

Deductible gift recipient status

A guide to deductible gift recipient endorsement

Jan 2024



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Part 1

Introduction

Introduction



This part of the guide covers:

- ▶ What is DGR endorsement?
- ▶ Does your community organisation need DGR status?
- ▶ Which community organisations may be endorsed as DGRs?
- ▶ Is there another way of accessing DGR concessions?



Disclaimer

This guide provides information on deductible gift recipient endorsement in Australia as at the date of publication.

This information is intended as a guide only and is not legal advice. If you or your organisation has a specific legal issue, you should seek legal advice before deciding what to do.

Please refer to [the full disclaimer](#) that applies to this guide.

Law reform

In December 2017, the [Commonwealth Government announced proposed changes to deductible gift recipient tax arrangements](#). Some of these reforms have been rolled out.

Changes implemented and incorporated into this guide

From 1 October 2020, a new category of DGR for community sheds was introduced.

From 14 December 2021 non-government DGRs must register as charities with the Australian Charities and Not-for-profits Commission (**ACNC**) or be operated by a registered charity. Ancillary funds or DGRs specifically listed in the tax law are not included in this change.

From 1 January 2024, responsibility for DGR endorsement of environmental organisations, cultural organisations, harm prevention charities, and overseas aid organisations was transferred from other government departments to the ATO. Certain public fund requirements were also removed.

Changes still anticipated

- including 'pastoral care services' as an additional category of DGR, and
- creating a new category of DGR for community foundations



For more information on the changes to DGR categories from 1 January 2024, see:

- the [ATO webpage Deductible Gift Recipient Registers Reform Transitional Provisions](#), and
- the [ATO webpage DGR Registers Reform new law coming into effect](#)

What is DGR endorsement?

DGR is a special federal tax status that an organisation can apply for from the Australian Tax Office (**ATO**). There are other tax concessions that not-for-profit organisations can consider applying for that are not discussed in this guide.

If your organisation is endorsed as a DGR:

- people who make certain gifts or donations to your organisation can 'deduct' those gifts for their own income tax purposes (that is, the donor can claim the donation as a deduction when filing their personal income tax return) – this may encourage people to donate to your organisation.
- your organisation will be eligible to receive funds from certain grant makers and philanthropic bodies that are only able to give money to organisations that have DGR status

In general, unless your organisation is endorsed as a DGR, people donating to your organisation can't claim their donation against their tax. DGR endorsed entities will often state in their materials that 'donations over \$2.00 are tax deductible'.

The legislation that sets out the requirements for DGR status is the [Income Tax Assessment Act 1997 \(Cth\)](#) (**Income Tax Act**).



Note

Not all kinds of payments or contributions to a DGR are tax deductible. For more information on what is tax deductible, see part 4 of this guide, which is about maintaining your DGR endorsement.



Tip

Confirm whether your organisation is already a DGR by:

- checking your organisation's listing on the [Australian Business Register](#) – this register sets out all tax concessions an organisation has been endorsed to access
- finding your organisation's listing on the [ACNC Register](#) – this register provides a link to the Australian Business Register, or
- phoning the ATO on 13 28 61



Caution

Applying for DGR endorsement is often complicated, and we recommend you seek help from a lawyer. It can save time and money down the track to get your advice on eligibility and your application right from the start.

Does your community organisation need DGR status?

Applying for DGR status can be a time consuming process. Before you go to the trouble of applying for endorsement as a DGR, it's worth considering whether DGR status will benefit your organisation.

Benefits of DGR endorsement

An organisation will benefit from being endorsed as a DGR if:

- it receives gifts from the public
- it wants to start fundraising and receiving gifts from the public, or
- it wants to attract funds from the grant makers and philanthropic bodies that can only give to DGRs



Note

It's also important to think about how your organisation plans to raise funds. If money paid to your organisation can't be classified as a 'gift' then the donor can't claim a tax deduction.

For more information about what is a gift, see [part 4](#) of this guide.

For more information about fundraising generally, see our [fundraising webpage](#).

DGR status is not always essential for not-for-profit organisations to run successfully and not-for-profit organisations can fundraise without being a DGR.

Some state government, local government and philanthropic foundations provide funding to organisations without DGR status (check their grant guidelines).

And DGR is not usually as important for seeking funding from corporate entities. Unlike donations from individuals, businesses that want to donate to a not-for-profit organisation may be able to claim their donation as a deduction from their tax under other provisions in the Income Tax Act (for example, as advertising expenses).

Obligations for DGR endorsed organisations

Before applying for DGR endorsement, your organisation should carefully consider the time and effort involved in making the application, and the conditions that are imposed on DGRs. There are also record-keeping and reporting requirements that come with being a DGR.

Which community organisations may be endorsed as DGRs?

DGR categories

To be endorsed as a DGR, an organisation must fall into one of the DGR categories specified in the Income Tax Act.



There are 52 DGR categories. Each category of DGR has certain criteria to be eligible.



For a complete list of the DGR categories, see the [ATO webpage 'DGR categories'](#).

This guide does **not** consider all possible DGR categories. This guide considers some of the most common DGR categories in [part 2](#).



Caution

Because technical language is required to establish the criteria of many DGR categories, it's a good idea for most organisations to seek professional legal or accounting advice before applying for DGR endorsement.

In some cases, if an organisation doesn't fit into one of the existing categories, but is otherwise deemed worthy of DGR status, it can apply to be listed by name in the Income Tax Act as a DGR.

It is difficult and time-consuming to get an organisation specifically listed because it requires Parliament to amend the Income Tax Act. This process can take a long time and there is no guarantee of success.

Organisations that are specifically listed in the Income Tax Act include the Australian Council of Social Service Incorporated, Amnesty International Australia and Australian Sports Foundation.

Other requirements

In general, before applying for DGR endorsement organisations should:

- have an Australian Business Number (**ABN**)
- meet the 'in Australia' requirements as defined in tax law (or have a fund, authority or institution operated in Australia)
- be a not-for-profit organisation (this will usually involve having appropriate not-for-profit and dissolution clauses in the organisation's governing documents, discussed further in [part 3](#) of this guide), and
- have an appropriate winding up and revocation of endorsement clause in their governing documents (discussed further in [part 3](#) of this guide)

There are **additional requirements for some categories** (see [part 3](#) of this guide).

Depending on the category, an organisation may need to:

- be a charity registered with the ACNC, or the fund, authority or institution that the organisation operates may need to be registered with the ACNC
- have set up a public fund (if required – see [part 3](#) of this guide)
- have set up a gift fund (if required – note that if an organisation is seeking endorsement as a whole, it usually will not require a gift fund, but if a fund, authority or institution of the organisation is seeking endorsement, a gift fund will be required)

All non-government DGRs are required to register as charities with the ACNC or to be operated by a registered charity. This measure does not apply to ancillary funds or DGRs specifically listed in the tax law.

When you are required to apply to the ACNC, your organisation's details will usually be passed on to the ATO without a separate application to the ATO being required.



Is there another way to benefit from DGR endorsement?

If your organisation as a whole is not eligible to be a DGR, certain activities, if sufficiently isolated, may be eligible for DGR status.

The options that can allow your organisation to benefit from DGR endorsement in relation to particular eligible activities include:

- setting up a **fund, authority or institution** to conduct the eligible activities operated by your organisation and the fund, authority or institution is eligible for DGR endorsement
- setting up a new organisation that solely conducts your eligible activities and is eligible for DGR endorsement
- creating a project that is auspiced by another organisation that has DGR status, or
- asking an existing charitable foundation to establish a sub-fund or a special account to raise money, or give grants, for a particular cause

Setting up a fund, authority or institution

It may be worth establishing a fund, authority or institution that your organisation operates to deliver or fund your eligible activities. By siloing your eligible activities, the fund, authority or institution may be eligible for DGR endorsement even though your organisation as a whole is not.

