

Not-for-profit reporting and tax update

December 2024



Building a better working world

This publication outlines the latest developments in reporting and taxation for private sector Not-for-profit (NFP) entities.

Please contact your local EY advisor for further details.

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Financial reporting update

AASB 18 - Presentation and disclosure in financial statements

Following the issue of IFRS 18 by the International Accounting Standards Board (IASB), the Australian Accounting Standards Board (AASB) has issued the Australian equivalent standard, [AASB 18](#), which replaces AASB 101 - *Presentation of Financial Statements*.

The AASB deferred the application date of the standard for NFP entities for an extra year, to periods beginning on or after 1 January 2028. This will allow the AASB time to consider whether any NFP amendments may be required to the new standard as well as any amendments that may be required to AASB 1060 for Tier 2 entities.

AASB 18 introduces new requirements on presentation within the statement of profit or loss, including:

- Specified totals and subtotals
- Disclosure of management-defined performance measures
- New requirements for aggregation and disaggregation of financial information, based on the identified 'roles' of the primary financial statements and the notes

There are also consequential amendments to other accounting standards.

Resources

[New Standard AASB 18 issued](#)



Sustainability - related financial reporting standards

In September 2024, the *Corporations Act 2001* (Act) was amended to introduce a mandatory climate-related disclosure regime for Australian entities lodging financial reports under Chapter 2M of the Act. Some NFP entities will be caught by the Act's mandatory climate-related disclosure regime, requiring them to prepare a sustainability report.

This includes NFP entities that are required to lodge financial reports under Chapter 2M of the Act and which meet the sustainability reporting size thresholds (refer to the table below).

The following NFP entities are, however, exempt from the Act's requirements to prepare such disclosures:

- ▶ Entities registered with the Australian Charities and Not-for-profits Commission (ACNC)
- ▶ Entities provided with relief or exempt from financial reporting under the Act by way of an ASIC class order or individual entity relief¹
- ▶ Entities that do not meet the reporting criteria thresholds
- ▶ Companies limited by guarantee with revenue (or consolidated revenue) of less than \$1 million

The sustainability reporting requirements will be phased in based on the size of the entity or whether it is a large emitter as follows:

Group	Timing of reporting	Climate reporting criteria thresholds		
		Size test (two or more are met)	Asset owners ²	NGER Act reporters ³
1	1 January 2025 onwards	≥ 500 employees Consolidated total assets ≥ \$1b Consolidated revenue ≥ 500m	Not applicable	Above NGER publication threshold
2	1 July 2026 onwards	≥ 250 employees Consolidated total assets ≥ \$500m Consolidated revenue ≥ \$200m	Assets under management ≥ \$5b ⁴	All other NGER reporters
3	1 July 2027 onwards	≥ 100 employees Consolidated total assets ≥ \$25m Consolidated revenue ≥ \$50m	Apply general size test	Not applicable

¹ Entities can apply to ASIC for relief from the new sustainability reporting requirements.

² Asset owners are defined as registrable superannuation entities, registered schemes and retail CCIVs.

³ The National Greenhouse and Energy Reporting Act 2007 (NGER) requires an entity to register under the NGER Scheme if it meets any of the NGER

NFP entities that meet the requirements in the table must lodge a sustainability report comprising climate-related disclosures prepared in accordance with the Australian Sustainability Reporting Standards (ASRS Standards) which were issued by the AASB in September 2024, including:

- ▶ AASB S1: *General Requirements for Disclosure of Sustainability-related Financial Information* (AASB S1)
- ▶ AASB S2: *Climate-related Disclosures* (AASB S2)

Such entities must apply AASB S2 when preparing climate-related financial disclosures. On the other hand, AASB S1 may be applied voluntarily where a NFP entity chooses to disclose sustainability-related risks and opportunities beyond climate.

Group 3 entities only need to provide climate-related financial disclosures if they identify material climate-related risks or opportunities for that reporting period. Group 3 entities that do not have material risks or opportunities are required to disclose that fact and how they reached this conclusion.

