

GIVING THAT  
*GROWS*

AS YOUR  
COMPANY DOES

START  
*GIVING*

StartGiving is a not-for-profit inspiring a new movement of giving in the innovation community.

Through our free service, we support founders and tech execs to launch their personal charitable foundation by connecting them to ideas, experts and like-minded peers.

## WHAT IS A PAF?

A private ancillary fund (PAF) is a type of charitable foundation. You donate cash, equity in your company, or other assets into your PAF and receive a tax deduction for the donation. The assets are then held in your PAF and every year you give away a minimum of 5% to support charities of your choice.

Benefits of a PAF:

- Claim your tax deduction immediately or spread it over five years
- Create a pool of funds dedicated to charity that grows over time
- Set up a PAF now and give to charities every year
- Support charities and causes of your choosing
- Stay in control of the PAF's assets as a director
- Grow funds further as PAF earnings are tax exempt

The secret ingredient, and what makes structured giving so powerful, is the growth in value of the equity in your PAF. As your business grows in value so does the value of your PAF. This then allows your giving to grow, allowing you to scale your impact and do more.

## WHAT CAUSES CAN I FUND?

PAFs can make distributions to deductible gift recipient Item 1 (DGR 1) charities, including those that operate internationally. There are over 20,000 charities with DGR 1 status that can accept donations from PAFs. We believe the greatest impact is to flood the not-for-profit sector with new funding, and you can choose to give where it matters most to you.

## WHEN TO ACT?

It is generally recommended that you make an initial tax-deductible donation of \$1 million upwards to set up a PAF. You may:

- Have unlisted equity but limited ability to give cash, or
- Have had, or are expecting, a large liquidity event

Once established, you can contribute additional cash or shares to your PAF as often or as infrequently as you like.

## ***START WITH A MEANINGFUL PERCENTAGE***

We're asking people to move a percentage of their equity into a PAF now, based on their on-paper wealth – and that percentage will be different for everyone.

It should be a level that won't materially affect your lifestyle or put you at risk if markets take a downturn.

By starting now, your giving grows alongside your business, allowing you to scale your impact and make a tangible difference each year in line with your own success.

As an example, if you have \$20 million on-paper wealth, you might put 5% into your PAF. With \$1 million invested, you'd have \$50k to give away in year one.

## ***DONATING EQUITY***

It is possible to donate unlisted equity in your company as well as, or instead of, cash.

Currently the ATO requires donors to gift their shares before the ATO undertakes the valuation process to allow the donor to claim a deduction on their tax return. While this doesn't preclude you from donating unlisted equity it can become problematic as there is no certainty that the donor and ATO Commissioner will be aligned on the final valuation.

StartGiving has made a submission to Treasury and the ATO regarding this issue. Our objective is to explore a solution that will enable the donor and the ATO to agree a valuation before the shares are gifted, based on the value set from the most recent institutional funding round.

While we work to address this issue, any donation of unlisted equity needs to be dealt with on a case-by-case basis with the ATO. StartGiving can support you through the process.

## *MANAGING LIQUIDITY*

A PAF is required to distribute 5% of the value of its assets from the second financial year to eligible charities. If a PAF only holds unlisted shares, you need to identify ways to raise cash to meet this requirement.

- The PAF may sell shares to existing institutional investors or a secondary fund or, if managed on an arm's length basis, to the donor or their family and friends.
- Alternatively, you can donate cash into the PAF to supplement the equity and remove the need to sell shares.
- StartGiving is working with major Australian VC funds to allow PAFs established by founders of their portfolio companies to sell off their minimum requirement shares for the use of PAF donations to the specific investing VC fund.

It is also important to note that in certain circumstances the ATO Commissioner may reduce (but not to zero) the minimum annual distribution rate for a fund for a financial year.

## *APPROACHING AN IPO OR EXIT*

A windfall from an exit or IPO can be an opportunity to double down on your giving and to set up a PAF with a lump sum of cash or listed equity. You can take full advantage of the tax deduction in a high-tax year – with the option to spread the deduction over five years.

The time pre-IPO or exit can be intense – it pays to pre-plan and set up a PAF in advance before 30 June. It takes between 4-6 weeks to establish a PAF.

Once established, you can invest the assets and grow the fund further, so it becomes self-sustaining. This creates an enduring income stream for charities and can have greater impact than a one-off donation.

You have plenty of time to decide which charities to support. If you set up in FY23, the first distribution isn't required until 30 June 2024. You don't have to rush your giving strategy and can delve into what kind of impact you want to have.

## HOW WE *SUPPORT* YOU

Using our knowledge and connections we will concierge you through the process of setting up your PAF and answering questions around funding, equity and dealing with third-party regulators.

By working with StartGiving, you'll benefit from:

- Deep experience
- Access to our network
- Thought leadership
- Like-minded community

## NOT READY RIGHT NOW?

If you are not ready for a PAF or would like to start structuring your giving at a lower entry point, you could set up a giving fund in a public ancillary fund. A public ancillary fund is a communal giving structure. Donated funds are pooled and professionally invested, and you have your own named sub-fund.

- You can start with around \$50k cash (not equity)
- You receive a tax deduction for your donation
- The fund is invested and its value continues to grow
- A minimum of 4% is given to charities of your choice every year

All you have to do is choose a name for your fund and the charities you wish to support. Everything else is taken care of by the administrator, including investments, administration and compliance.

You can transfer your giving fund to your own PAF at a later stage.

## CONTACT US

Start your giving journey...

Get in touch at [info@startgiving.com](mailto:info@startgiving.com)

Or visit [www.startgiving.com](http://www.startgiving.com)