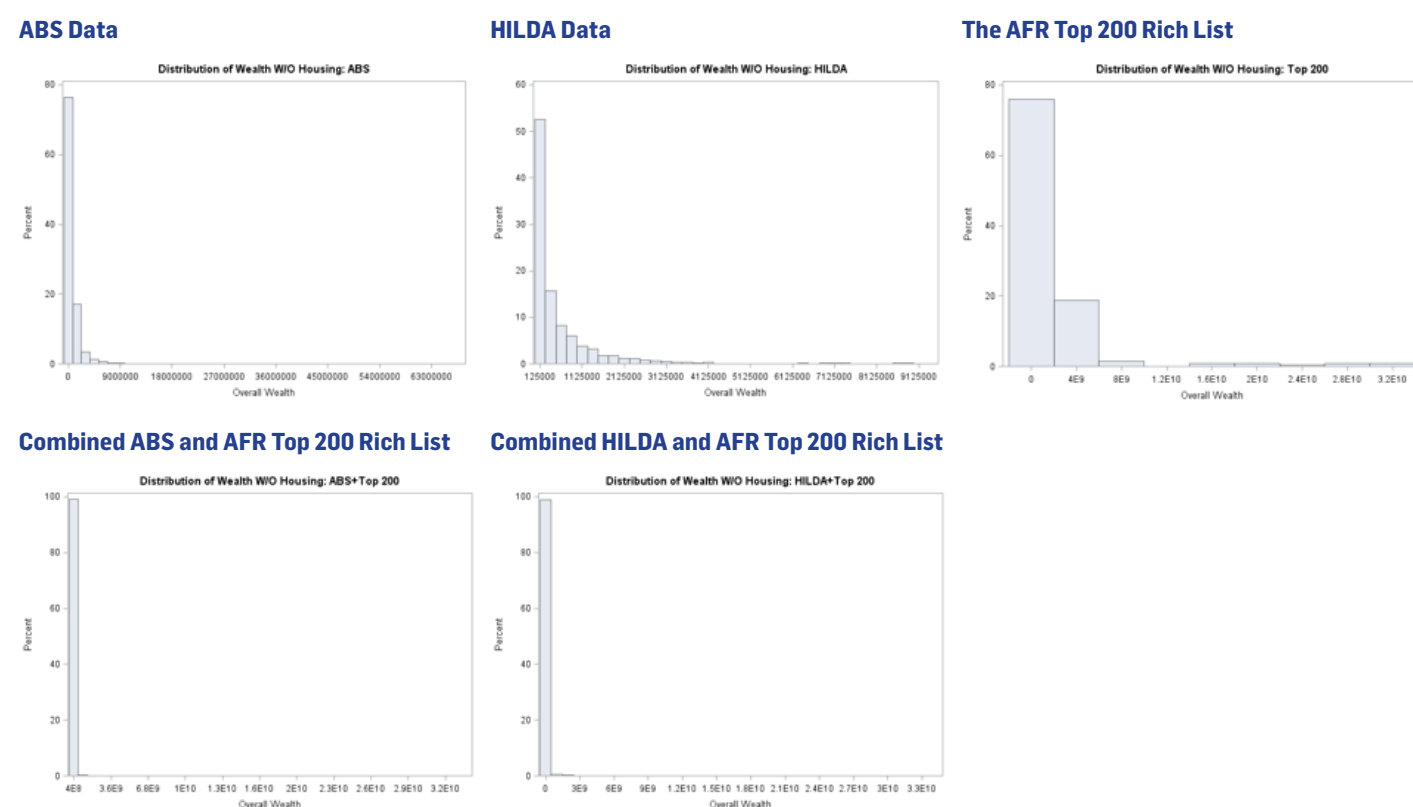
Source: Authors' calculations from ABS, HILDA, and AFR Top 200 Rich List