Although the AASB's intention is to develop sector-neutral ASRS Standards where possible, it has introduced specific guidance to enable NFP entities to determine and apply materiality in their climate-related financial disclosures. When assessing what is considered material information, a NFP entity should identify the primary users and their decision-making needs, which may include:

- ▶ Parliaments deciding on behalf of constituents, whether to fund programs delivered by the entity
- ▶ Taxpayers deciding who should represent them in government
- ▶ Donors deciding whether to donate resources to the entity
- ▶ Recipients of goods and services deciding whether to continue relying on the provision of goods and services from the entity or whether to seek alternative suppliers

thresholds. For further details on who must report under NGER please refer to the NGER Reporting Scheme [website](#).

⁴ Asset owners with assets under management of \$5 billion or more will qualify as Group 2. Asset owners with assets under management of less than \$5 billion are required to apply the general size test to determine whether they qualify as Group 2 or Group 3 entities.



Further Scalability and Cost-Benefit Considerations for NFP Entities

During the consultation phase, the AASB received feedback that some of the disclosure proposals such as measuring Scope 3 greenhouse gas emissions and undertaking climate-related scenario analysis would be complex and costly to implement. The AASB will undertake a project to further explore solutions for enhancing scalability and addressing cost-benefit concerns specific to NFP entities.

For further resources:

[Sustainability Disclosure Hub | EY Australia](#)

Recent publications:

[Mandatory climate-related financial disclosures: update and summary](#) (September 2024)

[Reporting ready: Preparing for assurance of climate-related disclosures](#) (September 2024)

[An update on the requirements for climate-related financial disclosures in Australia](#) (October 2024)

NFP financial reporting framework

Limiting the Ability of NFP Entities to Prepare Special Purpose Financial Statements (SPFS)

When the AASB introduced the revised *Conceptual Framework*, it limited its application to for-profit entities postponing the requirements for NFP entities, so that the AASB had time to develop a simpler reporting framework for smaller NFP entities.

The AASB has issued Exposure Draft 344: *Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements* (ED 334) which proposes to remove the reporting entity concept for many NFP entities. This means that NFP entities will be required to prepare general purpose financial statements (GPFS) when they are required by legislation or by a constituting or other document to prepare financial statements in accordance with Australian Accounting Standards (AAS).

A NFP entity will be exempt from preparing GPFS and would still be able to prepare SPFS if it is either:

- ▶ Not required to prepare financial statements that comply with AAS
- Or
- ▶ Is required by a constituting document or another document to prepare financial statements that comply with AAS but that document was created and last amended before the final proposals become effective (constituting document date exemption entity)

ED 334 proposes that a 'constituting document date exemption' NFP entity that prepares SPFS must include disclosure of the reason for preparing the SPFS and the accounting policies used and, if known, how consistent these policies are with GPFS, as required by AASB 1054 *Australian Additional Disclosures*.

Tier 3 - General Purpose Financial Statements

The AASB has also issued Exposure Draft: *General Purpose Financial Statements - Not-for-Profit Private Sector Tier 3 Entities* (ED 335) which introduces a third tier of GPFS (Tier 3 reporting requirements) for NFP private sector entities. The Tier 3 reporting requirements propose simplified recognition, measurement, presentation and disclosure requirements - all within the one standard.

ED 335 proposes that Tier 3 reporting requirements will be applicable only to NFP private sector entities without public accountability⁵ and which are not otherwise prevented from preparing such GPFS (Tier 3 entities).

It should be noted that while Tier 3 entities would be able to apply the Tier 3 reporting requirements, the reporting thresholds, i.e., which NFP entities would be able to apply Tier 3, will be up to the regulators (e.g., ACNC) to establish.

The comment period for both the EDs ends in February 2025.

Key highlights of the proposals include:

Preparation and presentation of financial statements:

- ▶ The preparation of consolidated statements is an accounting policy choice
- ▶ While Tier 3 GPFS set of statements will comprise:
 - ▶ A statement of financial position, using a current/non-current classification format

⁵ An entity has public accountability if:

(a) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional market); or

(b) it holds asset in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (for example, banks credit unions, insurance companies, securities brokers/dealers, mutual funds and investment banks often meet this second criterion).

