

Deductible gift recipient status

A guide to deductible gift recipient endorsement

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Part 1

Introduction

Introduction

This part of the guide covers:

- ▶ About this guide
- ▶ Law reform to the DGR system
- ▶ 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.

About this guide

This guide sets out information about the meaning and benefits of DGR endorsement, common categories for endorsement, the application process, and issues that arise in maintaining DGR endorsement.

The guide is made up of the following parts:

Part 1.	• Introduction
Part 2.	• Categories of DGR endorsement
Part 3.	• DGR application
Part 4.	• Maintaining a DGR endorsement

Law reform to the DGR system

The Australian Government's DGR system has been the subject of criticism over the years and is seen by some to be overly complex, poorly designed and not fit for purpose. As a result of this criticism, there have been multiple reforms to the DGR system in recent years and more reforms are likely.



For more information about the criticism of the DGR system and recommendations for reform, see the [Australian Government Productivity Commission's Inquiry Report 'Future foundations for giving'](#), published on 18 July 2024.

A summary of recent law reform is set out below (this includes reform that has taken effect before the date of this guide).

From 1 January 2024, the administrative responsibility for DGR endorsement of;

- environmental organisations
- cultural organisations
- harm prevention charities, and
- developing country relief funds or organisations (previously known as overseas aid funds),

were transferred from portfolio Government departments to the Australian Tax Office (**ATO**).

The ATO now administers all 53 DGR categories set out in Division 30 of the [Income Tax Assessment Act 1997 \(Cth\)](#) (**Income Tax Act**).

Certain public fund requirements were also removed.

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

From 28 June 2024, the government introduced a new DGR category called 'community charities'.

This new DGR category currently only applies to a small number of existing charities, specifically 28 organisations affiliated with Community Foundations Australia, however additional organisations may be brought within this scope in the future.

The [Taxation Administration \(Community Charity\) Guidelines 2025](#), which are the rules that community charities must comply with to be, or to remain, endorsed as DGR came into effect on 24 February 2025.

Currently, an organisation can only be endorsed as a DGR under the 'community charity' category if it is specified by name in a Ministerial declaration made under the Income Tax Act.



For more information on the changes to DGR categories, see the [ATO webpage 'Deductible Gift Recipient reforms'](#).

What is DGR endorsement?

DGR is a special federal tax status that an organisation can apply for from the 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 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's not-for-profit Infoline on 1300 130 248



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).

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?

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

There are 53 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. We consider some of the most common DGR categories in [part 2 of this guide](#).

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 addition to falling into a DGR category)

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 Australian Charities and Not-for-profits Commission (**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)



Note

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.

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 (see below for information about auspicing), 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, see our [getting started webpage](#).



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** or **public 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.

Auspicing

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.



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



Caution

Auspecting organisations often charge administrative fees for processing donations.



See our [auspecting 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 of 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
- cultural organisations
- environmental organisations
- community sheds
- developing country relief fund or organisation

Other categories include certain educational activities, public libraries and museums, emergency services, approved research institutes, other types of international relief (for example, disaster relief in developed countries) and the new community charity category. Always check the ATO website for further information about other categories.



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

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.



Tip – refining your purposes for DGR endorsement

When you apply for DGR endorsement, your organisation's objects clause (or statement of purposes) in your organisation's constituent documents (rules or constitution) will be considered 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 – DGR reform and transitional arrangements

From 1 January 2024, transitional arrangements apply to environmental organisations, harm prevention organisations, cultural organisations, and developing country relief funds or organisations.

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. See the [ATO webpage 'Deductible Gift Recipient Registers reform transitional provisions'](#) for more information.



Note – charity registration

Unless an exemption applies, all non-government entities (including funds, authorities and institutions) seeking to obtain or maintain DGR endorsement, must also be:

- registered as a charity with the ACNC, or
- operated by a charity registered with the ACNC

Meeting the legal meaning of charity

To be eligible for charity registration with the ACNC, an organisation must:

- have an Australian Business Number (**ABN**)
- be not-for-profit
- only have charitable purposes that are for the public benefit
- comply with or be set up to comply with the ACNC Governance Standards
- comply with or be set up to comply with the ACNC External Conduct Standards (if operating overseas)
- not have any disqualifying purposes (which are engaging in, or promoting activities that are unlawful or contrary to public policy; and promoting or opposing a political party or candidate for political office), and
- not be an individual, political party or government entity

Public benevolent institutions



What is a public benevolent institution?