THE ESTIMATION OF INDIVIDUAL NET WEALTH INCLUDING AND EXCLUDING OWNER-OCCUPIED HOUSING EQUITY

To estimate individual net wealth excluding owner-occupied housing equity (presented in Chapter 7), the same process was completed as above using the same data sources. Estimates of net individual wealth are required since an inheritance tax would be applied at the individual level. Thus, prior to our simulation of an inheritance tax we would need to fit a distribution to individual-level data, and produce parameter estimates based on ABS and HILDA weighted data that represent the Australian population (over 18 years old and with positive net wealth excluding owner occupied housing equity). However, as data was only available at the household level regarding wealth, we first combined household wealth data with available individual record files. Next, household net wealth was divided by the number of adults in the household (Note: with ABS data, number of adults was calculated taking the total number of people in a house and subtracting the number of dependents), under the assumption that adults will have an equal share of household net wealth. The HILDA dataset already included variables for total adults in the household.

The individual ABS and HILDA datasets were combined with the AFR Top 200 Rich List data to form two new combined datasets (Figure A50).

FIGURE A50: INDIVIDUAL NET WEALTH EXCLUDING OWNER-OCCUPIED HOUSING EQUITY (ABS, HILDA, AFR TOP 200 RICH LIST)

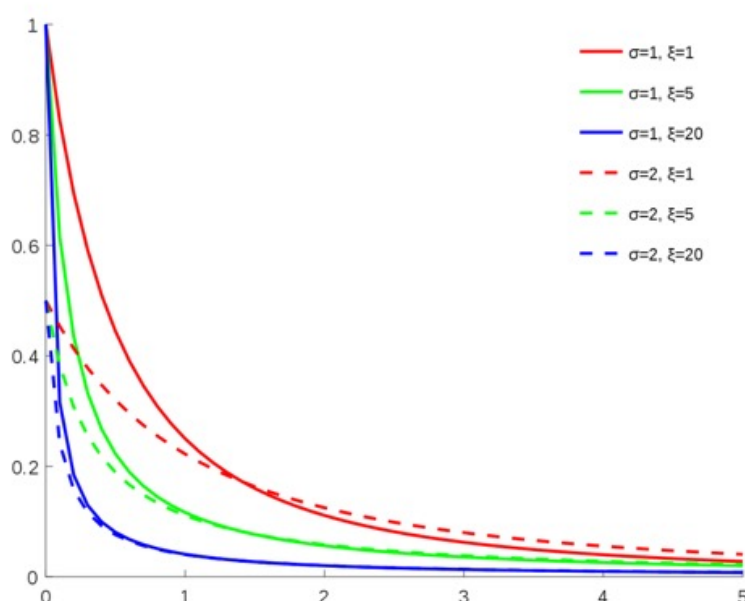


Source: Authors' calculations from ABS, HILDA, and AFR Top 200 Rich List

Data from both HILDA and ABS surveys are limited in the wealth distribution they capture, with the HILDA surveying people with household net wealth up to \$10 million, and ABS up to \$70 million. The available data in the AFR Top 200 Rich List provides wealth figures from \$690 million to \$32 billion. Thus, the next step involved fitting distribution curves to estimate the 'missing' wealth of the population between survey datasets and the AFR Top 200. ABS and HILDA data were combined with the AFR Top 200 Rich List separately due to the differences in methodology between the two surveys and problems combining survey weights from two surveys.

These wealth distributions visually follow the Pareto 80/20 rule: 80% of wealth belongs to only 20% of the population. The Pareto distribution is used to describe the distribution of wealth in a society and is based on continuous probability distributions. The generalised Pareto distribution is often used to model the tails of another distribution. It is specified by three parameters: location, scale, and shape.