Public accountability is defined in the Glossary in ED 335, and in Appendix A of AASB 1053 *Application of Tiers of Australian Accounting Standards*



- ▶ A statement of comprehensive income
- ▶ A statement of changes in equity
- ▶ A statement of cash flows
- ▶ Notes to the financial statements and comparatives
- ▶ The ED proposes presentation alternatives in certain situations including:
 - ▶ Presenting only an income statement/profit or loss statement where there are no other comprehensive income items other than profit and loss for the period
 - ▶ No statement of changes in equity when the only changes to equity during the period relate either to profit or loss or are opening balance adjustments for accounting policy changes or correction of errors
- ▶ Comparative financial statements are not restated for changes in accounting policy and correction of an error. Such changes are adjustments to the opening balances of the current period
- ▶ All leases are off balance sheet
- ▶ No deferred taxes are recognised
- ▶ All R&D and borrowing costs are expensed
- ▶ Provisions are not discounted
- ▶ Interest expense/income is based on a simpler formula using contractual interest rate
- ▶ AASs requirements: for topics listed below, Tier 3 proposes to adopt the recognition and measurement requirements of full AASs and the disclosure requirements of AASB 1060:
 - ▶ More complex financial assets and financial liabilities (e.g. unlisted corporate bonds, financial guarantee contracts, derivatives)
 - ▶ Assets held for sale
 - ▶ Biological assets and agricultural produce
 - ▶ Exploration for, and evaluation of, mineral resources activities
 - ▶ Insurance contracts within the scope of AASB 17 Insurance Contracts
 - ▶ Defined benefit plan obligations
 - ▶ Share-based payment arrangements

Recognition and measurement matters

In general, Tier 3 reporting requirements contain simplified recognition or measurement compared with Tier 2 and provide accounting policy choices in addition to those contained in Tier 1/Tier 2 including:

- ▶ Investment in subsidiaries, associates and joint arrangements (notable relationship entities)⁶: policy choice for a parent to measure at cost or at fair value or equity method. However, when a parent chooses to consolidate its subsidiaries, interests in associates and joint ventures must be measured using the equity method and the entity's share of any joint operations
- ▶ Combinations/merger between the Tier 3 entity and another entity: assets, liabilities and equity of the acquired entity are recognised at their pre-combination book values (with some exceptions) and any difference between the consideration paid and the carrying amount of the net assets is recognised in equity (i.e., no goodwill or discount on bargain purchase is recognised)
- ▶ Other recognition and measurements simplifications include:
 - ▶ Timing of revenue recognition is not dependant on whether there is an enforceable obligation but rather aligned to the 'common understanding' of the parties to the agreement

Disclosure matters

ED 335 proposes specific detail to be disclosed and may result in an NFP entity applying Tier 3 providing more information than is currently included in SPFS by such entities.

Transitional provisions:

- ▶ Transition from SPFS, Tier 1 GPFS and Tier 2 GPFS to Tier 3 GPFS: Comparative information is not restated
- ▶ Transition from SPFS to Tier 1 and Tier 2 GPFS: Comparative information must be restated, except where the entity applies the final proposals ahead of the effective date

Effective date

The AASB is proposing to provide at least three years between the issue date and the effective date of the Standards.

Resources

[ED334](#) [ED335](#) [KeyFacts](#)

⁶ ED 335 introduces this term "notable relationship entities" which is defined by reference to the entity having "at least significant influence" over another entity.



Tax update

Addendum to Taxation Ruling TR 2013/2 - School Building Funds

In 2021, the Federal Court ruled in *The Buddhist Society of Western Australia Inc v Commissioner of Taxation* that the definition of 'school' should not be narrowly interpreted. The Court emphasized that the overall purpose of the building and the significance of both school and non-school activities should be considered. This means evaluating how these activities contribute to the building's primary purpose of being 'established and maintained' as a school.

These updates provide greater clarity and better alignment with the Court's findings. The broader definition of school may provide more opportunities for school building funds to support projects that were not considered eligible before.

Self-assessing income tax exempt NFPs

NFPs with an active ABN that self assess as income tax exempt must lodge an annual self-review in order to access an income tax exemption. Failure to complete and lodge the self-review could render the entity ineligible for an income tax exemption and penalties may apply under the Australian Taxation Office's (ATO) penalty framework.

