



Contents

Financial Reporting

- Reporting related-party transactions
- ASIC highlights key reporting areas
- Common financial-statement items of smaller charities revealed
- NFP revenue-standards amendments

ACNC Activities

- Toolkit on cyber security released
- Know the charity sector
- Adhering to ACNC's governance standards
- Disclose referendum donations
- Defining health-promotion charities
- Registrations revoked
- ACNC secrecy to go

Compliance

- Uniting AgeWell back-pays staff more than \$3.5 million
- UTS Sydney back-pays staff more than \$4.4 million
- Employee entitlements changed on 1 July

Fundraising

- QLD cuts red tape
- AUASB issues bulletin on fundraising revenue

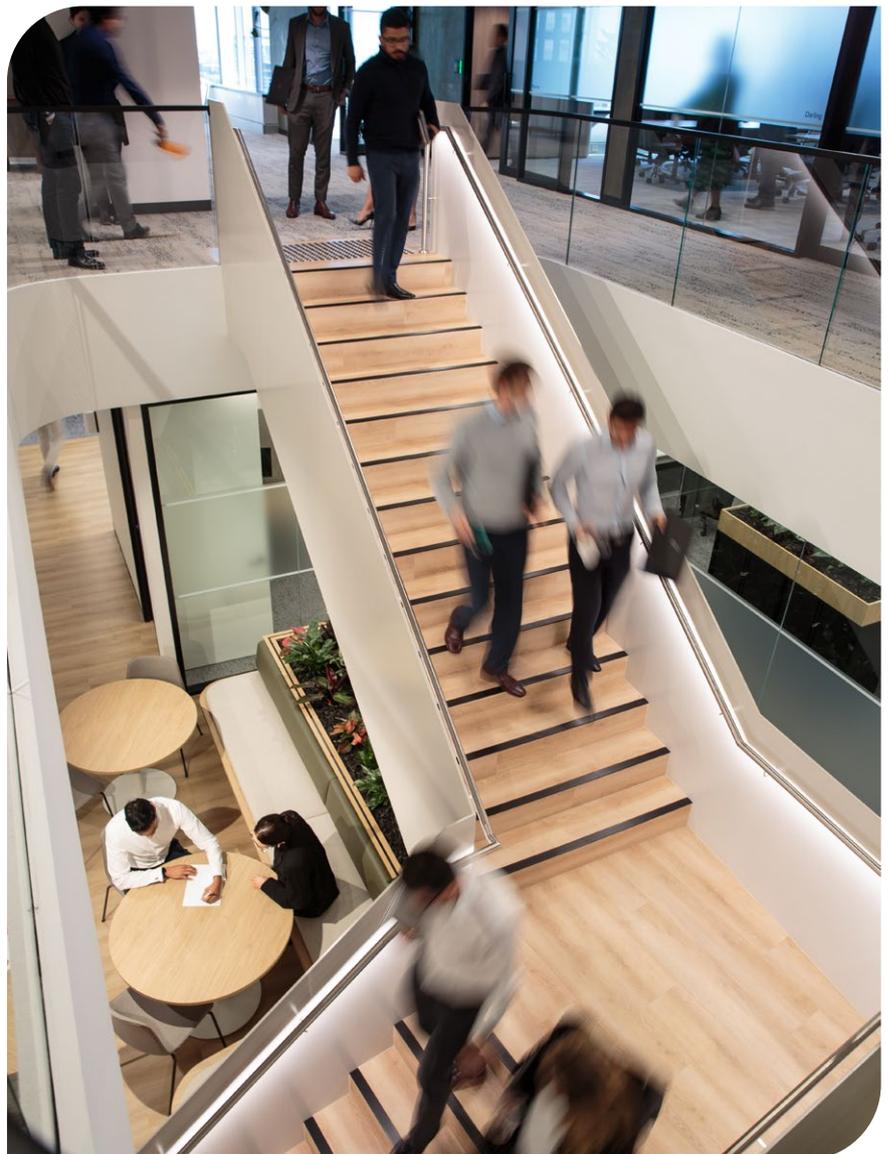
Deductible Gift Recipients

- Streamlining DGRs
- Community foundations get DGR status

Welcome to the latest edition of our Not-for-Profit Newsletter. Please feel free to contact us if you have any questions about the content of this Newsletter.

In this edition

With the 2022-23 reporting season upon us, we start with some important updates about the reporting of related-party transactions. We also outline some key financial reporting focus areas to be aware of. Given recent cyber events, the ACNC has released new guidelines to assist charities in managing cyber security. This edition also covers other ACNC activities and several compliance and fundraising matters.





Financial Reporting

Reporting related-party transactions

In 2023 annual information statements, all but basic religious charities will be required to report their related-party transactions to the ACNC due to changes announced in November 2021.