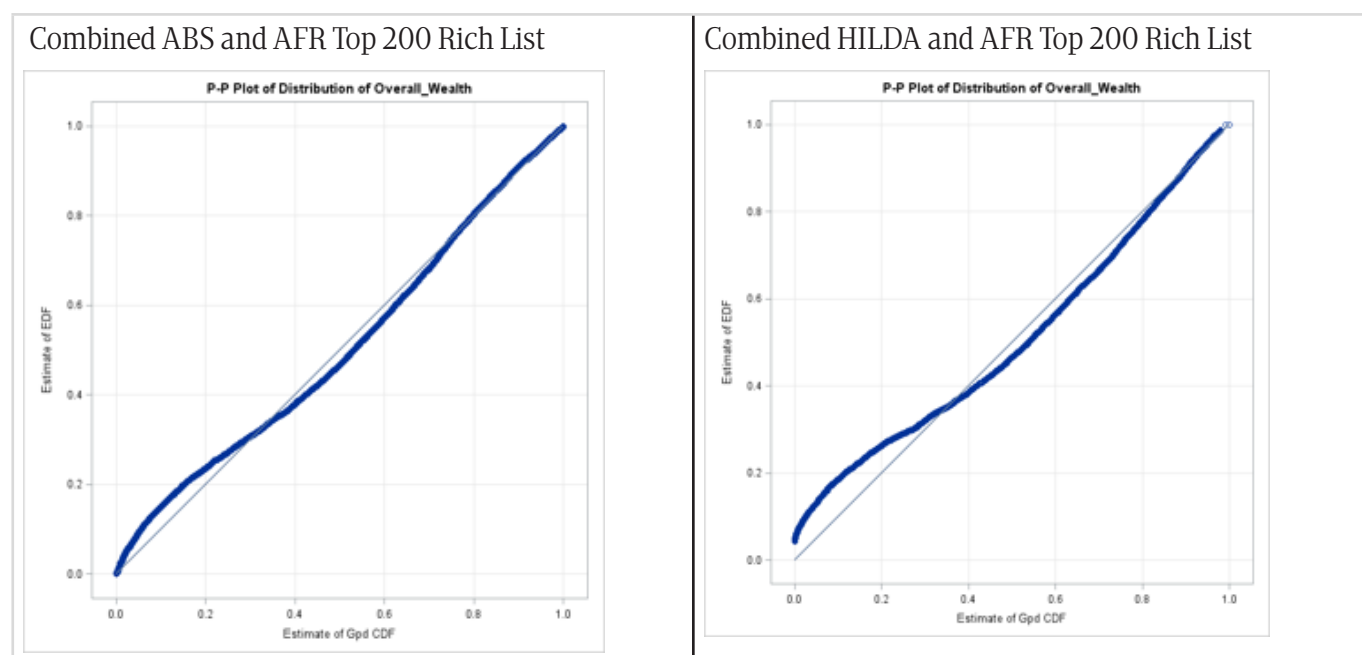
FIGURE A51: EXAMPLE PARETO DISTRIBUTION WITH DIFFERENT PARAMETERS



Type 1 and Type 2 (Generalized) pareto distributions were fit to the two datasets (i.e., ABS + AFR Top 200 Rich List, HILDA + AFR Top 200 Rich List), with fit statistics compared between both based on Akaike Information Criterion [AIC] and Bayesian Information Criteria [BIC]. While both Type 1 and Type 2 distributions fit the data well for the two datasets (i.e., combined HILDA and AFR Top 200 Rich List, combined ABS and AFR Top 200 Rich List), the generalised pareto distribution exhibited better fit statistics (AIC and BIC). Both curves were fitted with survey weights included to produce a sample more representative of the Australian population. The generalized pareto curve fit the data well at extremes, which suggests it is particularly applicable to estimating rare high net wealth values.