Generally, a Public Benevolent Institution (**PBI**) is a charity with a dominant purpose of being organised, conducted or promoted to provide benevolent relief to people in need. Benevolent relief includes the relief of poverty, sickness, destitution, helplessness, suffering, misfortune, disability or distress.

The [ACNC Commissioner's Interpretation Statement](#) provides guidance on determining whether an organisation is a PBI.

The meaning of PBI has been developed over the years by decisions in court cases and the ACNC acknowledges that the meaning of PBI has evolved over time and will continue to evolve.



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.

The ATO typically accepts the ACNC's determination that an organisation is eligible to be a PBI and will process the endorsement for DGR under the PBI category following an application.

To meet the requirements of the public benevolent institution category your organisation must:

- be public (ie. the beneficiaries it aims to help form a 'section of the community' that is 'appreciable') ☐
- provide benevolent relief, meaning: ☐
 - your organisation is organised, conducted or promoted to provide benevolent relief to people in need and not the community generally (**'people in need'** requirement)
 - providing benevolent relief to people in need is your organisation's main purpose (**'main purpose'** requirement), and
 - your organisation's activities are directed towards relieving the poverty or distress experienced by the people it assists (the **'nature of relief'** requirement)
- be an institution ☐

Each of these requirements is explained further below.

What does it mean to be 'public'?

To be considered 'public', the beneficiaries helped by a PBI must form a 'section of the community' that is 'appreciable'.

The ACNC accepts the following general groups of beneficiaries meet this requirement:

- people in poverty
- people living with a disability
- people suffering from the effects of a disease
- victims of crime
- people living with an addiction
- refugees and asylum seekers
- people who face barriers to obtaining and maintaining employment
- people who are in prison
- people who are reintegrating into the community following release from prison
- people who are leaving a situation of domestic violence
- elderly people who need support with completing daily tasks
- people living in remote parts of Australia who face barriers to obtaining basic goods and services that are readily available in less remote communities

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- people who are leaving a situation of domestic violence
- elderly people who need support with completing daily tasks
- people living in remote parts of Australia who face barriers to obtaining basic goods and services that are readily available in less remote communities

The total number of beneficiaries does not necessarily need to be very large for the beneficiary class to be ‘appreciable’.

If there will only ever be a small number of potential beneficiaries due to the nature of the need an organisation relieves that will not prevent the organisation from meeting the ‘public’ requirement’.

The following groups of beneficiaries have been accepted by courts and tribunals as appreciable sections of the community, despite not being particularly large:

- boys aged between eight and 14 living in two poverty-stricken areas of Sydney
- women over the age of 50 in ‘straitened’ financial circumstances
- people in Victoria who need the assistance of a lawyer and who cannot afford to pay for it
- people who have been diagnosed with a mental illness requiring psychotherapeutic treatment
- holders of native title in the Northern Territory
- the permanent and temporary residents of town camps in the Northern Territory
- widows and dependants of deceased ex-servicemen
- Aboriginal and Torres Strait Islander Peoples

A PBI cannot implement criteria unrelated to its need.

The ACNC considers the following groups of beneficiaries are not sections of the community, as they have criteria unrelated to ‘need’:

- the members of a club or society that has the power to include or exclude new members
- the employees of a specific company or group of companies
- one or more named individuals or the descendants of one or more named individuals (except in the case of descendants of apical ancestors)

Providing benevolent relief

‘People in need’ requirement

To satisfy the people in need requirement, a PBI must target its relief to people that are recognisably in need, and not the broader general community.

The beneficiaries of PBIs must generally be:

- individuals experiencing poverty, or
- individuals with a condition that causes suffering beyond the pain and suffering of everyday life (for example, sickness, helplessness, suffering, misfortune, disability and distress)

When assessing a PBI application, the ACNC will consider the nature of the condition or need to be relieved and not activities conducted out of feelings of goodwill.

To assess PBI eligibility, the ACNC considers that a person is in poverty if they can’t afford to obtain all that they need for a modest standard of living. In addition to housing, groceries, clothing, utilities and medical care, a person would also need access to appropriate transport and means of communication to have a modest standard of living.

If a PBI’s beneficiaries are not individuals experiencing poverty, then they will need to be ‘individuals with a condition that causes suffering beyond the pain and suffering of everyday life (for example, sickness, helplessness, suffering, misfortune, disability and distress)’ and not part of everyday life (for example, the breakdown of a marriage).

