



## Not-for-profit

Access information about new legislation relating to not-for-profit organisations.

### Deductible gift recipient reforms



How government reforms impact administration and oversight of organisations with deductible gift recipient (DGR) status.

### Enhancing the Transparency and Integrity of Not for Profits



Details of reforms to the administration of not-for-profit (NFP) entities that self-assess as income tax exempt.

### Extending deductible gift recipient status to Men's Sheds and Women's Sheds



The government has announced a new deductible gift recipient (DGR) category for community sheds. This measure is now law.

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## Deductible gift recipient reforms

How government reforms impact administration and oversight of organisations with deductible gift recipient (DGR) status.

12 July 2023

## Why reforms were made

The government has announced several reforms to the administration and oversight of organisations with DGR status.

Changes are designed to strengthen governance arrangements, reduce administrative complexity and ensure continued trust and confidence in the sector.

## DGRs to be registered as a charity

On 13 September 2021, the [Treasury Laws Amendment \(2021 Measures No. 2\) Act 2021](#) [↗](#) became law.

As a precondition for DGR endorsement, this Act amends the *Income Tax Assessment Act 1997* to require a fund, authority or institution to be either:

- a registered charity
- an Australian Government agency
- operated by a registered charity or an Australian Government agency.

Before the amendments, a majority of DGR categories required non-government organisations to be **registered as charities**. The amendments extended this requirement to 11 general DGR categories. This measure does not apply to ancillary funds or DGRs specifically listed in the tax law.

For more information, see:

- Treasury submission – [Requiring DGRs to register as charities](#) [↗](#)
- Australian Charities and Not-for-profits Commission (ACNC) factsheet – [DGRs and the ACNC](#) [↗](#)
- what you need to do when you [start a charity](#) [↗](#).

## DGR Registers Reform

On 28 June 2023, the *Treasury Laws Amendment (Refining and Improving our Tax System) Act 2023* became law. The amendments to

the *Income Tax Assessment Act 1997* transfer administrative responsibility of 4 unique DGR categories from other government departments to the ATO.

The changes take effect from 1 January 2024 and repeal provisions that require each of the 4 departments to maintain a separate register.

The legislation contains transitional provisions to ensure organisations currently endorsed as DGRs under the four unique categories continue to be endorsed if they continue to meet eligibility criteria.

## Before the transition

Until 1 January 2024, the 4 unique categories will continue to be administered by other government departments as follows:

- **Register of Cultural Organisations** administered by the Department of Infrastructure, Transport, Regional Development, Communications and the Arts
- **Register of Environmental Organisations** administered by the Department of Climate Change, Energy, the Environment and Water
- **Register of Harm Prevention Charities** administered by the Department of Social Services
- **Overseas Aid Gift Deductibility Scheme** administered by the Department of Foreign Affairs and Trade.

## After the transition

From 1 January 2024, we will assess eligibility for:

- cultural organisations
- environmental organisations
- harm prevention charities
- developing country relief funds or organisations.

We already administer 48 of the 52 DGR general categories set out in Division 30 of the *Income Tax Assessment Act 1997*. These changes mean we will administer all DGR categories and this will:




- enable consistency of administration
- reduce red tape

- simplify the application process for organisations seeking DGR status.

We will work with each government department to ensure a smooth transition in administration. We will also develop refreshed guidance to support the sector through the transition.

## More information


For more information on the transition, see:


- [Treasury Laws Amendment \(Refining and Improving Our Tax System\) Act 2023](#) 
- the Minister's media release on 29 June 2023 – [Streamlining the Deductible Gift Recipient Registers](#) 
- outcomes on Treasury consultation held between 19 January and 19 February 2023 – [Deductible Gift Recipient \(DGR\) Registers Reform](#) 
- DGR categories

## DGR status for community foundations

It is proposed that the tax law be amended to establish a new class of deductible gift recipients for community foundations.

### Background

Originally announced by the previous government in the [2022-23 March Budget \(PDF, 3.8MB\)](#) , it was proposed that the tax law be amended to specifically list up to 28 community foundations affiliated with the peak body Community Foundations Australia. The specific listing would be time-limited for 5 years, from 1 July 2022 to 30 June 2027.

A refined model was proposed in the [2023-24 Budget \(PDF, 2.4MB\)](#)  which includes:


- the removal of the 5-year time limit requirement
- endorsement by the Commissioner of Taxation under new ministerial guidelines.

### Public consultation

Treasury opened public consultation on the exposure legislation between 28 June 2023 and 16 July 2023. The proposed amendments establish a:

- new general DGR category in the *Income Tax Assessment Act 1997* for community charity funds
- compliance regime in the *Taxation Administration Act 1953* accompanied with new ministerial guidelines.

## More information

For progress and outcomes of the Treasury consultation, see [Building Community – deductible gift recipient status for community foundations](#) .

## Subscribe to our newsletter for updates

Subscribe to our monthly not-for-profit newsletter to keep up-to-date with:

- our new and refreshed guidance
- the progress of the proposed amendments.

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## Not-for-profits – enhancing the transparency of income tax exemptions

Details of reforms to the administration of not-for-profit (NFP) entities that self-assess as income tax exempt.