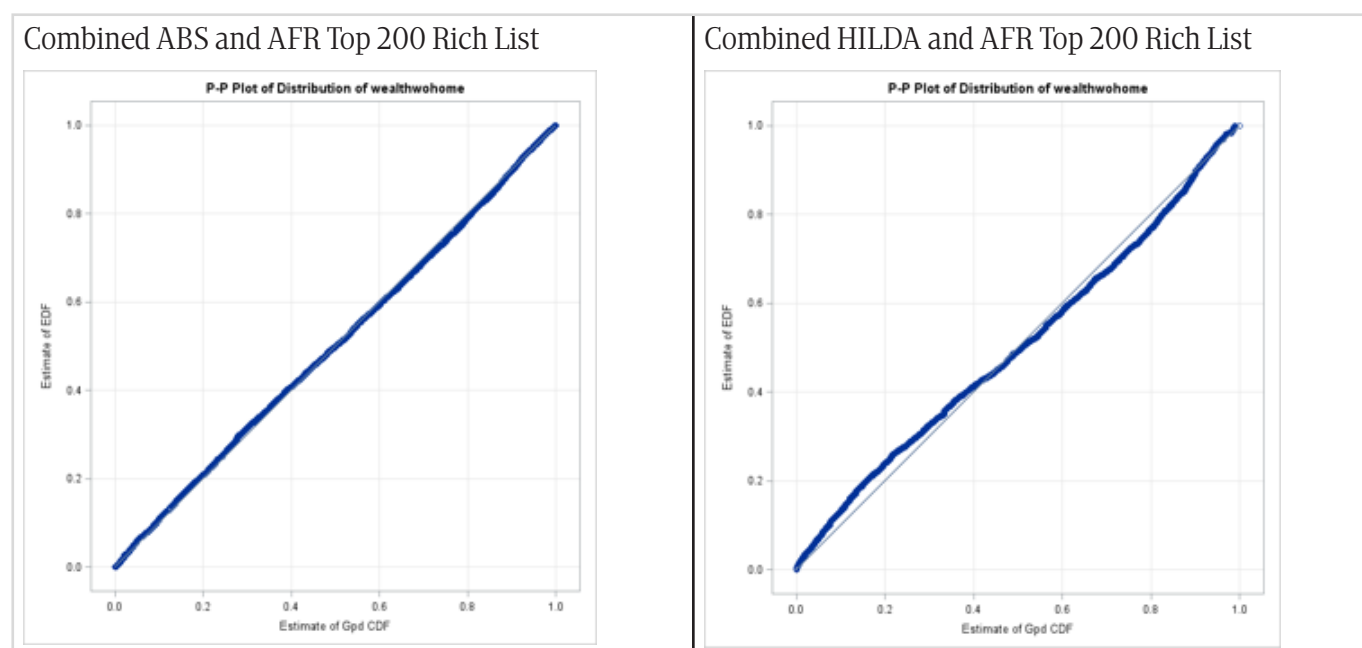
The fit of each pareto distribution relative to the weighted data is shown below for individual net wealth both including and excluding owner-occupied housing equity (Figure A52, Figure A53).

FIGURE A52: FITTING GENERALIZED PARETO CURVES TO THE FULL DATASETS INCLUDING OWNER-OCCUPIED HOUSING EQUITY (ABS, HILDA, AFR TOP 200 RICH LIST)



Source: Authors' calculations from ABS, HILDA, and AFR Top 200 Rich List

FIGURE A53: FITTING GENERALIZED PARETO CURVE TO THE FULL DATASETS EXCLUDING OWNER-OCCUPIED HOUSING EQUITY (ABS, HILDA, AFR TOP 200 RICH LIST)