Considering whether to set up a part of your organisation as a fund authority or institution, and deciding which of these is most suitable, is not straightforward and you will most likely require a lawyer's assistance.



For more information about incorporating the fund, authority or institution, visit our [getting started page](#).



Note – requirements under the Income Tax Act

The Income Tax Act sets out what is required to obtain DGR endorsement under the different categories of eligibility and any attached conditions.

So – whether your organisation needs to set up a fund, authority or institution will depend on the Income Tax Act requirements of that type of activity.

For example, under the Income Tax Act, if your organisation is setting up as a public benevolent institution, it will need to set up as an institution, not a fund.



What is a fund?

A fund mainly manages and holds property to distribute to entities that carry out charitable purposes, rather than carrying out the charitable purposes itself.

Some funds can be endorsed for certain categories of DGR (for example, a school building fund or school library fund).



What is an authority?

An authority is:

- usually an Australian government agency, or
- set up to carry out functions of a public nature or those functions which are connected to or generally identified with functions of government



What is an institution?

An institution carries out activities or provides services.

What constitutes an institution will vary from case to case. In general, an institution will have structure, permanence and significant activities.

Institutions don't have to be separately incorporated, but do need to meet certain criteria.

A charitable institution is established and carried out to advance or promote the charitable purposes set out in its governing documents.

Organisations that seek endorsement of a fund, authority or institution that they operate (rather than endorsement of the organisation as a whole) may need to set up a **gift fund** that receives donations related to the activities of the fund, authority or institution (unless they have another fund set up already for another DGR that they operate).

Setting up a separate organisation

If your organisation as a whole is not eligible for DGR endorsement, you could consider setting up a separate organisation to conduct the parts of your organisation's activities that could attract DGR endorsement.

For example, many religious groups set up separate incorporated bodies to conduct their charitable activities that meet requirements for DGR endorsement, such as welfare activities.



Caution

Your organisation should seek legal advice about this option.

While setting up a separate entity to carry out your specific activities can be an effective way to become eligible for DGR status, your organisation will need to manage the additional governance and reporting requirements of a second entity.

There may also be taxation implications for an entity that transfers assets to a new not-for-profit entity. While most states and territories provide duty (stamp duty) relief for not-for-profits, this is not always the case.

Auspicings

Another option is to ask a community organisation that already has DGR endorsement to 'auspice' a specific project that your organisation wants to run. This means that the organisation agrees to apply for funding for your project, or to accept donations in relation to your project, that will be carried out by you under the auspice of the organisation with DGR endorsement.



The success of this approach will depend on whether you can find a suitable organisation to auspice your project, as well as making sure an appropriate relationship is set up with the auspisor (which may include a formal agreement).

It may be difficult to find an organisation which has an appropriate DGR endorsement that is willing and able to auspice your organisation. Your project will need to fit into the category of their endorsement and be consistent with that organisation's purposes. If an organisation with DGR endorsement enters into an auspice agreement that breaches the tax law and ATO requirements for tax deductible donations, such as operating outside its purposes or powers, it could lose its own endorsement.

Being auspiced means that your organisation may lose some of its independence because the auspicing organisation will administer project funding and place requirements on your project. These requirements may include payment of an administrative fee to the auspicing organisation.

Auspicing of arts projects, one-off events and smaller projects are common.



Caution

Auspicing organisations often charge administrative fees for processing donations.



See our [auspicing webpage](#) for more information.

Charitable foundations and trusts

If your organisation would like to start a fundraising entity or grant making foundation to support a particular cause, you can ask an existing charitable foundation to set up a sub-fund for your organisation. Some existing foundations will allow you to establish named sub-funds or special accounts, and will manage the administration for you.



For more information, see our fact sheet on fundraising foundations and charitable trusts on our [legal structure webpage](#).



Part 2

Categories of DGR endorsement



Categories of DGR endorsement

This part of the guide covers:

- ▶ common categories of DGR endorsement
- ▶ other categories of DGR endorsement
- ▶ what if our organisation fits into a number of categories?
- ▶ types of organisations with difficulty getting DGR endorsement

Common categories for DGR endorsement

Generally, to be endorsed as a DGR, your organisation (or a fund, authority or institution operated by your organisation) must fall into one of the recognised categories for endorsement.



Note

There are many DGR categories. This part of the guide provides a brief overview of eight common categories of DGR endorsement:

- public benevolent institutions
- health promotion charities
- harm prevention charities
- animal welfare charities
- arts or cultural organisations
- environmental organisations
- community sheds
- overseas aid funds

Other categories include certain educational activities, public libraries and museums, emergency services, approved research institutes and other types of international relief (for example, disaster relief in developed countries).



See the [ATO website for a full list of categories](#)



Tip – refining your purposes for DGR endorsement

When you apply for DGR endorsement, either or both the ACNC and ATO will consider your organisation's objects clause (or statement of purposes) in your organisation's constituent documents (rules or constitution) to check that it reflects the criteria of the DGR category your organisation is applying for.

You may, therefore, need to get legal help to refine your purposes for DGR endorsement. For more information see [part 3](#) of this guide.



Note

Use the checklists below to help you work out if your organisation fits into one of these common DGR categories. When assessing DGR categories, consider your organisation's overall principal purposes. Your activities must support those purposes.

This is not an exhaustive list of the categories of DGR – you should always check [the ATO website](#) for further information about other categories.

DGR reform and transitional arrangements

From 1 January 2024, transitional arrangements apply to environmental organisations, harm prevention organisations, cultural organisations, and overseas aid funds. The information in this guide reflects the laws that apply from 1 January 2024.

If your organisation falls into one of these categories, and:

- is already DGR endorsed, you don't need to seek DGR endorsement with the ATO again (your organisation will continue to be endorsed if it continues to meet eligibility criteria)
- has an application in progress with the Department which previously had responsibility for administering the relevant register, you don't need to reapply (your application was transferred to the ATO on 1 January 2024), or
- has yet to start the process of obtaining DGR endorsement, you should now apply through the ATO

Tip

During this period of transition, you may wish to seek legal advice on the impact of the legislative changes, and whether any consequential changes to your governing documents and fund arrangements should be made.

Public benevolent institutions



What is a public benevolent institution?

A public benevolent institution (**PBI**) is a charity with the dominant purpose of providing benevolent relief to people in need.

Benevolent relief includes the relief of poverty, sickness, destitution or helplessness.



Note – registration with the ACNC

The ACNC is responsible for determining PBI status. If an organisation is registered by the ACNC as a PBI, it can apply to the ATO and may be endorsed as a DGR for tax purposes.

To meet the requirements of this category your organisation must:

- be an institution
- provide benevolent relief to people in need (organisation must identify who is suffering and provide support for the issue that they are suffering from)
- have providing benevolent relief to people in need as your organisation's main purpose in its governing document, and
- be registered as a charity with the ACNC, with the charitable 'public benevolent institution' sub-type

What is an institution?

See [part 1](#) of this guide for information on what it means to be an institution.

Providing benevolent relief

Your charity must have its own activities, engage others to undertake activities on its behalf, or be part of a relationship of collaboration (such as being part of a structure of organisations) that is organised and conducted for or promotes benevolent relief.

Start-up organisations will often face difficulty demonstrating that they provide the necessary benevolent relief. The ACNC needs to be satisfied that your organisation has concrete plans to bring its purposes into being. The more detailed the information you can provide to the ACNC that demonstrates your plans, the more likely your organisation is to be an 'institution'.



Note

If you want to register a new organisation as a PBI, you will need to demonstrate to the ACNC that you have concrete plans to operate within one year of establishment. You can do this by including the following information to the ACNC with your registration application:

- operational, strategic or business plans that outline what you propose to do, the resources you require, how you will obtain those resources, the personnel you will engage, your financial projections and any third parties that may be involved
- evidence of agreements with other organisations that set out how you intend to work with the other organisations to provide benevolent relief

Benevolent relief to people in need

Benevolent relief includes the relief of poverty, sickness, destitution or helplessness.