The commission has defined a 'related party' according to charity size – a simplified definition for small charities, and for medium and large charities the definition used in AASB 124 *Related Party Disclosures*.

For a small charity, a related party is a person or organisation that is connected to the charity and has significant influence over it. The definition includes:

- A charity's responsible people and their close family members
- A charity's senior management and their close family members, and
- Other people or organisations that can influence a charity's decision-making.

ACNC commissioner Sue Woodward said: 'The ACNC collecting information about related-party transactions is an important part of our work to support good governance and transparency by registered charities. Keeping a record of related party transactions is also part of how charities should manage any conflicts of interest'.

Reportable related-party transactions include:

- Fees paid to a related party for providing goods and services to the charity
- Loans from or to a related party
- Salary or wages paid to a related party's relative
- Transfer of charity property or assets to a related party
- Charity goods or services provided at a discount to a related party
- Significant use of charity property by a related party, and
- Investment in a related party.

The commission recommends that each charity has a policy and procedure for dealing with related-party transactions. It would help ensure that the charity records and discloses related-party transactions appropriately.

It would also clarify who should be involved in making decisions about related-party transactions and what criteria should be met before entering into a related-party transaction.

The policy should also clarify how a charity can demonstrate that entering a related-party transaction was the best decision, and how it managed the conflict of interest that accompanied the decision.

ACNC guidance on related-party transactions has been updated and outlines how the new obligations apply to charities of different sizes. The commission has also developed a template for related-party transactions.



ASIC highlights key reporting areas

The Australian Securities & Investments Commission has urged directors, preparers of financial reports, and auditors to assess the impact of uncertain market and economic conditions while reporting for full and half-years ending 30 June.

The commission has highlighted key areas for companies to get right. While NFPs have not been specifically mentioned, many of the focus areas are relevant to them.

ASIC has highlighted several areas for attention, in particular:

- Asset values
- Provisions
- Solvency and going-concern assessments, and
- Events occurring after year-end and before completing financial reports.

ASIC commissioner Danielle Press said: 'Directors should ensure that investors are properly informed on the impact of changing and uncertain economic and market conditions, "net zero" targets and other developments on financial position and future performance. Impacts on asset values and provisions should be assessed, and uncertainties, key assumptions, business strategies, and risks disclosed'.

Companies will be affected differently according to their industry, where they operate, how their suppliers and customers are affected, and a range of other factors.

Directors and management should assess how their entity's current and future performance, the value of its assets, and provisions and business strategies might be affected by changing circumstances, uncertainties, and risks such as:

- The availability of skilled staff and expertise, which can affect revenues and costs
- The impact of rising interest rates on future cash-flows and discount rates used in valuing assets and liabilities
- Inflationary impacts that may differ between costs and income
- Increases in energy and oil prices
- Geopolitical risks, including the Ukraine-Russia conflict
- Impacts of climate change, climate-related events, and transitioning to 'net zero'
- Technological changes and innovation
- COVID-19 conditions and restrictions during the reporting period
- Changes in customer preferences and online purchasing trends
- The discontinuation of financial and other support from governments, lenders, and lessors
- Legislative and regulatory changes, and
- Other economic and market developments.

Several uncertainties and risks might affect asset values, liabilities, and assessments of solvency and going concern.

Some factors may also be relevant in assessing the ability of an entity's borrowers, debtors, and lessees to meet their obligations, and the ability of key suppliers to continue to provide goods and services.

Uncertainties might lead to a wider range of valid judgements on asset values and other estimates. They might change from period to period. Disclosure of uncertainties, key assumptions, and sensitivity analysis are important to investors.

'Assumptions underlying estimates and assessments for financial-reporting purposes should be reasonable and supportable', said Ms Press.