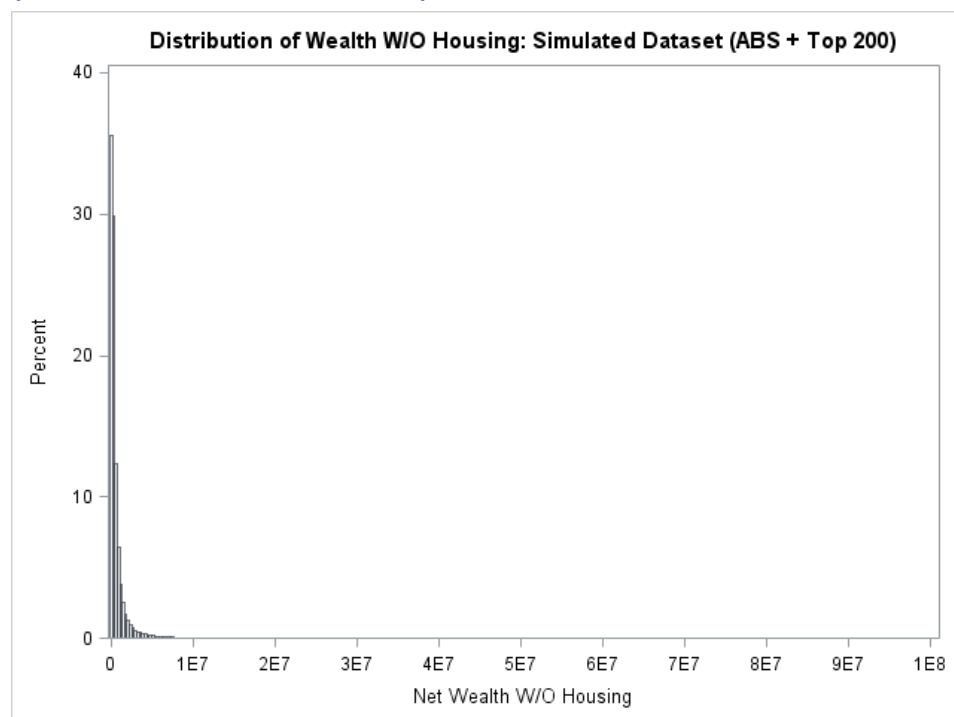
Source: Authors' calculations from ABS, HILDA, and AFR Top 200 Rich List

A simulated dataset was calculated using two different distributions: a pareto distribution and a generalized pareto distribution. The two parameters used for data simulation have been presented in Table A30. A higher scale and/or shape parameter would result in a higher concentration of wealth at the upper end of the wealth distribution. The data were simulated for individual net wealth including and excluding owner-occupied housing equity, as an inheritance tax is unlikely to be applied to these assets. The simulated datasets are visually displayed below (Figure A54, Figure A55). Note that the graph shows a maximum of \$100 million dollars, as extreme values (i.e., figures estimated in AFR Top 200 Rich List) can make histograms uninterpretable.

TABLE A30: PARETO DISTRIBUTION PARAMETERS USED FOR DATA SIMULATION OF NET INDIVIDUAL WEALTH INCLUDING AND EXCLUDING OWNER OCCUPIED HOUSING EQUITY (ABS, HILDA, AFR TOP 200 RICH LIST)

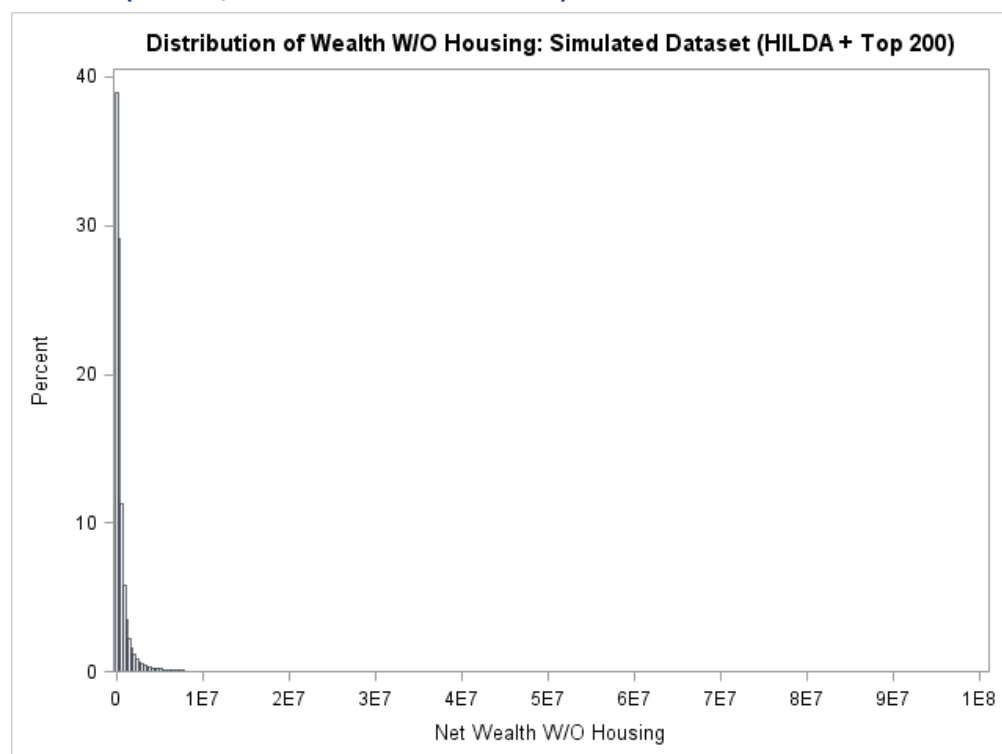
	Scale of distribution	Shape of distribution
Net individual wealth		
ABS and AFR Top 200 Rich List	0.45150	653,608
HILDA and AFR Top 200 Rich List	0.46171	541,931
Net individual wealth excluding owner occupied housing equity		
ABS and AFR Top 200 Rich List	0.64453	294,844
HILDA and AFR Top 200 Rich List	0.73369	252,053