Providing benevolent relief means that your organisation provides targeted relief for people suffering or in distress. The relief must be provided to people who are in need and the relief must be specifically targeted to those people (the relief should not be directed toward the broader community).

Activities must be aimed at relieving the actual needs of a class of disadvantaged people, and services need to be available to the public or a section of the public, based on need.



Your organisation must be able to show that it's helping people who have a need that is significant enough to arouse the compassion of people in the community and that goes beyond the suffering experienced as part of the ordinary human experience.

Failure, loss of status or reputation and even bereavement are not considered to be serious enough to require benevolent relief, but a parent losing a child may be eligible.

Organisations that provide general advice, information or services to the whole or part of a community are unlikely to be considered PBIs (the relief they are providing is not specifically targeted at a specific group of people in need). Organisations whose activities are aimed at preventing poverty or suffering, rather than relieving the suffering are also unlikely to qualify as a PBI.

The organisation's purposes

All the organisation's purposes as set out in its governing documents need to be directed to providing the benevolent relief, and the relief must be specifically targeted to the people who are in need rather than directed at the community more generally.

In addition, the group who is suffering must be clearly identified in your organisation's purposes, and the support must be provided for the issue that they are suffering from.

The PBI must either directly provide benevolent relief, or the PBI's activities must result in benevolent relief being provided by another organisation. If the benevolent relief is provided by another organisation, the PBI must demonstrate that:

- there is a clear way to deliver the benevolent relief for which the funds are raised by the PBI, and
- there is a relationship of collaboration (through planning and management of funds) and a common benevolent purpose between the organisation raising the funds and the organisation delivering the services providing relief



Note

The ACNC recognises the situation of Australia's Indigenous peoples and their disadvantage and may recognise an organisation with the purpose of addressing Indigenous disadvantage as being a PBI, along with organisations that seek to promote and protect Indigenous culture.



Examples

Examples of organisations that are likely to be considered PBIs (because the relief they are providing is benevolent and is targeted toward a particular group of people in need) include:

- a community organisation established to run a shelter for people experiencing homelessness
- a community legal centre
- a not-for-profit drug and alcohol residential rehabilitation centre, and
- a local 'meals on wheels' service

Examples of organisations that are **not** likely to be considered PBIs (either because they are not providing benevolent relief, or that relief is not targeted toward a particular group of people in need) include:

- community associations (unless the association is providing relief that is targeted at a particular disadvantaged community)
- educational bodies (unless advancing education is incidental to a main benevolent purpose or is targeted only to those in need), and
- youth or social clubs (unless their main purpose is benevolent)



Note – fundraising organisations

For fundraising organisations seeking PBI endorsement, the organisation can provide the relief by, or in coordination with, another organisation and is not required to provide the relief itself.

An organisation whose main activity is fundraising can be registered as a PBI if it can demonstrate:

- clear objects of benevolent relief – the group receiving the relief must be recognisably in need, and the relief must be specifically targeted to the people who are in need rather than directed at the community more generally
- clear mechanisms for delivering the benevolent relief – for fundraising institutions, there must be a clear path to delivery of the relief for which the funds are raised
- a relationship of collaboration or a common public benevolent purpose – the fact that fundraising organisations raise funds for other organisations and don't provide the relief themselves would not be a barrier to becoming a PBI provided there is a clear relationship of collaboration between the organisation raising the funds and the organisation delivering the aid

Organisations that seek to provide general advice, information, or services to the whole or part of a community are unlikely to be considered PBIs.



For more information see:

- the [ATO webpage on this category](#)
- the [ACNC's fact sheet 'What is a public benevolent institution?'](#), and
- the [ACNC Commissioner's Interpretation Statement: Public Benevolent Institutions](#), which provides guidance on the meaning and scope of a PBI and examples of how the law will be applied by the ACNC

Health promotion charities



What is a health promotion charity?

A health promotion charity is a charity with the principal activity of promoting the prevention or the control of diseases in human beings.

To meet the requirements of this category your organisation must:

- be an institution
- promote the prevention or the control of disease in human beings as the organisation's principal activity
- have promoting the prevention or the control of diseases in human beings as your organisation's principal activity, and



- be registered as a charity with the ACNC, with the charitable 'health promotion charity' sub-type



Note – registration as a charity with the ACNC

If your organisation wishes to apply for DGR status under this category, it can apply to become a registered charity through the ACNC website and nominate through the charity registration process that it wishes to seek this DGR endorsement.

The ATO will accept that an organisation is a health promotion charity if it is registered by the ACNC as a health promotion charity.

What is an institution?

See [part 1](#) of this guide for information on what it means to be an institution.

Promoting the prevention or the control of diseases in human beings

Disease is given a broad meaning, and includes physical and mental illness. But a disease means something more than a health condition or symptom. Your organisation must specify which disease or diseases it will be concerned with preventing or controlling through its principal activity.

Your organisation may be considered to be a health promotion charity if its principal activity is one of the following:

- providing relevant information to sufferers of a disease, health professionals, carers and the public, or
- researching how to detect, prevent, treat or cure diseases in people or developing or providing aids or equipment to sufferers of a disease

A health promotion charity can undertake other activities, but promoting the prevention or control of disease in human beings must be its main activity. It's usually not enough to be a health-related charity or to promote 'health' or 'wellbeing' generally.



Examples

Organisations that have the following principal activities are likely to be considered health promotion charities:

- research into cancer treatment and care
- conducting diabetes awareness programs
- research into and development of products to assist in the prevention and treatment of heart diseases
- development of prevention-focused programs into mental health and suicide prevention

Organisations whose principal activity is accident prevention will not meet the definition of a health promotion charity.



For more information, see:

- the [ATO webpage on this category](#)
- the [ACNC's fact sheet 'What is a health promotion charity?'](#), and
- the [ACNC Commissioner's Interpretation Statement: Health Promotion Charities](#) which provides a definition and criteria to distinguish a health promotion charity

Harm prevention charities



What is a harm prevention charity?

A harm prevention charity is a registered charity whose principal activity is promoting the prevention or control of 'behaviour that is harmful or abusive to human beings'.

To meet the requirements of this category your organisation must:

- be an institution
- have promoting the prevention or control of human behaviour that is harmful or abusive to human beings as your organisation's principal activity
- be registered as a charity with the ACNC
- maintain a gift fund, and
- have a policy of not acting as a mere conduit for the donation of money or property to other organisations, bodies or persons

What is an institution?

See [part 1](#) of this guide for information on what it means to be an institution.

Promoting the prevention or control of behaviour that is harmful or abusive to human beings

Harmful or abusive behaviour is defined for these purposes to mean emotional abuse, sexual abuse, physical abuse, substance abuse, self-harm, suicide or harmful gambling.

A harm prevention charity can provide direct support through counselling or workshops, or indirect support through community education and awareness-raising. The principal activity must directly contribute to the promotion, prevention or control of 'behaviour that is harmful or abusive to human beings'.

Activities that are indirect or too removed or unrelated to the harmful behaviour may not qualify for DGR status under this category.

What is a gift fund?

See [part 3](#) of this guide for information on what a gift fund is.



Note – the harm prevention charity category and DGR reform

Under new laws, from 1 January 2024:

- the administration of the Register of Harm Prevention Charities was transferred from the Department of Social Services to the ATO, and
- a harm prevention charity is required to establish and maintain a gift fund instead of a public fund



Examples

Examples of this category include:

- an organisation established for suicide prevention
- an organisation founded to educate school students on the prevention of emotional abuse and physical abuse, and
- a charity that delivers education programs designed to prevent harmful gambling



For more information, see:

- the [ATO webpage on this category](#), and
- the [ATO guidance on the transitional arrangements that apply to this category](#)

Animal welfare charities



What is an animal welfare charity?