Focus area	Where to focus
Impairment of non-financial assets	<ol style="list-style-type: none"> 1. Goodwill, indefinite useful life intangible assets and intangible assets not yet available for use must be tested annually for impairment. Entities adversely impacted in the current environment may have new or continuing indicators of impairment that require impairment testing for other non-financial assets. 2. The appropriateness of key assumptions supporting the recoverable amount of non-financial assets. 3. The valuation method used for impairment testing should be appropriate, use reasonable and supportable assumptions, and be cross-checked for reliability using other relevant methods. 4. Disclosure of estimation uncertainties, changing key assumptions, and sensitivity analysis or information on probability-weighted scenarios. Key assumptions may include assumptions relating to the factors previously noted.
Values of property assets	<ol style="list-style-type: none"> 1. Factors that could adversely affect commercial and retail property values should be considered such as changes in tenants' office-space requirements, on-line shopping trends, future economic or industry impacts on tenants, the financial condition of tenants, and restructured lease agreements. 2. The lease accounting requirements, the treatment of rental concessions by lessors and lessees, and the impairment of lessee right-of-use assets.
Expected credit losses on loans and receivables	<ol style="list-style-type: none"> 1. Whether key assumptions used in determining expected credit losses are reasonable and supportable. 2. Any need for more reliable and up-to-date information about the circumstances of borrowers and debtors. 3. Short-term liquidity issues, financial condition and earning capacity of borrowers and debtors. 4. Ensuring the accuracy of ageing of receivables. 5. Using forward-looking assumptions and not assuming that recent debts will all be collectible. 6. The extent to which history of credit losses remains relevant in assessing expected credit losses. 7. Whether possible future losses have been adequately factored in using probability weighted scenarios as necessary. 8. Disclosure of estimation uncertainties and key assumptions.
Financial asset classification	<ol style="list-style-type: none"> 1. Financial assets are appropriately measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss. Criteria for using amortised cost include whether both assets are held in a business model whose objective is to hold the assets to collect contractual cash flows, and contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding.
Value of other assets	<ol style="list-style-type: none"> 1. The net realisable value of inventories, including whether all estimated costs of completion necessary to make the sale have been considered in determining net realisable value. 2. The value of investments in unlisted entities.
Provisions	<ol style="list-style-type: none"> 1. Consideration should be given to the need for and adequacy of provisions for matters such as onerous contracts, leased property make-good, financial guarantees given and restructuring.
Subsequent events	<ol style="list-style-type: none"> 1. Events occurring after year-end and before completing the financial report should be reviewed as to whether they affect assets, liabilities, income, or expenses at year-end or relate to new conditions requiring disclosure.
General disclosure considerations	<ol style="list-style-type: none"> 1. When considering the information that should be disclosed in the financial report, directors and preparers should put themselves in the shoes of users and consider what information users would want to know. 2. Disclosures should be specific to the circumstances of the entity and its operations, assets, financial position and performance. 3. Changes from the previous period should be considered and disclosed.
Disclosures in the financial report	<ol style="list-style-type: none"> 1. Uncertainties may lead to a wider range of valid judgements on asset values and estimates. The financial report should disclose uncertainties, changing key assumptions and sensitivities. This will assist users in understanding the approach taken, understanding potential future impacts and making comparisons among entities. Entities should also explain where uncertainties have changed since the previous full-year financial reports. 2. The appropriate classification of assets and liabilities between current and non-current categories on the statement of financial position should be considered. That may have regard to matters such as maturity dates, payment terms, and compliance with debt covenants.
Other	<ol style="list-style-type: none"> 1. Consideration of whether off-balance-sheet exposures should be recognised on the balance sheet, such as interests in non-consolidated entities.

Common financial-statement items of smaller charities revealed

The Australian Accounting Standards Board has published research report 19 *Common Financial Statement Items: Charities with \$0.5–\$3 million in revenue*.

Its findings provide input for the AASB's development of a new reporting project; Tier 3 general purpose financial statements. The project aims to provide simpler accounting requirements for smaller not-for-profit private-sector entities.

The report identifies the common financial line items from 260 financial statements of charities registered with the ACNC and with revenue ranging from \$0.5 million to \$3 million.

The analyses show that most (78 per cent) of their financial statements were of the special-purpose variety and only a few prepared consolidated statements.

The analyses indicated that the most commonly reported items were:

- Interest income, donation income, revenue from goods and services, grants, and government subsidies
- Cash and cash equivalents, trade and other receivables, fixed assets, and prepayments
- Trade and other payables, long-service leave provisions, annual-leave provisions, and revenues received in advance, and
- Retained earnings.

The least-common items identified were rebates, impairment loss, revaluation of property, plant and equipment, prior-period adjustments, other types of comprehensive income, intangible assets, lease receivables, investment property, other types of assets, and other types of liabilities.

The research also found that most of the sampled charities presented statements of changes in equity and cash flows.

NFP revenue-standards amendments

AASB 2022-3 *Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities* accompanying AASB 15 became operative from 30 June.

The standard:

- Adds illustrative example 7A to AASB 15 to clarify the accounting for upfront fees, and
- Amends the basis of conclusion to AASB 15 to note that the option for NFP private-sector entities to recognise initially right-of-use assets arising from concessionary leases at cost will remain on an ongoing basis.





ACNC Activities

Toolkit on cyber security released

The Australian Charities and Not-for-profits Commission has released new guidance that defines cyber security, outlines a charity's legal obligations, and explains how to manage the risk of cyber attack.

It includes a cyber-security assessment and checklist, as well as templates.