When the ACNC assesses an applicant against the ‘people in need’ criteria, they will first seek to understand who the applicant’s beneficiaries are in accordance with the applicant’s governing document, information on their website and any supporting documents (for example, business plans or other strategic documents). Following this, they will consider if those beneficiaries are people in need.

‘Main purpose’ requirement

To meet this criteria, benevolent relief must be the applicant’s main activity (or the activity that it conducts more than any other activity).

When assessing an application for registration as a PBI, the ACNC will assess whether the applicant’s ‘main’, ‘predominant’ or ‘dominant’ purposes is to provide relief to people in need.

If an organisation conducts activities which aren’t directed toward benevolent relief, but are ancillary to the pursuit of benevolent relief, the ACNC will accept the organisation is organised, conducted or promoted for benevolent relief. An activity is ancillary to benevolent relief if it is a means of achieving, or naturally tends to go with, benevolent relief.

‘Nature of relief’ requirement

The ACNC requires that a PBI’s services be directed towards relieving the needs of its beneficiaries (ie. it is not enough that the services are directed at people in need, the services must address the need identified).

Importantly, the more abstract and indirect the connection between an organisation’s activities and the relief of its beneficiaries, the less likely it will be regarded as organised, conducted or promoted for benevolent 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.



The Equality Australia decision

As a result of the decision in *Equality Australia Ltd v Commissioner of the Australian Charities and Not-for-profits Commission [2023] AATA 2161* and *Equality Australia Ltd v Commissioner of the Australian Charities and Not-for-profits Commission [2024] FCAFC 115*, the ACNC has published a [Decision Impact Statement](#) which informs the sector of the ACNC's view of the court decision and clarifies the ACNC's regulatory approach.

The [Commissioner's Interpretation Statement: Public Benevolent Institutions](#) dated 31 August 2023 refers to the AATA decision and will be updated to refer to the Full Court decision.



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)

What is an institution?

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

Demonstrating your organisation's ability to provide benevolent relief

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 and 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, and
- evidence of agreements with other organisations that set out how you intend to work with the other organisations to provide benevolent relief (if any)

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 – 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 'Public Benevolent Institution'](#)
- the [ACNC's webpage 'Public benevolent institutions'](#), 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.

The ACNC's [Commissioner's Interpretation Statement](#) provides guidance on how to determine whether a charity is a health promotion charity.

To meet the requirements of the health promotion charity category your organisation must:

- be an institution (ie. a body created to conduct activities in furtherance of a particular purpose or aim) ☐
- be able to identify a 'disease' that your organisation's activities focuses on ☐
- demonstrate that your organisation's activities promote either the 'prevention' or 'control' of the identified disease ☐



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.

Identifying a disease

The term 'disease' is not defined in the *Australian Charities And Not-For-Profits Commission Act 2012* (Cth).

The definition of 'disease' comes from the *Income Tax Assessment Act 1997* (Cth):

Disease includes any mental or physical ailment, disorder, defect or morbid condition, whether of sudden onset or gradual development and whether of genetic or other origin.

The diseases accepted by the ACNC as meeting the requirements to be a health promotion charity are quite broad and would include recognised mental health conditions (such as anxiety, depression and post-traumatic stress disorder) as well as physical ailments (such as asthma, cancer, diabetes, heart disease, hepatitis, multiple sclerosis, and viral infections).

A general health condition or symptom may not be a 'disease'. However, if a health condition or symptom that is untreated or inadequately managed may result in a disease, activities to prevent or control that condition or symptom may meet the definition of a health promotion charity (so long as the applicant can identify the resulting disease).

Conditions that health authorities do not yet recognise as diseases will still be accepted by the ACNC provided there is credible or plausible evidence that the set of symptoms is a disease, or that there is a causal relationship between a particular activity and the development of an adverse health condition.

The ACNC will be guided by the work of key health and research bodies on any existing, new or emerging definition, or consideration of, disease or diseases, including:

- The Australian Institute of Health and Welfare
- The National Health and Medical Research Council
- The World Health Organisation.

Activities that support general health and wellbeing will not meet the definition of health promotion charity. For example, an organisation with a principal activity of creating urban garden spaces will not have a principal activity of promoting the prevention or control of diseases. Although spending time in nature is associated with physical and mental health and wellbeing creating garden spaces is too remote to be regarded as promoting the prevention or the control of diseases in the health promotion charity context.

Your organisation must specify which disease or diseases its activities will address in its application to become a health promotion charity.