The deadline for lodging the NFP self-review return for 30 June 2024 has been extended to 31 March 2025.

Additional guidance has also been published on the ATO's website in relation to substituted accounting periods ("SAPs") and reporting where there is not an approved SAP.

Community Foundations Deductible Gift Recipient (DGR) Guidelines

The community charity DGR category was recently created but a Treasury minister is required to make guidelines for the category. Treasury released the Taxation Administration (Community Charity) Guidelines 2024 exposure draft on 5 November 2024 for consultation. These cover:

- ▶ Governance
- ▶ Record keeping
- ▶ Allowed activities

ACNC updates

Equality Australia Ltd ACNC Decision Impact Statement

Equality Australia Ltd made an application to the ACNC to be registered as a Public Benevolent Institution (PBI). The ACNC determined that it was not eligible for the charity subtype as it considered the applicant "had an independent, non-benevolent purpose of engaging in advocacy to agitate for law reform and social change" which did not amount to benevolent relief.

The applicant appealed the decision and the majority in the Administrative Appeals Tribunal upheld the ACNC's decision. Importantly it was found that direct relief is not necessary and a PBI can engage in activities of a preventative nature, but the focus on law reform was too far removed from traditional concepts of benevolence. While Equality Australia provided direct support to individuals, this was incidental to its core focus on advocacy.

The ACNC has included the outcome of the decision in the Commissioner's Interpretation Statement: Public Benevolent Institution and provided a Decision Impact Statement.

ACNC Secrecy Reforms Project

The ACNC received funding in the 2023-24 Budget to publish further information about its regulatory activities within the sector. The aim is that by providing de-identified reasons for registration decisions the ACNC will provide greater transparency and education.

The ACNC has recently published de-identified reasons for registration decisions in relation to private benefits where an organisation was looking to acquire a private business owned by one of its responsible persons.

Revocation of charity registrations

In October, the ACNC revoked the charity registrations of over 60 charities for failure to submit overdue annual information statements. While many of these entities may no longer operate, this should serve as a reminder to ensure ACNC reporting obligations are kept up to date.



Other tax matters

Superannuation Guarantee: New Parental Leave Pay legislation

Legislation has passed that will add superannuation payments to the government's paid parental leave scheme from 1 July 2025.

This means that from 1 July 2025, parents accessing the government scheme, will get an additional 12 percent of their payment as a contribution to their nominated superannuation fund.

Superannuation Guarantee: Payday superannuation

Pay Day Super refers to a new government initiative that will require employers to pay their employee's superannuation contributions at the same time as their salary and wages, rather than on a quarterly basis from 1 July 2026. This change is to deter superannuation theft and to enable the ATO to take quick action to rectify instances of non-payment.

This change also involves an updated super guarantee charge (SGC) framework. Each time Ordinary Time Earnings (OTE) is paid, there will be a new seven-day due date for contributions to arrive in the employee's superannuation fund. Interest will accrue to the employer at the General Interest Charge (GIC) rate (currently 11.38% for the December 2024 quarter) from the day after the due date if there is any superannuation guarantee shortfall. An administrative charge of up to 60% of the shortfall component will also apply, and additional penalties of up to 50% of the SGC will apply to employers who do not pay in full within 28 days of the SGC notice of assessment.

FBT PHEV Exemption ending soon

From 1 April 2025, plug-in hybrid electric vehicles (PHEVs) will no longer qualify for the electric car exemption under the Fringe Benefits Tax (FBT) law in Australia. New PHEV arrangements will be subject to FBT from this date.

Existing exemptions can continue if there is a financially binding commitment made before 1 April 2025. However, any changes to these commitments will result in the loss of the FBT exemption.

Regulatory activity

Key areas of interest are:

- ▶ ATO is undertaking a review of all specifically listed DGRs
- ▶ Additional funding has been provided to the ATO for compliance programmes
- ▶ The ATO is ramping up audit activity in relation to employment taxes
- ▶ The ACNC has a mandate to review 2% of all registered charities endorsed as DGRs

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ED None

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