See the details at <https://www.acnc.gov.au/for-charities/manage-your-charity/governance-hub/governance-toolkit/governance-toolkit-cyber-security>.



Know the charity sector

The latest official data shows Australia's charity sector generated \$190 billion in revenue and employed 10.5 per cent of the workforce, highlighting its significance to the Australian economy and community.

The ACNC's ninth edition of its *Australian Charities Report* shows that charity revenue, assets, and donations grew in 2021.

For the latest edition, the ACNC analysed annual information statements of 49,402 charities. Among them were 8280 basic religious charities – 17 per cent of the total. A total of 7743 of them declined to provide financial information in 2021.

'The *Australian Charities Report* ninth edition provides a comprehensive insight into the sector, including state by state comparisons', said commissioner Sue Woodward.

'We can see the sector is a major employer. There were 1.42 million employees in the 2021 reporting period, and revenue growth was strong, up by nearly \$14 billion on the previous period.'

Donations increased by \$676 million to \$13.4 billion, and charities reported more than \$422 billion in assets, an increase of nearly \$31 billion.

Expenses also went up – by \$7.1 billion to almost \$175 billion. Liabilities rose by \$4.1 billion to \$141.7 billion, a 40 per cent increase over three years.

The report confirms a widely-observed decline in volunteering, from 3.4 to 3.2 million.

'The picture is more sobering when we look at the decline over a longer time frame', said Ms Woodward.

'There was a loss of around 596,000 volunteers between the 2018 and 2021 reporting periods. This decline is of concern as we know volunteers are vital across the sector, and overall, 50 per cent of charities operate with no paid staff.

'Behind the top-line figures are thousands of small charities operating with mostly volunteers. In fact, 65 per cent of charities are small, with annual revenue under \$250,000, and a third of all charities have less than \$50,000 annual revenue.'

Listed on the following page are state and territory data.

State or territory	Number of charities	Revenue from government (\$ million)	Revenue from donations and bequests (\$ million)	Revenue from goods or services (\$ million)	Total revenue (\$ million)	Volunteers	Employees
ACT	1106	1697	154	1043	3531	48,711	26,943
NSW	15,727	24,499	5149	13,560	49,996	1,487,020	337,237
NT	436	1284	27	571	2026	11,053	12,547
QLD	6898	11,424	1639	7782	22,510	369,673	174,778
SA	3370	5436	391	3395	10,238	140,989	94,936
TAS	1053	2074	107	783	3215	48,815	29,882
VIC	11,491	24,664	2979	12,738	44,633	521,317	300,280
WA	4247	8551	657	7190	17,656	200,967	143,528

The data shows \$13.4 billion (7 per cent) of charity revenue is made up of donations and bequests. That compares with \$97 billion (51 per cent) of revenue from government, including grants.

Charities distributed \$9.7 billion in grants and donations.



Adhering to ACNC's governance standards

The ACNC's governance standards is a set of core principles dealing with how a charity should be run. It's timely to review your compliance with them.

Charities must meet the standards to be, and remain, registered with the commission. The principles do not apply to basic religious charities.

They require charities to remain charitable, operate lawfully, and be run in an accountable and responsible way. They help to maintain public trust.

The principles are high-level and charities must determine what they need to do to comply with them.

Standard	Explanation
1- Purposes and not-for-profit nature	A charity must be not-for-profit and work towards its charitable purpose. It must be able to demonstrate this and provide information about its purposes to the public.
2- Accountability to members	A charity that has members must take reasonable steps to be accountable to its members and provide them with adequate opportunity to raise concerns about how the charity is governed.
3- Compliance with Australian laws	A charity must not commit a serious offence (such as fraud) under any Australian law or breach a law that may result in a penalty of 60 penalty units or more. The current value of a Commonwealth penalty unit is \$222.
4- Suitability of responsible people	<ul style="list-style-type: none">A charity must take reasonable steps to: Be satisfied that its responsible people (such as the board or committee members or trustees) are not disqualified from managing a corporation under the Corporations Act 2001 or disqualified from being a responsible person of a registered charity by the ACNC Commissioner, andRemove any responsible person who does not meet these requirements.
5- Duties of responsible people	A charity must take reasonable steps to make sure that its responsible people are subject to, understand, and carry out the duties set out in standard 5.
6- Maintaining and enhancing public trust and confidence in the Australian not-for-profit sector	A charity must take reasonable steps to become a participating non-government institution if the charity is, or is likely to be, identified as being involved in the abuse of a person either: <ul style="list-style-type: none">In an application for redress made under section 19 of the National Redress Scheme for Institutional Child Sexual Abuse Act 2018, orIn information given in response to a request from the National Redress Scheme Operator (secretary of the Department of Social Services) under section 24 or 25 of the Redress Act.