Activities that ‘promote’ the ‘prevention’ or ‘control’ of disease

A key feature of health promotion charities is that they will conduct activities that ‘promote’ the ‘prevention’ or ‘control’ of disease. The ACNC takes the ordinary meaning of each of these terms, namely:

- ‘promote’ means to further the growth, development or progress of; to encourage
- ‘prevention’ means to keep from occurring; to hinder
- ‘control’ means to hold in check; to curb or restrain

These terms are not to be construed narrowly. This means that there are many activities which promote the prevention or control of diseases, including:

- raising public awareness about the symptoms of a disease
- raising public awareness about how to seek treatment for a disease
- raising public awareness about steps that can be taken to prevent a disease being contracted, such as via vaccination or good hygiene practices
- raising public awareness of the prevalence or risk of a disease
- research into prevention of disease
- research into identification and diagnosis of disease
- research into management and treatment of disease
- action to reduce the spread of disease, such as providing personal protective equipment
- diagnosing, managing and treating disease
- training carers and health professionals in methods of controlling disease
- fundraising for HPCs or other entities that promote the prevention or control of disease, or directly prevent or control disease, as their purpose
- providing support to sufferers of a disease to alleviate their distress and suffering.

Your organisation will need to include credible evidence that your activities promote the prevention or control of disease. The ACNC will give more weight to higher quality sources such as reports of respected research bodies or peer-reviewed articles published in academic journals.



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.

Demonstrating that your organisation's principal activity is to promote the prevention or control of disease

Organisations will need to demonstrate that promoting the prevention or control of disease is the organisation's principal activity (ie., its 'main' or 'predominant' activity).

An organisation's principal activity does not need to take up the majority (meaning more than 50%) of its time and resources. The principal activity is the activity that takes up a greater share of the organisation's time and money than each of its other activities. For example, an organisation could spend 40% of its time and money on one activity, 30% of its time and money on a second activity, and 30% of its time and money on a third activity. The activity that takes up 40% of the organisation's time and money is its principal activity, even though it takes up less than 50% of its overall time and money.

The ACNC will consider the following information to determine an applicant's principal activity:

- the organisation's own description of its activities
- the organisation's governing document
- the organisation's annual reports
- the organisation's financial statements and budgets
- the organisation's records regarding its allocation of time for staff and volunteers
- the organisation's website and other publicly available communications, including social media posts
- agendas and minutes of meetings of the organisation's governing body
- reports to the organisation's governing body
- guidelines issued by the organisation's governing body, and
- the organisation's operational, strategic or business plans



For more information, see:

- the [ATO webpage 'Health Promotion Charity'](#)
- the [ACNC's webpage 'Health promotion charities'](#), 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 the harm prevention charity category your organisation must:

- be an institution (ie. a body created to conduct activities in furtherance of a particular purpose or aim) ☐
- be able to identify the harmful behaviour that your organisation's activities focuses on ☐
- demonstrate that your organisation's activities promote either the 'prevention' or 'control' of the harmful behaviour ☐
- demonstrate that promotion of the prevention or control of the harmful behaviour is your organisation's principal activity ☐
- maintain a gift fund (with an appropriate DGR winding up and revocation clause) ☐
- have a policy of not acting as a mere conduit for the donation of money or property to other organisations, bodies or persons ☐
- be located in Australia (though its beneficiaries may be in countries other than Australia) ☐



Note – registration through the ATO

Unlike public benevolent institutions and health promotion charities, which are assessed for eligibility by the ACNC, the ATO has responsibility for assessing the eligibility of harm prevention charities and all other DGR categories outlined below.

The ATO states that there are two ways to be registered as a DGR under the harm prevention charity category:

- If you are currently applying for registration as a charity with the ACNC, you can indicate your intention to apply for DGR endorsement on the ACNC's registration application form – the ACNC will send your DGR application to the ATO once your charity is registered and the ATO will reach out to you for additional supporting documentation.
- If you have an ABN, and you're already registered as a charity, you can complete the ATO's Application for endorsement as a deductible gift recipient.

Either way, you will need to complete the ATO's Harm Prevention Charity Schedule for DGR Applicants and submit this to the ATO with your supporting documentation.

What is an institution?

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

Identifying ‘harmful behaviour’

Harmful or abusive behaviour is defined as one or more of the following:

- emotional abuse
- sexual abuse
- physical abuse
- suicide
- self-harm
- substance abuse
- harmful gambling

These expressions are not defined by the legislation and have their ordinary meaning.