FIGURE A54: SIMULATED DISTRIBUTION OF WEALTH EXCLUDING OWNER-OCCUPIED HOUSING (ABS, AFR TOP 200 RICH LIST)



Source: Authors' calculations from ABS and AFR Top 200 Rich List

FIGURE A55: SIMULATED DISTRIBUTION OF WEALTH EXCLUDING OWNER OCCUPIED HOUSING EQUITY (HILDA, AFR TOP 200 RICH LIST)



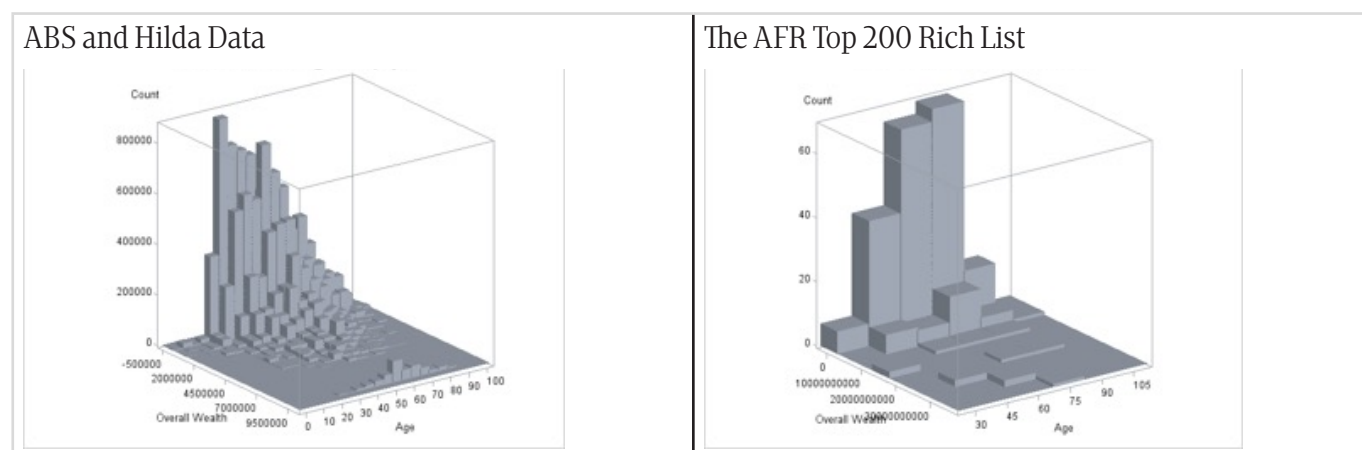
Source: Authors' calculations from HILDA and AFR Top 200 Rich List

ESTIMATION OF AGE AND SEX DISTRIBUTIONS EXCLUDING OWNER-OCCUPIED HOUSING EQUITY

To determine who will be eligible for the application of an inheritance tax, age and sex distributions need to be estimated within the distribution of individual net wealth without owner-occupied housing. Age and sex distributions based on the Australian population were applied to the 'missing' population estimated above using Hot Deck Imputation. Hot Deck Imputation is useful for estimating variables that have a high number of missing.