An animal welfare charity is a charity registered with the ACNC whose principal activity is:

- providing short-term direct care to animals (not only native wildlife) that have been lost, mistreated or are without owners, or
- rehabilitating orphaned, sick or injured animals (not only native wildlife) that have been lost, mistreated or are without owners

To meet the requirements of this category your organisation must:

- as its principal activity, provide short-term direct care to animals that have been lost, mistreated or are without owners, or rehabilitate orphaned, sick or injured animals that have been lost, mistreated or are without owners
- conduct activities that are not limited to native wildlife, and
- be registered as a charity with the ACNC



Note

Organisations that only assist native wildlife may be eligible for DGR endorsement as an environmental organisation.

The animal welfare charity category helps organisations that protect and care for animals that have been lost, mistreated or are without owners to access DGR endorsement and attract funding.

The meaning of animal for this category is broad and includes land animals, reptiles, birds, fish and other aquatic animals. But organisations with a principal activity of advocating for better treatment of animals generally or advocating for vegan lifestyles would be unlikely to be eligible under this category.

This category excludes a standard veterinary clinic that assists animals that have owners.

If animals are not recovering from injury or sickness and are not in need of rehabilitation, ongoing care for them will not qualify.



Examples

Examples of activities that may be **short-term direct care** include:

- veterinary services for animals' injuries and illnesses
- recovery, first aid and transport of injured animals
- washing and grooming lost animals and ridding them of fleas and ticks
- feeding and sheltering animals in the short term while their owners are contacted or new homes are found



Note – application for DGR endorsement

Your organisation will also be required to submit a prescribed schedule with your application.



More information

For more information, see the [ATO webpage on this category](#)

Cultural organisations



What is a cultural organisation?

A cultural organisation is an organisation whose principal purpose is to promote literature, visual arts, music, performing arts, arts or languages of Indigenous persons, crafts, design, film, video, radio, community arts, television, or movable cultural heritage.



To meet the requirements of this category your organisation must:

- be an institution or Australian government agency
- promote at least one of the following – literature, music, a performing art, a visual art, a craft, design, film, video, television, radio, community arts, Indigenous arts or languages or movable cultural heritage
- be registered as a charity with the ACNC, unless it is an Australian government agency, and
- maintain a gift fund

What is an institution?

See [part 1](#) of this guide for information on what it means to be an institution.

Promoting arts or culture

This category may include choirs, dance organisations, festivals, theatre organisations and art exhibition venues, however it would exclude public art galleries, museums and libraries as these come under a different category.

Cultural associations, like specific ethnic associations or clubs, may have difficulty getting DGR endorsement if they don't promote an aspect of the arts specifically (like literature, or film).

What is a gift fund?

See [part 3](#) of this guide for information on what a gift fund is.



Note – the cultural organisations category and DGR reform

Under new laws that apply from 1 January 2024:

- responsibility for the DGR endorsement of cultural organisations transferred from the Department of Infrastructure, Transport, Regional Development, Communications to the ATO, and
- a cultural organisation is required to establish and maintain a gift fund instead of a public fund



Examples

- an organisation dedicated to directing the works of Shakespeare
- a community project that operates a youth orchestra
- a trust established to provide a fellowship program for emerging composers, and
- an organisation that provides guidance to aspiring poets



For more information, see:

- the [ATO webpage](#) on this category, and
- the [ATO guidance on the transitional arrangements that apply to this category](#)

Environmental organisations



What is an environmental organisation?

An environmental organisation is an organisation with the principal purpose of protecting or enhancing the natural environment.

To meet the requirements of this category your organisation must:

- be an institution or an Australian government agency
- have a principal purpose of:
 - protecting and enhancing the natural environment or a significant aspect of the natural environment, or
 - providing information or education, or carrying out research about the natural environment or a significant aspect of the natural environment
- be registered as a charity with the ACNC, unless it is an Australian government agency
- maintain a gift fund, and
- have a policy of not acting as a mere conduit for the donation of money or property to other organisations, bodies or persons

What is an institution?

See [part 1](#) of this guide for information on what it means to be an institution.

Protecting or enhancing the natural environment

Environmental organisations under this category include those involved in land, wildlife and rainforest conservation. The activities underlying an environmental organisation's principal purpose must relate to the natural environment as distinct from other types of environments.

What is a gift fund?

See [part 3](#) of this guide for information on what a gift fund is.



Examples

- a fund established to promote rainforest conservation
- an organisation that provides education on climate change
- an organisation that promotes awareness of endangered species
- a foundation that works with volunteers to deliver a cleaner environment and community beautification, and
- an organisation that works to conserve native vegetation in a particular area in Australia



Note - the environmental organisations category and DGR reform

Under new laws that apply from 1 January 2024:

- responsibility for the DGR endorsement of environmental organisations transferred from the Department of Climate Change, Energy, the Environment and Water to the ATO, and
- an environmental organisation is required to establish and maintain a gift fund instead of a public fund



For more information, see:

- the [ATO webpage](#) on this category, and
- the [ATO guidance on the transitional arrangements that apply to this category](#)

Community sheds



What is a community shed?

A community shed is an organisation with the dominant purpose of advancing mental health and preventing or relieving social isolation.

While community sheds may conduct a range of activities, for the purposes of this DGR category, the activities must support the dominant purposes of advancing mental health and preventing or alleviating social isolation.

To meet the requirements of this category your organisation must:

- be a public institution
- have the dominant purpose of advancing mental health and preventing or relieving social isolation
- include this dominant purpose in your organisation's governing document



- seek to achieve those purposes principally by providing a physical location (a 'shed') where the organisation supports people to undertake activities, or work on projects, in the company of others
- have open membership (ie. there is no particular criteria for membership for your organisation) or membership that is open to people of a particular gender or with Indigenous heritage, or both, and
- be registered as a charity with the ACNC



Note – registration as a charity with the ACNC

If your organisation wishes to apply for DGR status under this category, it can apply to become a registered charity through the ACNC website and nominate through the charity registration process that it wishes to seek this DGR endorsement.

If your organisation is already a registered charity and wants to apply for DGR status under this category, it can lodge an application for DGR endorsement through ATO website.

What is an institution?

See [part 1](#) of this guide for information on what it means to be an institution.

Advancing mental health and preventing or relieving social isolation

A community shed is an organisation whose dominant purpose is advancing mental health and preventing or relieving social isolation.

While community sheds may conduct a range of activities, for the purposes of this DGR category, the activities must support the dominant purposes of advancing mental health and preventing or alleviating social isolation. Any other purpose must either assist in fulfilling the dominant purposes or be incidental to the dominant purpose.

The community shed membership requirements means community sheds may include men's sheds, women's sheds, Indigenous peoples' sheds, Indigenous men's sheds or Indigenous women's sheds.

Organisations that are unlikely to be eligible under this category are organisations that are for people of a particular age, for ex-service personnel or for organisations that don't have physical premises.



Tip

If your governing document allows the committee to refuse a membership application for any reason, this may make it hard for your application to succeed (it won't satisfy the 'open' membership requirement).

To meet the open membership requirement, your governing document must have a policy and process in place that clearly demonstrates all new members are nominated and approved without exception.



More information

For more information see:

- the [ATO webpage](#) on this category, and
- the [ATO guidance on this category](#)

Overseas aid funds



What is an overseas aid fund?

An overseas aid fund is a charity whose main purpose is delivering development or humanitarian assistance activities (or both):

- in developing countries (as defined under the Income Tax Act), and
- in partnership with entities in the developing country based on principles of cooperation, mutual respect and shared accountability

To meet the requirements of this category your organisation must:

- be an institution registered as a charity with the ACNC, a charity registered with the ACNC that operates a public fund, or an Australian government agency
- have a principal purpose of delivering development or humanitarian assistance activities (or both)
- maintain a gift fund if it's not a public fund, and
- undertake the development or humanitarian assistance activities (or both):
 - in a '[developing country](#)' (as defined under the Income Tax Act), and
 - in partnership with entities in the country based on principles of cooperation, mutual respect and shared accountability



Note – the 'in Australia' requirement

The 'in Australia' requirement for DGRs doesn't need to be satisfied for this category of DGR.