10 August 2023

## Not for profit reforms

On 11 May 2021, as part of the 2021–22 federal Budget, the Australian Government announced reforms to the administration of not-for-profit

(NFP) entities that self-assess as income tax exempt. The measure is designed to enhance trust and confidence in the sector by ensuring only eligible NFPs access income tax exemptions, and that NFPs operate on a level playing field.

A charity registered with the Australian Charities and Not-for-profits Commission (ACNC) is not captured by the new requirements. Charities are endorsed by the ATO to access an income tax exemption and are required to submit an annual information statement to the ACNC.

## Summary of changes

From 1 July 2023, non-charitable NFPs with an active Australian business number (ABN) will be required to lodge an annual self-review return in order to access an income tax exemption.

The annual self-review return for the 2023–24 year will be required to be lodged between July and October 2024 using the existing online and secure platform - *Online Services for Business* and *Online Services for Agents*.

Questions will guide clients to consider purpose and activities against specific eligibility requirements of an income tax exempt entity. These are not financial in nature and only one question will relate to estimating income range to indicate the size of the not-for-profit.

After submitting the first annual self-review return, NFPs can annually confirm or update information on a pre-populated self-review return.

If a self-review return is not lodged each year, NFPs may become ineligible for an income tax exemption. Penalties may apply under the ATO's penalty framework.

We are consulting with the sector to develop the self-review return. The new self-review return will provide a tailored and guided decision path. It will comprise questions similar to the current self-review worksheet, with real-time prompts.

## Prepare for the changes

NFPs can do the following things now to prepare for lodgment in 2024.

### Self-assess your tax status now

Locate and review your **governing documents** to ensure you are operating for purpose and that the documents contain appropriate NFP clauses. Organisations that access tax concessions, including income tax exemptions, must have governing documents.

Find out more about income tax exempt and taxable not-for profits at **'Does your not-for-profit need to pay income-tax?'**

Check the types of NFP organisations that can self-assess income tax exemptions at **Types of income tax exempt organisations**.

Use our **worksheets** to review your eligibility for an income tax exemption. These worksheets have been provided to support record keeping and good governance, they are not required to be submitted to the ATO.

Ensure you are **keeping your records** in an accessible form (either printed or electronic) to assist with your lodgment.

## **Sporting clubs**



If you are a sporting club, use the *Working out your club's income tax exempt status* worksheet. This worksheet includes a financial comparison for multi-purpose sporting clubs in Schedule 1, which will not be a part of the self-review return.

## **Other NFPs**

For all other not-for-profits use the *Income tax status review worksheet for self-assessing not-for-profits form*.

## **Get up-to-date and digital ready**

Update your organisation's contact details and notify us of changes to your organisation. It's an ABN registration requirement to keep your contact details current, and it also means you'll receive important information about your tax and superannuation obligations.

Get digital ready - [apply for a myGovID](#)  with a standard or strong identity strength. Then set-up a [RAM authorisation](#)  in preparation to access *Online services for business*.

If your organisation needs to hand over its tax affairs to a new administrator, download the **Handover checklist for not-for-profit administrators**.

Subscribe to the monthly newsletter at [ato.gov.au/nfpnews](https://ato.gov.au/nfpnews).

## More information

Check the NFP Newsletter for regular updates as they are published. This will keep you informed with the new reporting requirements, including:

- refreshed information about what you can do to prepare your NFP for the new reporting requirements
- a step-by-step guide on the self-review process.

If you have any questions about your NFP or its tax status, phone us on 1300 130 248 between 8:00 am and 6:00 pm, Monday to Friday.

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## Extending deductible gift recipient status to Men's Sheds and Women's Sheds (community sheds)

The government has announced a new deductible gift recipient (DGR) category for community sheds. This measure is now law.

18 September 2020

On 24 March 2019, as part of the 2019–20 Budget, the government announced that it would establish a new deductible gift recipient (DGR) general category to enable community sheds (such as Men's Sheds and Women's Sheds) to access the DGR concession.



Legislation establishing the new DGR category has passed parliament and received royal assent. The new category will be available to community sheds from 1 October 2020. We have published advice and guidance on the eligibility requirements for endorsement and the application process.

Donors who donate \$2 or more to a DGR endorsed community shed may be able to claim an income tax deduction.





**See also:**

- Community sheds

## Legislation and supporting material

The [Treasury Laws Amendment \(2020 Measures No. 2\) Act 2020](#)  (the Amending Act) received royal assent on 3 September 2020. The amendments to the *Income Tax Assessment Act 1997* establishing a general DGR category for community sheds appear in Schedule 3 to the Amending Act. Chapter 3 of the accompanying [explanatory memorandum](#)  provides more information about the policy intent of the measure.

**See also:**

- [2019–20 Budget Paper No. 2 - Revenue Measures, page 20 \(PDF 1.8MB\)](#) 
- [Joint media release issued 24 March 2019 by the Treasurer and the Minister for Finance and the Public Service](#) 
- [The Treasury, Deductible Gift Recipient Category - Shed FAQs \(PDF 278KB\)](#) 
- [The Treasury, New Deductible Gift Recipient \(DGR\) category for Men's Sheds and Women's Sheds](#) 

## Help and information

If you can't find the answer to your question you can contact the **ATO not-for-profit helpline**:

- phone us on **1300 130 248** between 8:00am and 6:00pm Monday to Friday

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## Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet

your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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