Activities that ‘promote’ the ‘prevention’ or ‘control’ of harmful behaviour

The term ‘promotion’ is not defined by the legislation and has its ordinary meaning. The ordinary meaning of promotion includes furtherance or encouragement.

The use of the word ‘promotion’ means that harm prevention charities can engage in activities that directly or indirectly prevent or control behaviour that is harmful or abusive to human beings. Indirect activities may include awareness-raising and research.

An organisation does not need to ‘prevent’ **and** ‘control’ harmful behaviour (ie. a focus on either prevention or control will be sufficient).

An organisation also does not need to demonstrate its success in actually preventing or controlling behaviour that is harmful or abusive to human beings. However, the organisation does need to show that the nature of its activities can be considered to promote the prevention or the control of behaviour that is harmful or abusive to human beings and there must be an evidenced, rational or plausible link between the promotional activity and the prevention or the control of the harmful behaviour.

The terms ‘prevention’ and ‘control’ are not defined by the legislation and have their ordinary meaning.

The ordinary meaning of:

- **prevention** includes to keep from occurring or to hinder
- **control** includes to hold in check, to curb or restrain. Control is about the steps, measures, actions, activities, treatment, and interventions to reduce a specified harmful or abusive behaviour.



Examples

Examples of activities that may promote the prevention of behaviour that is harmful or abusive to human beings:

- providing information about the prevention or control to those involved with or affected by the relevant behaviour, and to the public
- researching how to detect, prevent or deal with the relevant behaviour



Examples

Examples of activities that may promote the control of behaviour that is harmful or abusive to human beings:

- counselling people who are affected by the behaviour, such as family members
- running courses and programs on how to avoid, overcome or recover from the behaviour
- training carers and professionals in ways of dealing with the relevant behaviour
- treating and caring for persons suffering from the behaviour

Demonstrating that your organisation's principal activity is to promote the prevention or control of harmful behaviour

As above, an organisation's principal activity is its main or dominant activity. A harm prevention charity can have other activities which are incidental, ancillary, or secondary to its principal activity. A variety of factors are taken into consideration when determining an organisation's principal activity including the amount of time and resources allocated to that activity by the organisation.

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'. It can have other activities which are incidental, ancillary, or secondary to its principal activity.

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.

Policy to not act as a mere conduit

A harm prevention charity must have a policy of not acting as a mere conduit for the donation of money or property to other organisations, bodies or persons.

An organisation must not:

- be directed by a donor to act as a conduit by passing a donation of money or property to other organisations, bodies or persons
- act as a collection agency for tax-deductible donations intended by a donor to be passed on to another organisation, body or person

The policy to not act as a mere conduit may be expressed and communicated in several ways, including in an organisation's constituent or governing document, in a separate policy document, stated on the organisation's website or stated on a receipt issued to a donor.



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 'Harm prevention charities'](#), and
- the [ATO webpage 'Deductible Gift Recipient Registers reform transitional provisions'](#)

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 the animal welfare charity 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 | <input type="checkbox"/> |
| • conduct activities that are not limited to native wildlife | <input type="checkbox"/> |



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.



For more information, see the [ATO webpage 'Animal welfare charities'](#)

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 the cultural organisation category your organisation must:

- | | |
|---|--------------------------|
| • be an institution or Australian government agency | <input type="checkbox"/> |
| • have a principal purpose that is to promote one or more of the following cultural forms – 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 | <input type="checkbox"/> |
| • be located in Australia | <input type="checkbox"/> |
| • maintain a gift fund (with a DGR winding up and revocation clause) | <input type="checkbox"/> |

What is an institution?

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

Principal purpose of promoting cultural forms

The principal purpose is the main or dominant purpose for which the organisation exists.

The ATO will take a holistic approach in determining the substance and reality of an applicant's purpose and may consider the organisation's governing document, activities, how the organisation is operated, any legislation governing its operation, the circumstances in which the organisation was formed, its history and its control.

In addition to the cultural forms listed above, cultural forms may also 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 DGR category), as well as other matters considered cultural in other contexts, such as traditions, norms, languages and religions. 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).



Note – defining 'promotion'

Promotion is not defined by the legislation and has its ordinary meaning. The definition of promotion includes furtherance or encouragement.

Direct and indirect activities

A cultural organisation can have other purposes which are incidental, ancillary, or secondary to its principal purpose.