What is an institution, public fund and gift fund?

See [part 1](#) of this guide for more information on what it means to be an institution or a public fund.

[Part 3](#) of this guide provides information on gift funds.



Note – the overseas aid fund category and DGR reform

Under new laws that apply from 1 January 2024, responsibility for DGR endorsement was transferred from the Department of Foreign Affairs and Trade to the ATO.



For more information, see:

- the [ATO's overseas aid funds page](#),
- the [ATO guidance on the transitional arrangements that apply to this category](#), and
- a list of the [approved developing countries on the Department of Foreign Affairs and Trade website](#)

Other DGR categories

In addition to the eight common DGR categories listed above, your organisation (or part of your organisation) may be eligible for endorsement in many other categories.

Some of these categories are for the endorsement of public funds, including:

- **scholarship fund** – established and maintained solely for providing money for eligible scholarships, bursaries or prizes
- **approved research institute** – certain institutions, associations or organisations conducting scientific research which is, or may prove to be, of value to Australia
- **school building fund** – established and maintained solely for providing money for the purchase, construction or maintenance of a school or college building
- **necessitous circumstances fund** – established and maintained for the relief of people in Australia who are in 'necessitous' circumstances. Generally, this means that the fund distributes goods or money to people who don't have the financial resources for all necessities, not only for a bare existence, but for a modest standard of living in the Australian community (for example, for the benefit of children orphaned in a car accident, or to assist a person having very expensive medical treatment)
- **Australian disaster relief fund** – established and maintained solely to provide money for the relief of people who are in distress as a result of a disaster, and
- **Public ancillary funds (PuAFs)** – public funds which must be set up as a trust and which make distributions to other DGRs. PuAFs are complex to set up and administer, and your organisation should seek specific legal advice if it thinks establishing a PuAF is an option. Trustees of PuAFs must be 'constitutional corporations' (unless there is a sole trustee that is the Public Trustee or a state or territory or the trustees are prescribed by regulation). Incorporated associations will not always meet the definition of '[constitutional corporation](#)'.



Tip

For a full list of all of the DGR categories, case studies of various types of organisations, and category checklists refer to the [ATO's DGR page](#).

You may also wish to seek legal or accounting advice for more information about whether your organisation may be eligible for endorsement as a DGR.

Remember – if your organisation does not fit into a DGR category, there may be other options.



Types of organisations that may have difficulty getting DGR endorsement

Some types of organisations may have difficulty getting DGR endorsement.

Before applying for DGR endorsement, consider your organisation's purposes and activities. You may need to speak to a lawyer or accountant for more information about your organisation's eligibility for endorsement as a DGR.

<p>Advocacy organisations</p>	<p>Generally, if your organisation's principal purpose is advocacy, it may have difficulty getting DGR endorsement.</p> <p>This is because advocacy is not a recognised category for DGR endorsement.</p> <p>Your organisation may be able to receive endorsement as a DGR if it falls into the category of a health promotion charity (see above) or harm prevention, because these categories allow relevant advocacy to be a principal purpose. Advocacy that is not the principal purpose of an organisation, (that is advocacy which is incidental or ancillary to the principal purpose) is allowed in other DGR categories.</p>
<p>Neighbourhood houses and community centres</p>	<p>Neighbourhood Houses are sometimes eligible to be endorsed as DGRs under the Public Benevolent Institution (PBI) category.</p> <p>If a Neighbourhood House conducts direct welfare as a dominant activity, rather than preventative social inclusion and community development type activities, it may be eligible for endorsement as a PBI for the whole organisation. If not, there may be a particular program that fits into a DGR category that may be eligible (if appropriately isolated from the broader organisation).</p> <p>Neighbourhood houses may have difficulty getting DGR endorsement if they conduct a range of activities, some eligible and others not.</p> <p>The Australian Neighbourhood Houses and Centres Association (ANHCA) was successful in advocating for a specific listing as a DGR endorsed organisation. ANHCA may accept requests from neighbourhood houses to auspice particular DGR eligible activities - contact the ANHCA for specific information.</p>
<p>Sports clubs and associations</p>	<p>Sports clubs and associations generally have difficulty getting DGR status. Because there is no general category for sports and recreation organisations, to get DGR endorsement, they generally must be listed by name in the tax law. For more information about this process, see part 3 of this guide.</p> <p>Some organisations use sport as an activity to help them achieve their charitable purpose. For example, an organisation with the purpose of providing assistance to disadvantaged people in the community may run a youth soccer clinic for refugees and may be eligible for PBI endorsement. Where an organisation has a public benevolent purpose but carries out activities that are of a sporting nature in supporting that purpose, it may be eligible for DGR endorsement – you should get legal advice on this.</p>
<p>Peak bodies</p>	<p>Like neighbourhood houses, peak bodies may be eligible to be endorsed as DGRs under the PBI category if they conduct direct welfare as a dominant activity, rather than the sector development and advocacy activities that many peak bodies engage in.</p> <p>It may also be possible to apply for DGR if the majority of a peak body's members are PBIs. However, a peak body would only be classed as a PBI in limited circumstances.</p>



Cultural associations

Cultural associations, like specific ethnic associations or clubs, sometimes have difficulty getting DGR endorsement if they do not promote an aspect of their culture specifically (like literature, or film) that could be endorsed on another basis such as arts and cultural organisations.

They also sometimes have difficulty getting DGR endorsement as a PBI if welfare or other relief is not their principal purpose.



Part 3

DGR application



DGR application

This part of the guide covers:

- ▶ preliminary requirements for all DGR applications
- ▶ how do you apply for DGR endorsement?
- ▶ what are your options if you are unsuccessful?

Once you have worked out that your organisation (or the fund, authority or institution your organisation operates) would benefit from DGR status, and may fit into one of the DGR categories, you need to formally prepare for and apply for DGR endorsement.

We recommend your organisation gets professional legal or accounting advice before applying for DGR endorsement.

Preliminary requirements

Before applying for DGR endorsement, your organisation must meet preliminary requirements.

An organisation applying to be endorsed as a DGR must:

- have an Australian Business Number (ABN)
- fall into a DGR category
- operate 'in Australia'
- be not-for-profit, and
- have an appropriate winding up and revocation of endorsement clause in its governing documents

Depending on the category of DGR endorsement that your organisation is applying for, your organisation may also need to:

- set up a public fund, or
- set up a gift fund



Tip

There are also more specific requirements for each different category.

Read the summary table at the end of this part of the guide to identify the requirements that apply to your category before continuing reading.

The applicant must have an ABN

To check whether your organisation has an ABN, or for more information on how to apply for an ABN, go to the [Australian Business Register](#).

The applicant must fall into a DGR category

Common DGR categories are discussed in [part 2](#) of this guide.

The applicant must operate ‘in Australia’

Your organisation (or the fund, authority or institution your organisation operates that is seeking DGR endorsement) must be established and operating in Australia.

This means:

- the organisation, fund or institution must be established and legally recognised in Australia, and
- operational or strategic decisions relating to the organisation, fund or institution are made mainly in Australia

Most organisations don't have to be pursuing their objects in Australia to meet this test (there are some exceptions to this general rule).



More information

For more information on the ‘in Australia’ test, [go to the ATO website](#).



Examples

The ‘in Australia’ condition is met in this example:

An institution is set up in Australia and registered with the ACNC as a charity whose main purpose is for the relief of poverty. The institution is a registered public benevolent institution. The institution's controlling board, its donors, and most of its assets are in Australia. All the money raised by the institution is sent to beneficiaries overseas.

The institution is established and operates in Australia. The institution is not required to have its purposes and beneficiaries in Australia. It meets the ‘in Australia’ condition.