The distribution of net individual wealth excluding owner-occupied housing equity by age has been shown below. Age by sex death rates can be applied to the distribution of individual wealth without owner-occupied housing by age to give an approximate number of people who would be eligible for inheritance tax.

FIGURE A56: THE DISTRIBUTION OF WEALTH EXCLUDING OWNER-OCCUPIED HOUSING EQUITY BY AGE, (ABS, HILDA, AFR TOP 200 RICH LIST)



Source: Authors' calculations from ABS, HILDA, and AFR Top 200 Rich List

ESTIMATION OF INHERITANCE TAX SAMPLE

Bootstrapping has been used as a method of random sampling without replacement, allowing a more accurate estimation of the sampling distribution. Bootstrapping was implemented by constructing 250 resamples with replacement of the above simulated individual wealth datasets and distributions. Essentially this method randomly selected people from the simulated datasets based on their estimated age and sex, with older males associated with the higher probability of selection due to their high death rate.

In total, 169,301 people died in 2019, which was used as the maximum number of people that could be selected in the sample. The wealth of the individuals selected in each simulation was totalled, and then averaged across all 250 bootstrapped sample. This was particularly important as random selection of someone in the AFR Top 200 Rich List could greatly impact wealth tax collected. This was calculated using the surveyselect procedure in SAS with a random sampling with probability proportional to size method applied. Death rates were adjusted for people with wealth over \$100 million, with the assumption that they would be less likely to die within their age and sex bracket due to access to better healthcare, and also empirical evidence that wealthier people tend to live longer.

APPLICATION OF INHERITANCE TAX

Inheritance tax estimates from 2.5% to 30% were applied to obtain an estimate of the total amount of revenue which could be gained through the application of an inheritance tax. This was analysed at different thresholds for being subject to an inheritance tax: no threshold, over \$10 million in wealth, \$20 million in wealth, and \$50 million in wealth.

TABLE A31: COMPARISON OF INHERITANCE TAXATION IN SELECTED OECD COUNTRIES 2017/18, (DROMETER ET AL., 2018)

Inheritance Taxation (Marginal Tax Rates in %)									
Country	Tax regime	Tax classes	€50,000	€100,000	€250,000	€1,000,000	€5,000,000	€30,000,000	Personal Exemptions
Belgium	Double Progressive	Spouse, children, parents	3.0	8.0	18.0	24.0	30.0		€15,000
			3.0	9.0	9.0	27.0			€12,500
			5.0	7.0	18.0	24.0	30.0		€1,250
		Siblings	30.0	40.0	60.0	65.0			
			30.0	55.0	65.0			€620	
		Uncles, aunts / nephews, nieces	35.0	50.0	70.0			€1,250	
			40.0	55.0	70.0			€620	
		Others	40.0	65.0	80.0			€1,250	
			45.0	55.0	65.0				
			60.0	80.0			€620		
Bulgaria	Progressive	Siblings, nieces/ nephews	0.4-0.8 per inheritance share above €128,000						
		Others	3.3-6.6 per inheritance share above €128,000						
Denmark	Progressive	Children, grandchildren, children-in-law, parents, divorced spouse	15.0						€37,942 (>€2,814) ordinary income and capital gains tax, excluding the residence of the deceased
		Others	36.3						
Finland	Double progressive	Spouse, children, grandchildren, fiancé	10.0	13.0	16.0		19.0		
		Other	25.0	29.0	31.0	31.0	33.0	33.0	
France	Double progressive	Children	20.0			40.0	45.0		€100,000
		Siblings	45.0						€15,932
		Blood relatives up to the fourth degree	55.0/60.0						
Germany	Double progressive	Spouses, children, grandchildren, parents (inheritance)	7.0	11.0	15.0	19.0		30.0	Spouse: €500,000; children and grandchildren; €200,000-€400,000; others €100,000
		Parents (gifts), stepparents, siblings, nephews/nieces, in-laws, divorced spouse	15.0	20.0	25.0	30.0		43.0	€20,000
		Others	30.0					50.0	Inheritances: €20,000 Gifts: €80,724 for spouses, €31,865 for great-grandchildren