The ACNC has a self-evaluation tool that aims to help charities assess if they are meeting their obligations. It also helps to identify issues that might prevent them from doing so.

It poses questions and prompts charities to describe both the practical steps that they are taking to meet their obligations and to list relevant policies and procedures.

A charity that conducts activities overseas – including sending funds overseas from Australia – must also comply with external-conduct and governance standards.

Four external-conduct standards cover certain aspects of a charity's overseas operations.

Standard	Explanation
1- Activities and control of resources (including funds)	The way a charity manages its activities overseas and how it is required to control the finances and other resources it uses overseas.
2- Annual review of overseas activities and record-keeping	The requirements for a charity to obtain and keep sufficient records for its overseas activities.
3- Anti-fraud and anti-corruption	The requirements for a charity to have processes and procedures that work to combat fraud and corruption in its overseas operations.
4- Protection of vulnerable individuals	The requirement for a charity to protect the vulnerable people that it works with when conducting its overseas operations.

An ACNC self-evaluation tool for charities operating overseas aims to help charities assess if they are meeting their obligations and identify issues that might prevent them from doing so.

The tool poses questions and prompts charities to describe the practical steps they take to meet their obligations.

Disclose referendum donations

A referendum disclosure scheme has been introduced through changes to the commonwealth's *Referendum (Machinery Provisions) Act 1984*.

The act's changes will affect a charity only if it is campaigning, receiving or making donations on referendum matters, and the amount is \$15,200 or more. They will apply for the upcoming referendum on an Indigenous Voice to Parliament. Referendum matters are defined as matters communicated to influence the way people vote in a referendum.

The Australian Electoral Commission oversees the change and has published guidance on its website about the scheme.

Charities' governing bodies and their responsible people should take care to comply with Australian electoral laws and should refer to the AEC's guidance if they expect to spend \$15,200 or more on referendum matters.

The ACNC will provide links on the charity register to the AEC's transparency-disclosures register.

The changes will have no effect on what registered charities are required to submit to the ACNC.

Defining health-promotion charities

The ACNC has published an updated commissioner's interpretation statement (CIS) on health-promotion charities (HPC).

To be entitled to registration as a HPC, an organisation must demonstrate that it is 'an institution whose principal activity is to promote the prevention or the control of diseases in human beings'. An organisation must demonstrate that it meets all the elements of the description.

The updated CIS contains a section explaining that the ACNC will group similar activities to determine 'principal activity'. It also contains a section explaining how the ACNC will treat an organisation's administrative functions when determining principal activity.

The CIS does not narrow the commission's interpretation of a health-promotion charity. Charities currently registered under this subtype will continue to meet the description under the updated statement.



Registrations revoked

Following several warnings, the ACNC has revoked the registration of more than 700 charities.

Assistant commissioner general counsel Anna Longley said all charities were required to submit annual information statements and those that repeatedly failed to do so risked losing registration.

'Most charities meet their obligations. However, we notified more than one thousand charities last month that they were at risk of having their registrations revoked because they had failed to submit two or more annual information statements despite several reminders [...]', Ms Longley said.

'The ACNC seeks to support charities to remain registered. Some of them submitted their outstanding statements so they have retained their registration. However, around 700 did not. Many of these organisations may have ceased operating.

'Accountability and transparency are critical to maintain public trust and confidence in the sector. People check the charity register to verify key details about organisations, for example, before they make a donation. It is therefore important we review charities to make sure they are complying with their obligations and ensure the information on the [register] is up to date.'

Once charity registration is revoked, the ACNC notifies the Australian Taxation Office, which removes tax concessions.

ACNC secrecy to go

The federal government has announced that it will amend secrecy provisions in ACNC legislation to allow greater disclosure of regulatory activities.

The changes will enable the ACNC to publish registration and compliance decisions to improve transparency and accountability.

At the moment, secrecy provisions prevent the ACNC from disclosing whether it is investigating alleged misconduct, the outcomes of investigations, and reasons for revoking a charity's registration.

The government proposes to introduce legislation to support the reforms.



Compliance

Uniting AgeWell back-pays staff more than \$3.5 million

Aged-care services provider Uniting AgeWell Ltd has back-paid staff more than \$3.5 million, including interest and superannuation after having signed an enforceable undertaking with the Fair Work Ombudsman.

Wholly owned by the Uniting Church in Australia, the charity self-reported its non-compliance to the regulator in September 2021 after discovering underpayments in a self-initiated review.

Underpayments were caused by Uniting AgeWell interpreting its enterprise agreements incorrectly, complicated rostering arrangements, and the failure to pay the right penalty rates and allowances.