The ‘in Australia’ condition is NOT met in this example:

A public fund is set up in an overseas country. Its controlling board, its donors, and most of its assets are in the overseas country. The fund sends money to Australia to help people who are in necessitous circumstances.

Although the public fund's purposes and beneficiaries are in Australia, the fund is not established and operated in Australia. It does not meet the ‘in Australia’ condition. It can't be endorsed as a DGR.



The applicant must be a not-for-profit organisation



What does not-for-profit mean?

Being a not-for-profit means that when the organisation makes a profit, it can't distribute that money to its members, and must use that surplus to further the organisation's purposes.

A not-for-profit organisation doesn't operate for the profit or gain (either direct or indirect) of its individual members. This applies while the organisation is operating and when it winds up.

Being a not-for-profit organisation doesn't mean you can't make a profit. A not-for-profit organisation can still make a profit, but this profit must be used to carry out its purposes and must not be distributed to owners, members or other private people.



More information

For general information about what being 'not-for-profit' means, see our [webpage 'What does not-for-profit mean?'](#)

The ATO requires organisations applying for DGR endorsement to have particular clauses in their governing documents, which demonstrate that they are not-for-profit. These clauses must prevent the distribution of profits or assets to individual members, both while operating and winding up.

The ATO will generally require two particular clauses – commonly referred to as a 'not for profit clause' and a 'winding up clause'. Your organisation's actions must be consistent with these clauses.

Not-for-profit clause

You will need to include a clause in your governing document that states your organisation is not-for-profit. While various wording can be used, the clause below has been published on the ATO's website as an acceptable example.



Example of a not-for-profit clause

The assets and income of the organisation shall be applied solely to further its objects and no portion shall be distributed directly or indirectly to the members of the organisation except as genuine compensation for services rendered or expenses incurred on behalf of the organisation.

Winding-up clause

The ATO requires most organisations with DGR status to make it clear that if the organisation is wound up, any remaining gifts, deductible contributions and money received by the organisation because of such gifts and contributions will be transferred to another DGR.

For some DGR categories, the transfer will need to be made to an organisation endorsed in the same DGR category.

If the organisation is a charity, the winding-up clause should also state that the assets will be transferred to another charity with similar purposes.



The applicant must have an appropriate revocation of endorsement clause

The ATO requires most organisations applying for DGR endorsement to have an appropriate revocation clause in their governing documents.

The revocation clause must set out that, if your DGR status is revoked, any remaining gifts, deductible contributions and money received by the organisation because of such gifts and contributions will be transferred to another DGR.

If the organisation is a charity, the revocation clause should also state that the assets will be transferred to another charity with similar purposes.

While various wording can be used, the example clause provided below is an acceptable winding-up and revocation clause (whether your organisation, or a fund, institution or authority that your organisation operates is endorsed as a DGR).



Caution

The example clause below only covers gifts, deductible contributions and money received by the organisation because of such gifts and contributions. **This means your governing document will need additional wording to cover what happens to other surplus assets if your organisation winds up.**

Your organisation may wish to use the sample cause below **and** have a separate clause that covers assets other than gifts, deductible contributions and money received by the organisation because of such gifts and contributions.

Alternatively, your organisation may wish to insert a clause requiring **all** surplus assets to be transferred to another DGR if the organisation is **wound up** and a separate clause regarding distribution of gifts, deductible contributions and money received because of such gifts and contributions in the event of **revocation** of DGR endorsement.

You should seek legal advice before deciding what to do.



Example of a winding up or revocation clause

If the [fund, institution or authority/organisation] is wound up or its endorsement as a deductible gift recipient is revoked (whichever occurs first), any surplus of the following assets shall be transferred to another organisation, fund, authority or institution with similar objects to which income tax deductible gifts can be made:

- *gifts of money or property for the principal purpose of the organisation*
- *contributions made in relation to an eligible fundraising event held for the principal purpose of the organisation, and*
- *money received by the organisation because of such gifts and contributions*

Note – If the organisation is a charity registered with the ACNC, the winding up and revocation clause must further provide that any surplus assets can only be transferred to another charity with similar purposes.

For further information on acceptable revocation of endorsement clauses for organisations with DGR see the [ATO's webpage on winding up and revocation](#).



The applicant may need to set up a public fund

Your organisation may be required to set up a public fund (see the summary table at the end of this part of the guide for common categories requiring a public fund). In addition, if your organisation is listed in the Income Tax Act by name, it will generally require a public fund.

A public fund may be established as a separate entity, for example under an instrument of trust, or as part of an organisation (the fund can be set up in the organisation's constituent documents). The fund's purposes should align with the relevant DGR category. Public funds must be administered by a controlling body (like a committee) and meet other certain requirements. A separate bank account and clear accounting procedures are required for public funds.

You may need the help of a lawyer to set up a public fund.



More information

The requirements for setting up and running public funds are set out on the [ATO's webpage on public funds](#).



Tip

If a public fund is required, that fund must have its own rules and objects. These can be set out in a separate founding document or incorporated into the governing documents of the organisation.

The organisation's governing documents must authorise the establishment of a fund in, for example, the objects clause. For more information, see [Taxation Ruling TR 95/27](#).



Note – public funds and gift funds

A public fund has different requirements to a gift fund.

However, the public fund itself may be the gift fund (in which case, there would be no need for a separate gift fund) if the public fund only receives gifts or deductible contributions and has appropriate winding-up and revocation of endorsement rules.

The applicant may need to set up a gift fund



What is a gift fund?

A gift fund is a fund set up to hold tax deductible contributions of money or property.

The money and property can only be distributed for the purposes for which the fund was established (which are usually approved by the ATO as part of getting DGR endorsement).

A gift fund must only hold money which has been donated, and donated money should not be mixed with other money. Your organisation does not have to set up a separate bank account for the gift fund, but it may wish to do so to ensure donated money doesn't mix with other money of your organisation.



The gift fund may have its own rules or constitution, or the gift fund rules may be part of the governing documents of your organisation (your constitution may have a clause that sets up the gift fund). These rules or governing documents should provide evidence of the gift fund's existence, name, purpose and operations. The fund must operate in accordance with the rules set out in the governing documents.

If your organisation is required to have multiple gift funds because it has multiple funds, authorities or institutions each endorsed separately for DGR, it can maintain one gift fund that services each of the endorsed funds, authorities or institutions.

If an organisation maintains a gift fund for a fund, institution or authority that is endorsed as a DGR, the gift fund's governing documents (or the clauses within the organisation's constitution that set up and deal with the gift fund) must require the transfer of any surplus funds of the gift fund to another gift deductible fund, authority or institution when its fund, authority or institution is wound up or on revocation of DGR endorsement, whichever occurs first.



Example gift fund winding-up or revocation of endorsement clause

If [name of gift fund] is wound up or its endorsement as a deductible gift recipient is revoked (whichever occurs first), any surplus of the following assets shall be transferred to another organisation, fund, authority or institution to which income tax deductible gifts can be made:

- *gifts of money or property for the principal purpose of the organisation*
- *contributions made in relation to an eligible fundraising event held for the principal purpose of the organisation, and*
- *money received by the organisation because of such gifts and contributions*



More information

The requirements for setting up and running gift funds are set out on the [ATO's webpage on gift funds](#).

How do you apply for DGR endorsement?

The application process for DGR endorsement varies, depending on the DGR category your organisation is applying for, and for some categories, whether your organisation is already registered as a charity.

If your organisation is required to be a charity to be endorsed as a DGR but is not a charity at the time of applying for DGR endorsement, it can normally make one application to the ACNC for both registration as a charity and DGR endorsement at the same time.

For most categories, once the ACNC has registered the charity, it passes the application for DGR endorsement on to the ATO.

Where an organisation is already registered as a charity, an application for DGR endorsement is made straight to the ATO.

If you are unsure about which regulator to apply to, discuss this with your lawyer or accountant, or call the ACNC.

See the table below for further details for common categories.