Ireland	Progressive	Child, grandchild, partner of predeceased child, parents	33.0						€310,000
		Siblings, niece/nephew, sibling-in-law							€32,500
		Others							€16,250
Italy	Progressive	Spouse, linear relatives	4.0						€1,000,000
		Siblings	6.0						€100,000
		Other relatives and certain relatives by marriage							
		Others	8.0						
		Person with disablement	The rate depends on the relationship of heir and deceased						€1,500,000
Japan	Progressive		10.0	15.0	20.0	30.0	40.0	55.0	€229,221 + €45,844 number of statutory heirs. Minor heirs: €764 (20-age), Handicapped heirs €764/€1,528 (85-age)
Luxembourg	Double progressive	Children	Exceeding the statutory share: 2.5-5.0						
		Spouses	With children:0; without children:5.0						Spouse with children: €38,000
		Siblings	Statutory share: 6.0; exceeding the statutory share: 15.0						
		Uncles/aunts, nieces/nephews, adopted children	Statutory share: 9.0; exceeding the statutory share: 15.0						
		Great-uncles/aunts, great nieces/nephews, descendants of adopted children	Statutory share: 10.0; exceeding the statutory share: 15.0						
		Others	Statutory share and exceeding: 15.0						
Netherlands	Double progressive	Partner, children	10.0	Up to 20.0 for inheritances above €122,269				Inheritances: Partner: min €164,862-€638,089;sick and disabled children: €60,621, children: €20,209; Gifts: € 2,129-€5,320, depending on relationship	
		Grandchildren	18.0	Up to 36.0 for inheritances above €122,269				€20,209	
		Others	30.0	Up to 40.0 for inheritances above 122,269				Parents: €47,859, €others 2,129	
Poland	Double progressive	Tax on lower threshold , rate on remainder (X-lower threshold) %							
		Spouse, children, grandchildren, siblings, parents, grandparents, in-laws	<€2,246	€2,246-€2,396	€2,396-€4,790		>€4,790		
			€0/0%	€0/3%	€72/5%		€192/7%		€2,246
		Uncles/aunts, nieces/nephews, siblings-in-law	<€1,696	€1,696-€2,396	€2,396-€4,790		>€4,790		€1,695
			€0/0%	€0/7%	€168/9%		€383/12%		

Spain	Double progressive	Rate increases with relationship and prior wealth of acquirer (max. rate: 81.60%)	13.6	18.7	29.8	34.0			Spouse, children and parents: €15,956–€47,858; in case of disabled heir €47,858–€150,253; others: €7,993. Dwelling: 95% of the real estate value (up to €122,606)
Switzerland	Progressive	Spouses	No tax in all cantons						Allowances and free limits dependent on cantons
		Children and grandchildren	Max. rate of 3.5 dependent on cantons						
		Parents	Max rate of 15.0 dependent on cantons						
		Siblings	Max rate of 23.0 dependent on cantons						
		Others	Max 49.5.0 dependent on cantons						
Turkey	Progressive		1.0	3.0 (>€50,000)	5.0 (>€100,000)	7.0 (>€250,000)	10.0	€33,665 per share for both child and spouse, if no children: €67,381 for spouse	
UK	Fixed		40.0					€369,395	
USA (estate and gift tax)	Progressive		24.0	28.0	32.0	34.0	39.0	40.0	€4,657,807

Source: (Drometer et al., 2018)

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