Most of the underpayments involved a failure to pay overtime rates, for example, to employees who had had insufficient rest breaks between shifts or worked more than 76 hours in a fortnight. Shift and public-holiday penalties and allowances were also underpaid.

Between 2015 and 2021, Uniting AgeWell underpaid 4971 employees about \$3.5 million and \$127,640 in superannuation. More than 3300 Victorian workers were underpaid more than \$2.7 million and 1667 Tasmanian workers were underpaid more than \$800,000.

FWO Sandra Parker said an EU was appropriate as Uniting AgeWell had cooperated with the ombudsman's investigation and demonstrated a firm commitment to rectifying underpayments and reforming its practices.

'Under the enforceable undertaking, Uniting AgeWell has committed to implementing stringent measures to improve compliance and protect the rights of its workforce. These measures include commissioning, at its own cost, an independent audit to check its compliance with workplace laws later this year', Ms Parker said.

'This matter demonstrates how important it is for employers to identify and fix non-compliance in their processes. Errors particularly in Uniting AgeWell's rostering and understanding of certain entitlements were left unchecked, which left hardworking employees missing out on their money.

'All employers need to invest the time and resources to ensure they are meeting all lawful entitlements. This includes the higher rates for overtime and penalties.'

The EU also requires Uniting AgeWell to have relevant staff complete workplace training with a qualified professional.

UTS Sydney back-pays staff more than \$4.4 million

The University of Technology Sydney is back-paying staff more than \$4.4 million, plus superannuation and interest, and has entered into an enforceable undertaking with the FWO.

UTS reported its non-compliance to the regulator in May 2021 after becoming aware, when conducting an internal review while designing a new payroll system, that it had been underpaying employees' minimum entitlements since 2014.

The underpaid employees performed work across the university's seven faculties, primarily at the main campus in the Sydney CBD. They were engaged as casual professional staff.

The underpayments occurred because UTS failed to review and update its employment contracts and payroll systems to reflect an increase in minimum-engagement pay for casual professional employees first introduced under its 2014 professional-staff enterprise agreement.

The agreement, and the university's subsequent 2018 professional-staff agreement, required casual professional employees to be paid for three hours per engagement, or one hour for those also enrolled as UTS students, regardless of whether they were required to work for the whole period.

Before 2014, the university's applicable professional-staff enterprise agreement allowed UTS to enter into agreements with employees to pay them for shorter engagement periods.

Under its EU, UTS has agreed to back-pay 2777 current and former casual professional employees \$4.4 million in minimum-engagement entitlements underpaid between September 2014 and May 2021 as well as more than \$1.3 million in superannuation and interest.

FWO Sandra Parker said an enforceable undertaking was appropriate because UTS had reported its non-compliance and fully cooperated with FWO's investigation. It had demonstrated a strong commitment to rectifying all identified underpayments and installed systems and processes to ensure that they were not repeated.

'The underpayments by the UTS are the latest warning to all universities, and employers generally, that if you don't prioritise workplace compliance and apply all entitlements, you risk underpaying staff on a large scale and facing enforcement action', Ms Parker said.

Under the EU, UTS will undertake a university-wide review overseen by the FWO. Its aim is to ensure that UTS staff can be confident that they are being paid what they are owed.

The EU requires UTS to implement systems and process improvements, including training, to ensure compliance so that all current and future workers continue to be paid correctly. These measures include a larger UTS-wide review across all staff groups at the university's own cost to identify and rectify any additional underpayments.