Direct activities include (but are not limited to):

- creating or producing art and culture for a public audience
- presenting or exhibiting art, culture and movable cultural heritage created or produced by others
- educating the public about a specified cultural form, including through research and publishing
- providing training in an art, craft or cultural form, and
- preserving works of art or items of movable cultural heritage

Indirect activities include (but are not limited to):

- awards, scholarships, grants, commissions or prizes to artists or practitioners
- direct partnerships with individuals or organisations, and
- raising funds to purchase or create an asset or property that will be owned by, or transferred to, another entity

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
- the Register of Cultural Organisations, which was a list of all organisations with DGR endorsement under the 'Cultural Organisation' category, has been removed and the Australian Business Register ([ABN Lookup](#)) is now the primary source of information regarding an organisation's DGR status, 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 'Cultural organisations'](#), and
- the [ATO webpage 'Deductible Gift Recipient Registers reform transitional provisions'](#)

Environmental organisations



What is an environmental organisation?

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

To meet the requirements of the environmental organisation category your organisation must:

- be an institution or 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 located in Australia ☐
- maintain a gift fund (with a DGR winding up and revocation clause) ☐
- 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.

Principal purpose of protecting or enhancing the natural environment

The principal purpose is the main or dominant purpose for which the organisation exists.

The activities underlying an environmental organisation's principal purpose must relate to the natural environment as distinct from other types of environments, such as built, cultural and historic environments.

The natural environment includes all aspects of the natural surroundings of humans, whether affecting them as individuals or in social groupings. Specifically, it includes:

- significant natural areas such as rainforests
- wildlife and their habitats
- issues affecting the environment such as air and water quality, waste minimisation, soil conservation, and biodiversity, and
- promotion of ecologically sustainable development principles.

It excludes:

- constructions (such as the retaining walls of dams)
- cultivated parks and gardens
- zoos and wildlife parks (except those principally carried on for the purposes of species preservation)
- cultural sites, and
- heritage properties

What is a gift fund?

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

Policy to not act as a mere conduit

An environmental organisation must have a policy of not acting as a mere conduit for the donation of money or property to other organisations, bodies or persons.

An organisation must not:

- be directed by a donor to act as a conduit by passing a donation of money or property to other organisations, bodies or persons
- act as a collection agency for tax-deductible donations intended by a donor to be passed on to another organisation, body or person

The policy to not act as a mere conduit may be expressed and communicated in several ways, including in an organisation's constituent or governing document, in a separate policy document, stated on the organisation's website or stated on a receipt issued to a donor.



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
- the Register of Environmental Organisations, which was a list of all organisations with DGR endorsement under the 'Cultural Organisation' category, has been removed and the Australian Business Register ([ABN Lookup](#)) is now the primary source of information regarding an organisation's DGR status
- environmental organisations no longer need to comply with specific membership requirements including that there be at all time either:
 - at least 50 financial members, or
 - a majority of members that are bodies corporate, 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 'Environmental organisations'](#), and
- the [ATO webpage 'Deductible Gift Recipient Registers reform transitional provisions'](#)

Community sheds



What is a community shed?

A community shed is a not-for-profit organisation that provides a range of activities for its members with the dominant purpose of advancing mental health and preventing or relieving social isolation.



To meet the requirements of the community shed category your organisation must:

- be a public institution ☐
- be located in Australia ☐
- 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 ☐

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.

Membership may only be restricted in relation to gender or Indigenous heritage or both. There are a small number of other exceptional reasons for restricting membership, being, age restrictions in the state or territory of operation, capacity reached by the shed or failing a working with children check required by the premises.



For more information see the [ATO webpage 'Community sheds'](#)

Developing country relief fund or organisation



What is a developing country relief fund or organisation?

A developing country relief fund or organisation 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

For developing country relief organisations, to meet the requirements of this category, your organisation must:

- be an institution ☐
- be located in Australia ☐
- have a principal purpose of delivering development or humanitarian assistance activities (or both) ☐
- maintain a gift fund (with a DGR winding up and revocation clause), 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

For developing country relief funds, to meet the requirements of this category, your fund must:

- be operated by a charity registered with the ACNC ☐
- be located in Australia ☐
- have a principal purpose of delivering development or humanitarian assistance activities (or both) ☐
- 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



- contain the following clauses in its governing document: □
 - receipts will be issued in the name of the fund
 - the public are invited to contribute to the fund
 - the fund will be managed by members of a committee and that the majority of committee members will have a degree of responsibility to the community
 - gifts and deductible contributions made to the fund will be kept separate from any other funds of the sponsoring organisation, and
 - the ATO will be notified of any changes to the fund



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.