Caution

You need to carefully check the eligibility requirements for the category of endorsement you are applying for. **It can cause delays if you apply in the wrong category.**

For example, if an organisation must be registered as a charity for the category that it is applying for, it can submit its DGR application with its charity application to the ACNC (on the same form) and the ACNC will pass on the DGR information to the ATO. If the organisation is already registered with the ACNC when it decides to apply for DGR endorsement, it can apply directly to the ATO



Tip

Before you apply, check the requirements of the registers, the ACNC and the ATO because you might need to make changes to your organisation's structure and activities. You will need to follow the procedures in your constituent documents to make these changes.

Many organisations need to amend their governing documents to meet the requirements for DGR endorsement. For more information, read our [resources on constitutions](#).



For more information, see the [ATO's DGR webpage](#).

Registration as a charity with the ACNC

Your organisation (or the fund, institution or authority that your organisation operates) will need to be registered as a charity with the ACNC before it can be endorsed as a DGR (see the summary table at the end of this part of the guide), unless it is an ancillary fund or DGR specifically listed in the Income Tax Act.

However, the ACNC application form asks whether your organisation wishes to apply for tax concessions or DGR status and gives you the opportunity to upload your DGR application. This is to streamline the application process. To be eligible to be registered with the ACNC your organisation must:

- be a charity (meaning it must be a not-for-profit, have a charitable purpose and be for the public benefit)
- have an Australian Business Number (ABN), and
- comply with the governance standards and external conduct standards (if relevant)



More information

For more information on the requirements to register as a charity, see the ACNC's webpage '[Applying for charity registration](#)'.

For more information on tax concessions that may be available, see our resources on [fringe benefits concessions](#), [goods and services tax](#) and [income tax concessions](#).



Note – getting legal advice

For many organisations, it will be a good idea to get professional legal or financial advice before applying for DGR endorsement.

To apply for DGR endorsement, you will need to provide copies of your organisation's governing documents (rules or constitution). The ACNC or ATO will:

- consider your organisation's objects clause (or statement of purposes) to assess whether it reflects the criteria of the particular DGR category your organisation is applying for, and
- look for appropriate non-profit, winding-up, revocation and other clauses that may be required (for example, for public funds or gift funds)

Because the language required in clauses to meet many category requirements is technical, you should get a lawyers' help to draft (or re-draft) your organisation's governing documents. You may also need help setting up a public fund or gift fund (with separate accounting procedures, if required).

Applying to the ATO or ACNC for DGR endorsement

The information below is a general outline.



For more detailed information, and the relevant application form, go to the [ATO's Application for endorsement as a deductible gift recipient page](#).

If your organisation is applying to be registered as a charity with the ACNC, it can also seek tax concessions or DGR status in its ACNC application.

The ACNC assesses applications for PBIs and health promotion charities, and you will be asked for further information to establish that your organisation is eligible.

If your organisation is already registered as a charity, it will be required to apply for DGR endorsement directly to the ATO (or in certain cases to another government department which will pass your information to the ATO for DGR endorsement).

To apply for DGR status, your organisation must:

- meet the baseline criteria set out and explained above, and
- complete the [ATO's Application for Endorsement as a DGR form](#) and the appropriate schedule (if any)
DGR categories that require a **schedule** to be completed include:
 - animal welfare charity
 - Australian disaster relief fund
 - charitable services institution
 - developed country disaster relief fund
 - fire and emergency services fund
 - private ancillary fund
 - public ancillary fund
 - scholarship fund, and
 - war memorial repair fund



The schedule

Additional information must be provided in the schedule. This may include details of the organisation's objects, website, principal activity (and its other activities), winding up and revocation clauses (where they are found in its governing documents) registration with the ACNC, public fund, and board member details.

The body to which you are making your application may ask for additional information in assessing your eligibility.



Tip

To optimise your organisation's chances of getting DGR status, your responses to the schedules in the application should be as detailed as possible. Read the schedules carefully before deciding which category is appropriate for your organisation, to make sure you can address each of the ATO's requirements. Also consider getting help from a lawyer.

What are your options if you are unsuccessful?

If your application for endorsement as a DGR is refused, the ATO will give you an explanation of its decision.

You have a right to ask the ATO for a review of the decision by lodging an objection to the ATO's refusal.

This objection must be:

- in writing, signed and dated
- lodged within 60 days of the date of notice of the decision (though you might be granted an extension in some cases)
- addressed to the ATO, and
- explain the reasons for your objection

The ATO will then report the outcome of their review to you with reasons for the decision.

If you are still dissatisfied with the ATO's decision, you have a right to apply to the Administrative Appeals Tribunal for a review of the ATO's decision, or you can appeal to the Federal Court of Australia (a very expensive option).

A similar procedure for review applies to decisions by the ACNC to refuse registration as a charity, which also applies to an application for registration as a PBI or health promotion charity.

If, after a refusal, you wish to make another application for endorsement, you will need to show the ATO that your organisation has made relevant changes (to your constituent documents or your operations) to comply with the proposed DGR category. You must show that the changes mean your organisation now complies with the criteria for the category of DGR for which you are applying to receive endorsement. The length of time since the previous application is also relevant, as your organisation will need to demonstrate it has properly implemented relevant changes before reapplying.



Summary of fund requirements for common DGR categories

Category	Public fund or gift fund requirement
Public Benevolent Institution (PBI)	No public fund is required Organisations are endorsed in the PBI category as a whole and don't have to maintain a gift fund
Health Promotion charity	No public fund is required. Health promotion charities are endorsed as a whole and don't have to maintain a gift fund
Harm prevention charity	No public fund is required. A harm prevention charity must establish and maintain a gift fund
Animal welfare charity	No public fund is required An animal welfare charity that is endorsed as a whole is not required to maintain a gift fund
Cultural organisation	No public fund is required A cultural organisation must establish and maintain a gift fund.
Environmental organisation	No public fund is required An environmental organisation must establish and maintain a gift fund.
Approved research institutes	No public fund is required An approved research institute that is endorsed as a whole is not required to maintain a gift fund.
Community sheds	No public fund is required Community sheds endorsed as a whole don't have to maintain a gift fund
Overseas aid organisations	No public fund is required The overseas aid organisation must establish and maintain a gift fund if it is an institution or Australian government agency



Part 4

Maintaining a DGR endorsement



Maintaining a DGR endorsement

This part of the guide covers:

- ▶ self-review
- ▶ notification
- ▶ administering deductible gifts
- ▶ use of gift fund money

Self-review

Once your organisation is DGR endorsed, it must continue to meet the requirements for the category of DGR in which it was endorsed.

The ATO recommends that your organisation reviews its activities regularly (at least annually) as well as when major structural changes occur within the organisation, to make sure it continues to meet its DGR endorsement requirements. [The ATO has worksheets to help with the review.](#)

You should review your organisation's activities regularly to make sure that it's still operating for its principal purposes and complies with the not-for-profit requirements. This will be particularly relevant when you are starting new projects, to make sure they are in line with your DGR endorsement.

Principle purpose requirement

If your organisation is endorsed as a DGR, it should be particularly careful if it's:

- considering starting completely new programs or services that are outside its usual field of work
- auspicing another organisation, or
- making other changes to its purposes, structure, types of activities or the location of its activities (for example, starting activities overseas)

These types of changes may mean that your organisation no longer meets the 'dominant or principal purpose' requirements that apply to DGR categories or the 'in Australia' requirement.



Example – auspicing an organisation that doesn't have DGR status

A common scenario is where a not-for-profit organisation with DGR status (ABC Inc) is approached by another not-for-profit organisation (XYZ Inc) to auspice its project because XYZ Inc doesn't have DGR status. This might mean that ABC Inc receives funding from donors interested in XYZ's project and then contracts XYZ Inc to deliver the project.