Employee entitlements changed on 1 July

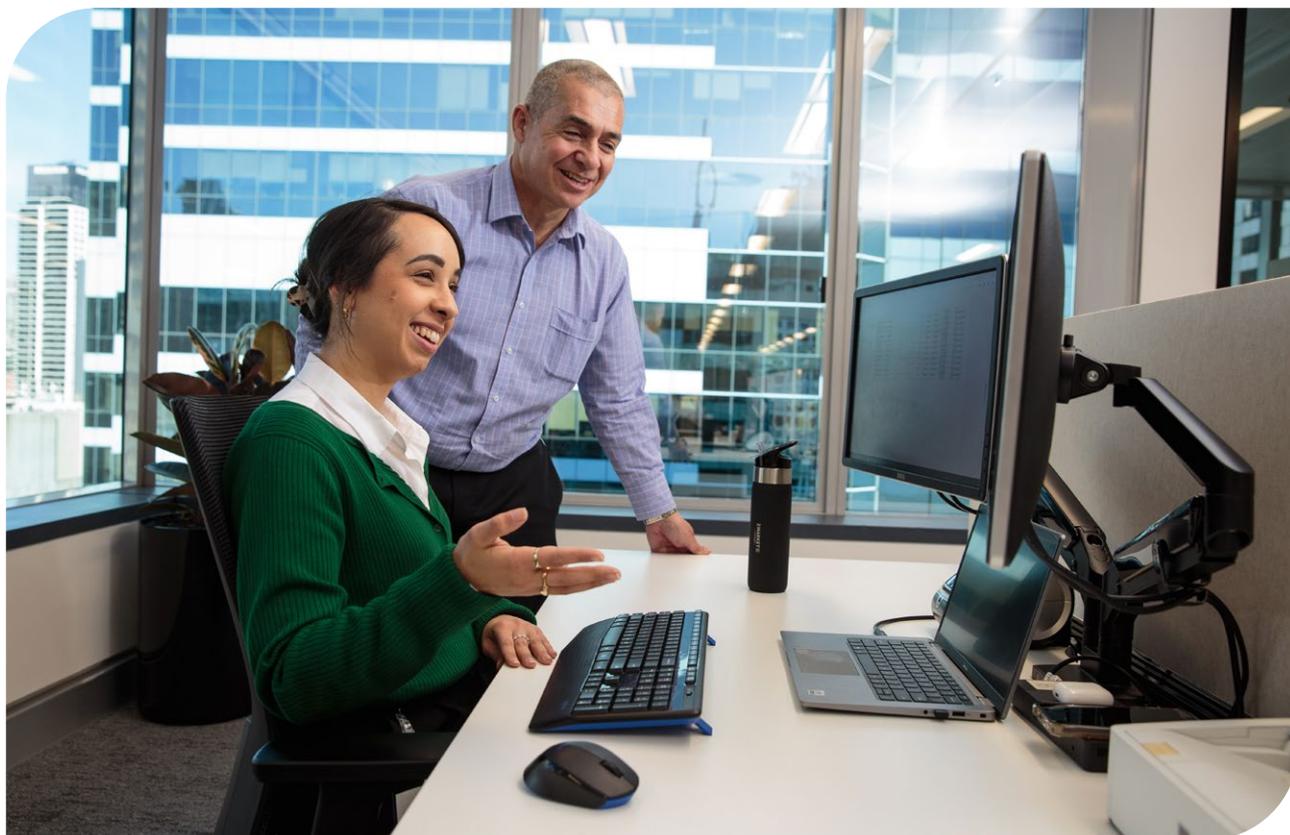
As part of its 2022-23 annual wage review, the Fair Work Commission has increased the national minimum wage and minimum wages for awards.

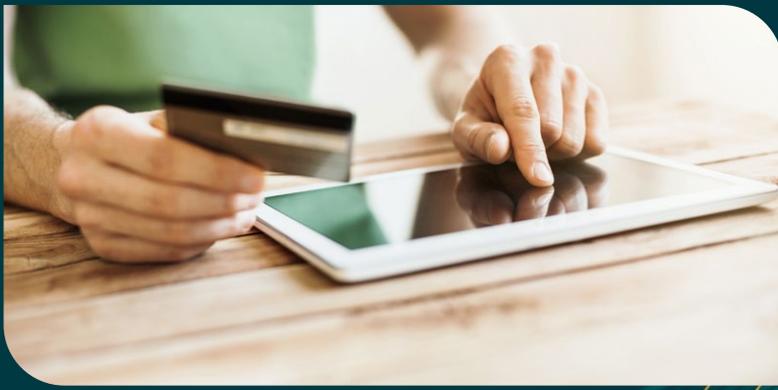
From 1 July, the national minimum wage increased to \$882.80 per week or \$23.23 per hour and award minimum wages increased by 5.75 per cent.

Direct care and some senior food-services employees in the aged-care sector received a 15 per cent wage increase from 30 June.

From 1 July, the superannuation guarantee percentage rate increased from 10.5 per cent to 11 per cent. The new rate applies to payroll payments made to employees on or after 1 July, even if some or all of the pay period is before 1 July.

From 1 July 2026, employers will be required to pay their employees' super simultaneously with salary and wages.





Fundraising

QLD cuts red tape

In a win for red-tape reduction, charities registered with the ACNC that plan to fundraise in Queensland no longer need to register separately with the state's Office of Fair Trading.

From May 1, they need only notify the OFT through an ACNC form.

ACNC commissioner Sue Woodward said that removing unnecessary regulatory burdens helped charities keep their focus 'on helping others'.

She said: 'Australia's fundraising laws are complex because they are different in each state and territory, and this places an enormous administrative burden on charities [that] fundraise across state borders'.

AUASB issues bulletin on fundraising revenue

The Auditing and Assurance Standards Board has withdrawn GS 019 *Auditing Fundraising Revenue of Not-for-Profit Entities* (issued in 2011) as being no longer fit-for-purpose.

It is replaced by *Auditing Fundraising Revenue of Not-for-Profit Entities in a Digital Age*.