Development and humanitarian activities

Development activities improve the long-term well-being of individuals and communities in developing countries and deliver sustained or lasting benefits.

Humanitarian assistance activities save lives, alleviate suffering and maintain human dignity. They meet an immediate need (for example, providing food, shelter, protection, psycho-social support and medical attention).



Note – the developing country relief fund or organisation 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 webpage ‘Developing country relief fund or organisation’](#)
- the [ATO webpage ‘Deductible Gift Recipient Registers reform transitional provisions’](#), and
- a list of the approved developing countries from the [Organisation for Economic Co-operation and Development’s Development Assistance Committee](#) and [declaration by the Foreign Affairs Minister](#)

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.

Advocacy organisations

Generally, if your organisation’s principal purpose is advocacy, it may have difficulty getting DGR endorsement.

This is because advocacy is not a recognised category for DGR endorsement.

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.

Neighbourhood houses and community centres

Neighbourhood Houses are sometimes eligible to be endorsed as DGRs under the Public Benevolent Institution (**PBI**) category.

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).

Neighbourhood houses may have difficulty getting DGR endorsement if they conduct a range of activities, some eligible and others not.

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](#).

Sports clubs and associations

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.

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.

Peak bodies

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.

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.

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:

- | | |
|--|--------------------------|
| • be registered as a charity with the ACNC, or operated by a charity registered with the ACNC (except for government entities and ancillary funds) | <input type="checkbox"/> |
| • have an Australian Business Number (ABN) | <input type="checkbox"/> |
| • fall into a DGR category | <input type="checkbox"/> |
| • operate 'in Australia' | <input type="checkbox"/> |
| • be not-for-profit, and | <input type="checkbox"/> |
| • have an appropriate winding up and revocation of endorsement clause in its governing documents | <input type="checkbox"/> |

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 | <input type="checkbox"/> |
| • set up a gift fund | <input type="checkbox"/> |

**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 be registered as, or operated by, a charity registered with the ACNC (government entities and ancillary funds excepted)

Unless an exemption applies, all non-government entities (including funds, authorities and institutions) seeking to obtain or maintain DGR endorsement, must be:

- registered as a charity with the ACNC, or
- operated by a charity registered with the ACNC

Meeting the legal meaning of charity

To be eligible for charity registration with the ACNC, an organisation must:

- have an Australian Business Number (**ABN**)
- be not-for-profit
- only have charitable purposes that are for the public benefit
- comply with or be set up to comply with the [ACNC Governance Standards](#)
- comply with or be set up to comply with the [ACNC External Conduct Standards](#) (if operating overseas)
- not have any disqualifying purposes (which are engaging in, or promoting activities that are unlawful or contrary to public policy; and promoting or opposing a political party or candidate for political office), and
- not be an individual, political party or government entity



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

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

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 and the beneficiaries do not have to be in Australia to meet this test.

The exceptions to this general rule are if the DGR is one of the following:

- a public fund for providing religious instruction in government schools
- a Roman Catholic public fund for religious instruction in government schools
- a public fund for ethics education in government schools
- an Australian disaster relief fund
- a necessitous circumstances fund
- an Australian war memorial fund
- a public fund for family counselling or family dispute resolution
- a marriage guidance fund, or
- a public fund for providing money for scholarships



For more information on the ‘in Australia’ test, see the [ATO webpage ‘Meeting the ‘in Australia’ condition’](#).



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.



For more 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 clause 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 or a gift fund

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.



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.

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.*



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

The differences between a public fund and gift fund

Public fund	Gift fund
Provides money or property to support activities carried out by other entities or people, including its sponsoring organisation.	A fund which is maintained and used only for the principle purpose of the fund, authority or institution.
May be established as a separate entity (for example under an instrument of trust, or as part of a sponsoring organisation).	Should be set up as part of your organisation or of the fund, authority or institution it operates.
Must have its own rules and objects and can be set out in a separate founding document or incorporated in its constitution or other founding documents of the sponsoring organisation.	May have its own governing document or may be part of the governing document of your organisation or of the fund, authority or institution.