Auspicing arrangements should be approached with caution, as they may put the auspicing organisation's DGR status at risk. Fundraising money can only be passed through a DGR if the project being funded falls into that organisation's purposes and aligns with its DGR endorsement. To consider whether the auspicing proposal is appropriate, organisations should ask themselves whether the project is something the organisation would otherwise be willing and able to do itself.

Organisations should also check that auspicing is consistent with their rules and governing documents. Some rules contain provisions preventing auspicing arrangements with (or funding) other organisations.

Peak bodies with DGR status may be able to operate funds which distribute money to not-for-profit organisations without DGR status if it's part of their objectives to operate such a fund and the ATO has approved this.

It's important to understand specific details about how an auspiced organisation proposes to use DGR funds. The ATO conducts audits and would check that an auspicing arrangement is:

- consistent with your organisation's objectives, and
- within the endorsement criteria for your organisation's DGR category (for example, public benevolent institution)

We recommend that organisations agreeing to an auspicing arrangement sign an agreement that sets out the respective rights and responsibilities of each party, as well as who has control and ownership of any funds or property and who has responsibility for delivering the project.

For more information see our [webpage on auspicing](#).

Not-for-profit requirement

A not-for-profit organisation is allowed to make a profit, as long as the profit is directed back into the organisation and used to further the organisation's mission and objects. Profits can't be distributed to the organisation's directors or members.

As long as your organisation complies with the not-for-profit and objects or purposes clauses (and any other relevant clauses) in its governing documents, it will meet this not-for-profit obligation.

Notification

Organisations must tell the ATO if they are no longer entitled to DGR endorsement.

The ATO explains the notification process on the [Review your DGR endorsement page of its website](#) and provides worksheets to help organisations make sure they are still entitled to endorsement.

The ATO has the power to review your organisation's activities at any time and revoke its DGR status if it believes that your organisation no longer meets the DGR requirements.

An organisation registered with the ACNC must notify the ACNC of any changes to its rules or constitution. In some cases, depending on the organisation type, it may also be required to notify a relevant authority. For example, in the case of a Victorian incorporated association, the organisation will also be required to notify Consumer Affairs Victoria.

**Note**

It's important that organisations are aware of this notification requirement, as in some circumstances failing to notify or delay in notifying can result in the organisation being fined.

Administering deductible gifts

When a donation is made to your organisation:

- consider whether the donation or contribution satisfies the ATO's definition of a tax deductible 'gift'
- consider issuing the donor with a receipt, and
- keep a record of the donation

Is the donation or contribution a tax-deductible gift?

If the payment is not a gift, it doesn't attract a DGR tax deduction.

Consideration of whether a payment is a gift

The gift must really be a gift

This means - no material benefit is received in return for the gift.

To be a gift:

- there must be a transfer of money or property
- the donation must be given voluntarily
- the donor (person or organisation giving the gift) must not expect anything in return for the gift
- the donor must not materially benefit from the gift

Immaterial benefits will not disqualify a gift from being tax deductible.

A benefit will not be material if it:

- has no link with a gift
- is insignificant in relation to the value of the gift
- only constitutes advertising for the DGR
- can't be put to use and is not marketable
- doesn't create any rights, privileges or entitlements
- merely accounts for the use of funds, or
- is mere public recognition of the giver's generosity

The gift must fall into one of the ATO's 'gift types'

For a gift to be tax deductible, it must fall into one of the [ATO 'gift types'](#) listed on its website.

Money is a common gift. Other gifts can include trading stock, property or artwork.

If a gift is not money, your organisation will need to check that it's a gift that is tax-deductible and also work out how to value the gift for the purposes of issuing a receipt.

Any gift conditions must be satisfied

The organisation receiving the gift should be advantaged by that gift. This means there should be no material obligations or other conditions that the



organisation must meet to receive the gift. The organisation should not be contractually required to use the payment in a specific way.

For some DGRs, gift conditions restrict:

- when a DGR can receive tax deductible gifts and contributions, and
- how a DGR uses the tax deductible gifts and contributions it receives



For more information on what is a gift, see the [ATO's webpage on Taxation Ruling 2005/13](#).



Note – providing a service or resource

The provision of a service or resource doesn't fall within any category of 'gift' recognised by the ATO as it is not 'property' or 'money'. So even if a service is provided at a discounted rate, it's likely to be viewed by the ATO as a non-deductible gift.

Deductible contributions

In limited circumstances, certain contributions (which are not classified as gifts) made to a DGR by an individual taxpayer may be tax deductible. These include contributions of money made at eligible fundraising events, and certain contributions of property and shares. Both the DGR endorsed organisation and the individual taxpayer should seek their own advice.



For more information, see the [ATO's webpage on further conditions for a tax-deductible contribution](#).



Example – gift conditions

A donor wants to donate funds for something specific – for example, to pay the venue hire cost for an event your organisation is holding. The donor proposes that you pay the invoice and then the donor will donate that amount to your organisation (like a reimbursement).

In a situation like this, you need to be very cautious. The money may not be viewed as a gift because of the conditions attached. In this scenario, there is also a risk that the donor does not donate the money pledged (and you may have already paid the venue hire). It's preferable for the donor to give the money to your organisation upfront as a gift. If the donor is a business, another option is for the donor to sponsor the event and claim the sponsorship as a business deduction (the sponsor organisation should get specific legal advice on how to treat the sponsorship for tax purposes).

Issuing the donor with a receipt

DGR endorsed organisations are not required to issue receipts for tax deductible gifts, but issuing receipts help donors with the preparation of their tax returns.



If a DGR endorsed organisation issues a receipt for a 'gift' or a 'deductible contribution', it must include certain information, (such as the name of the DGR endorsed organisation and its ABN). This information is set out in the ['Receipts' section of the ATO's website](#). Note that different requirements apply to receipts for gifts and receipts for contributions. Failure to include the required information could lead to a revocation of DGR endorsement.

If the gift is property (and not money), the receipt should only include a description of the goods, not a value. The amount claimed by the donor, if any, is determined by the donor or the ATO. It's best to leave it to them to assign a value. You can write the value assigned by the donor on a receipt, but you should make it clear that the value has not been assigned by your organisation. If a donor wants your organisation to assign a value, you will need to get professional advice (unless the donor is gifting listed shares which you can assign a value to as of a particular time).

From time to time organisations should also check for any updates which may be required on your donation form (for example, details of a public fund set up to receive tax deductible donations). Details on receipts that are automatically issued by banks to donors should be checked with the requirements for receipts discussed above.

Keeping donation records

A DGR endorsed organisation must keep records that explain all transactions relevant to its DGR status.

The ATO requires an organisation's DGR records to show:

- all gifts, and deductible contributions, of money or property made to it for that purpose, and
- money received because of such gifts or deductible contributions (for example, if the gift money is invested to earn interest)

Note that the ATO requires a DGR endorsed organisation to keep adequate accounting and other records. If the DGR endorsed organisation is a charity, the ACNC imposes additional record keeping requirements.

Use of gift fund money

For more information about when DGR endorsed organisations are required to have a gift fund, see [part 3](#) of this guide.

The ATO makes it clear that a gift fund must only be used for the principal purpose of your organisation (or the fund, authority or institution that it operates).



Examples

Acceptable uses of gift fund money, according to the ATO include:

- transferring money or property to your organisation (or the fund, authority or institution that it operates) for its current and continuing use
- purchase of property or services for use by your organisation (or the fund, authority or institution that it operates) for its principal purpose
- reasonable costs of managing the gift fund, for example, bank charges, stationery, accounting and audit fees relating expressly to the gift fund
- professional fees for fundraising, and
- investment, if it is consistent with carrying out the principal purpose of your organisation (or the fund, authority or institution that it operates).

**Tip**

If you have any doubt about whether a particular expense can be appropriately paid out of the public fund, you can call the ATO on 1300 130 248 and speak to someone who is experienced with not-for-profit groups.

You can also check [the DGR section of the ATO website](#), which includes information on what gift funds should be used for.