The bulletin aims to assist auditors to address key audit considerations in a digital age when undertaking their planning, risk assessment, performing, and reporting on fundraising revenue.

It highlights current issues related to fundraising-revenue collection and the impacts of collection on audit procedures and reports. It also draws together other AUASB reference materials that NFP auditors might find useful.





Deductible-Gift Recipients

Streamlining DGRs

Deductible-gift-recipient status has been streamlined for organisations applying under four DGR registers.

The ATO administers 48 of the 52 categories under which an organisation may be eligible for endorsement as a deductible-gift recipient.

The four categories are environmental organisations, harm-prevention charities, cultural organisations, and overseas aid organisations. Their administration will be transferred from federal departments to the ATO as of 1 January.

The changes will mean all DGR categories will be administered similarly, reducing the regulatory burden imposed on endorsed organisations by streamlining the application process and aligning reporting requirements.

The reform is expected to reduce the time taken to obtain DGR status from up to two years to about a month.

Eligibility for DGR status is not intended to change because of the reforms.

Community foundations get DGR status

Twenty-eight community foundations affiliated with Community Foundations Australia are slated to get deductible-gift-recipient status.

The federal government is consulting on the *Treasury Laws Amendment (Measures for Consultation) Bill 2023: New class of deductible gift recipients* to implement a decision to list them in DGR tax law for five years.

The 2023-24 federal budget removed the time period for DGR status, making it subject only to the ATO's endorsement and compliance with ministerial guidelines.

The bill establishes:

- A new general DGR category in the *Income Tax Assessment Act 1997* for 'community charity funds'. The relevant minister may declare a 'community charity fund' where the registered charity has purposes consistent with existing general DGR categories
- A compliance regime in the *Taxation Administration Act 1953* like that for ancillary funds. Under this regime, the minister must make guidelines for the operation of community charity funds, including administrative penalties in circumstances where trustees or directors' fail to comply
- Only entities associated with the 28 community foundations subject to the budget measure will be considered for declaration in the first instance, and
- Declaration will not in or of itself confer DGR status, and organisations will be subject to endorsement by the taxation commissioner. Compliance with new ministerial guidelines will be a condition of endorsement.

The government will consult separately on the proposed ministerial guidelines.



The material contained in this publication is for general information purposes only and does not constitute professional advice or recommendation from Nexia Australia. Specific professional advice which takes into account your particular situation or circumstance should be obtained by contacting your Nexia Advisor.

Nexia Australia refers to the Nexia Australia Pty Ltd Umbrella Group comprising separate independent Chartered Accounting firms. Nexia Australia Pty Ltd is a member of Nexia International, a leading, global network of independent accounting and consulting firms. For more information please see www.nexia.com.au/legal. Neither Nexia International nor Nexia Australia Pty Ltd provide services to clients.

Liability limited under a scheme approved under Professional Standards Legislation.

Australia

Adelaide Office

Level 3, 153 Flinders Street, Adelaide SA 5000
GPO Box 2163, Adelaide SA 5001
p +61 8 8139 1111, f +61 8 8139 1100
receptionSA@nexiaem.com.au

Brisbane Office

Level 28, 10 Eagle St, Brisbane QLD 4000
p +61 7 3229 2022, f +61 7 3229 3277
email@nexiabrisbane.com.au

Canberra Office

Level 5, 17 Moore Street, Canberra ACT 2601
GPO Box 500, Canberra ACT 2601
p +61 2 6279 5400, f +61 2 6279 5444
mail@nexiacanberra.com.au

Darwin Office

Level 2, 80 Mitchell Street, Darwin, 0800
p +61 8 8981 5585 f +61 8 8981 5586
receptionNT@nexiaem.com.au

Melbourne Office

Level 35, 600 Bourke St, Melbourne Vic 3000
p +61 8 9463 2463, f +61 8 9463 2499
info@nexiamelbourne.com.au

Perth Office

Level 3, 88 William Street, Perth WA 6000
GPO Box 2570, Perth WA 6001
p +61 8 9463 2463, f +61 8 9463 2499
info@nexiapertth.com.au

Sydney Office

Level 22, 2 Market Street, Sydney NSW 2000
PO Box Q776, QVB NSW 1230
p +61 2 9251 4600, f +61 2 9251 7138
info@nexiasydney.com.au

New Zealand

Auckland Office

Level 1, 5 William Laurie Place, Albany Auckland 0632
p +64 9 414 5444, f +64 9 414 5001
office@nexiaauckland.co.nz

Christchurch Office

Level 4, 123 Victoria St, Christchurch
p +64 3 379 0829, f +64 3 366 7144
office@nexiachch.co.nz

www.nexia.com.au