<p>The objects of the fund must be clearly set out in the governing document and reflect the purpose of the fund.</p>	<p>The governing document should provide evidence of the gift fund's existence, name, purpose and operations.</p>
<p>It must be the intention of the promoters or founders that the public will contribute to the fund. Public contributions must be invited and the public must actually contribute to the fund. If there are no contributions from the public despite invitations, the fund will not be considered a public fund.</p>	<p>All gifts and deductible contributions of money or property for that purpose must be made to the gift fund. The gift fund does not receive any other money or property.</p>
<p>The fund must be controlled or administered by persons or institutions who, because of their tenure of some public office or their position in the community, have a degree of responsibility to the community as a whole. These people include church authorities, school principals, judges, clergymen, solicitors, doctors, and other professional persons, mayors, councillors, town clerks and members of parliament, recipients of awards from government for services to the community, or members of a professional body which has a professional code of ethics and rules of conduct. The fund must be set up so that it is not possible for public control to lapse.</p>	
<p>The fund must operate on a not-for-profit basis.</p>	
<p>The fund must keep gifts and deductible contributions separate from any other funds of the sponsoring organisation (if there is one). A separate bank account and clear accounting procedures are required.</p>	<p>The legislation does not prescribe any particular form for the gift fund, though as a matter of practice, a separate bank account is the easiest way to satisfy the requirement to only receive gifts and deductible contributions.</p>
<p>Receipts must be issued for tax deductible gifts or contributions, and particular information must be provided on the receipts. A clause covering receipts should be included in the governing rules as part of providing a framework to ensure that property and money donated to the fund is used for the purpose it was donated.</p>	
<p>The fund must have an acceptable dissolution clause in the instance it winds up. It must also have acceptable clauses dealing with the transfer of surplus gifts and deductible contributions on winding up or revocation of endorsement.</p>	<p>The organisation must transfer surplus assets of the gift fund to another gift deductible fund, authority or institution if the fund, authority or institution is wound up or the DGR endorsement is revoked.</p>
<p>The ATO must be notified in writing of any changes to the fund's constitution or other founding documents.</p>	

**Tip**

Consider the following questions when working out whether your fund is a public fund:

- Do the objects clearly set out the purpose of the fund?
- Do the rules clearly set out that the public will be invited to contribute to the fund?
- Does the public or a significant part of it, in fact, contribute to the fund?
- Is the fund set up such that it continues to be controlled by a majority of people who meet the responsible persons requirement?
- Is the fund operated on a not-for-profit basis, with suitable non-profit and dissolution clauses in its constituent or governing documents?

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 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.
Developing country relief funds or organisations	A developing country relief fund must be a public fund (a gift fund is not required). A developing country relief organisation (including an Australian government agency) must establish and maintain a gift fund.

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 will need to apply for charity registration before seeking DGR endorsement. For most categories, once the ACNC has registered the charity, it passes the application for DGR endorsement on to the ATO, who will then reach out to request further information (typically in the form of a DGR Schedule).

If your charity is seeking charity registration as a public benevolent institution or health promotion charity and the ACNC accepts that you meet the applicable eligibility criteria, then the ATO will typically process your organisation's DGR endorsement without the need to provide additional information.

Where an organisation is already registered as a charity, an application for DGR endorsement is made straight to the ATO by completing an 'Application for endorsement as a deductible gift recipient' form and the applicable DGR schedule for the DGR category you are applying for.

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



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](#).



Applying to the ATO 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](#).

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](#) or the appropriate [DGR schedule](#) (if any) ☐
- DGR categories that require a **DGR schedule** to be completed include:
- animal welfare charity
 - Australian disaster relief fund
 - charitable services institution
 - cultural organisation
 - developed country disaster relief fund
 - developing country relief fund or organisation
 - environmental organisation
 - fire and emergency services fund
 - harm prevention charity
 - private ancillary fund
 - public ancillary fund
 - scholarship fund, and
 - war memorial repair fund

The DGR 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.



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.](#)

The ACNC has a [charity registration self-assessment online tool](#) and [self-evaluation for charities document](#) to help charities assess whether they are meeting their obligations and to identify issues that may prevent them from doing so.

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 its '[Review your DGR endorsement](#)' webpage 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 (ie. the regulator). 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, its ABN and that it's a gift). 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 or public fund money

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



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).

Similarly, a public fund may use its funds in the ways outlined above, if it is in support of the activities carried out by other entities or people (including its sponsoring organisation) and in accordance with the purpose of the fund.



Tip

If you have any doubt about whether a particular expense can be appropriately paid out of the gift fund or 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 and public funds should be used for.

