Not-for-profit reporting and tax update

June 2025

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.

What is included within?

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Financial reporting update

AASB 18: *Presentation and disclosure in financial statements*

The Australian Accounting Standards Board (AASB) has deferred the application date of AASB 18 for private sector NFP entities for an extra year, to periods beginning on or after 1 January 2028.

The AASB is seeking input on how AASB 18 might apply to NFP entities which prepare Tier 1 General Purpose Financial Statements (Tier 1 GPFS). For example, the standard refers to objectives around assessing future cash inflows and drivers of profitability, but these may not be the most relevant information for NFP stakeholders.

The AASB is also seeking views on the application of the guidance on aggregation and disaggregation principles, and disclosure of Management Performance Measures.

Resources

New Standard AASB 18 issued

AASB Action Alert No. 239 (1 May 2025 Meeting)

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.[1]

The Act requires an entity's sustainability report to be audited (i.e., subject to reasonable assurance) for financial years commencing on or after 1 July 2030. For earlier years, the Auditing and Assurance Standards Board (AUASB) specifies the phasing in of assurance requirements that apply to each component of the sustainability report.

In March this year, the Australian Securities and Investment Commission (ASIC) published the Regulatory Guide (RG) 280: Sustainability Reporting (RG 280) to assist entities mandated by the Corporations Act 2001 to prepare sustainability reports that include climate-related financial information.

Resources

Regulatory updates on assurance of climate disclosures in Australia

Regulatory Guide (RG) 280: Sustainability Reporting

Key elements in ASIC Regulatory Guide 280

NFP financial reporting framework

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 issued Exposure Draft 344: *Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements* (ED 334) and Exposure Draft 335: *General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities* (ED 335).[2]

At its May 2025 meeting, the AASB considered feedback received on the two EDs and decided to:

- Begin deliberations on ED 335 proposals
- Update the AASB Not-for-Profit Entity Standard-Setting Framework to address Tier 3 GPFS.

Resources

ED334_ED335_KeyFacts

AASB Action Alert No. 239 (1 May 2025 Meeting)

Recent AASB activities

Following deliberation on Invitation to Comment ITC 51 - *Control, Structured Entities, Related Party Disclosures and Basis of Preparation of Special Purpose Financial Statements*, the Board decided to:

- Not propose any further amendments to AASB 10: *Consolidated Financial Statements* for NFP entities in respect to control. However, the Board will do further research to determine if more guidance is needed and will monitor any issues that may arise from the implementation of the NFP Tier 3 framework in this respect
- Not propose amendments to AASB 12: *Disclosure of Interests in Other Entities* regarding the definition of structured entity for NFP entities.

The Board will also consider whether additional NFP application guidance is required in AASB 16: *Leases*.

Resources

AASB Action Alert No. 239 (1 May 2025 Meeting)

Not-for-profit reporting and tax update (December 2024)

[1] Refer to our December 2024 edition for further guidance on determining whether a sustainability report needs to be prepared

[2] Refer to our December 2024 edition for key highlights of the proposals

Tax update

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. The deadline for lodging the NFP self-review return for 30 June 2024 was 31 March 2025. The Australian Taxation Office (ATO) has confirmed that from July, it will look to review entities that intentionally ignore their obligations.

New Good Governance Checklist

The ATO has released a new governance checklist to support NFP entities in meeting their obligations. The checklist applies to tax-paying and tax-exempt NFPs, and covers income tax, GST, employment taxes as well as general governance matters.

The checklist can be found in the Resources section below.

Giving fund reforms

Treasury has recently released a consultation paper in relation to ancillary funds with the following proposed changes:

- Renaming ancillary funds to giving funds
- Aligning annual distribution rates between public and private giving funds
- Increasing the annual distribution rate
- Smoothing distributions across years

Feedback is requested by 1 August 2025

Community Foundations Deductible Gift Recipient (DGR) category

The community charity DGR category was enacted into law last year but required that guidelines be issued and a ministerial declaration made before any entities could be endorsed. The *Taxation Administration (Community Charity) Guidelines 2025* came into operation in March 2025 and this was followed by *Taxation Administration (Community Charity Trusts and Corporations) Declaration 2025* which named four trusts as community charity trusts. The new guidance covers:

- Governance
- Record keeping
- Allowed activities

GIC and SIC non-deductible

On 13 December 2023, as part of the 2023–24 Mid-Year Economic and Fiscal Outlook (MYEFO), the government announced it would amend the tax law to deny income tax deductions for ATO interest charges incurred in income years starting on or after 1 July 2025. This measure is now law.

Any GIC or SIC incurred on or after 1 July 2025 is not deductible. This includes all GIC and SIC in respect of outstanding or late payments of tax for income years both before and after 1 July 2025 and interest incurred in relation to amendments made after 1 July 2025.

ACNC updates

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.

In a recent example, the ACNC published de-identified reasons for a registration decision in relation to incidental or ancillary purpose where an entity with religious purposes ran a weekly morning tea for women in the community. It was decided that these social/recreational purposes were incidental or ancillary to the charitable purpose.

Revocation of charity registrations

In May 2025, the ACNC revoked the charity registrations of over 627 charities for failure to submit overdue annual information statements, serving as a reminder to ensure ACNC reporting obligations are kept up to date.

Other tax matters

Superannuation Guarantee: Payday superannuation exposure draft released

On 14 March 2025, the draft legislation for introducing the Payday Super framework was released for consultation. If implemented, it will represent the most significant change in the 33-year history of the superannuation guarantee (SG) system.

This reform will align the deadline for payment of SG contributions with the date of payment of earnings, compared to the existing regime, which is based on a quarterly compliance schedule.

SG contributions will need to reach an employee's super fund within seven calendar days from their usual payday to meet new obligations. This is proposed to apply from 1 July 2026 and transitional measures will preserve the existing super system for quarters up to 30 June 2026.

The ATO estimates over $5 billion dollars of super is unpaid annually and these reforms are designed to provide a much stronger compliance regime to protect employees' retirement savings.

The revised SG law introduces several new definitions, most notably qualifying earnings (QE) and qualifying earnings day, which essentially refers to payday. The rewrite does not significantly alter the technical concepts underlying the SG regime, and contentious areas such as deeming contractors to be employees remain unchanged.

However, there are significant changes to the administration of SG, including when and how a shortfall is assessed and its financial consequences. The SG charge will no longer be non-deductible, but the variable interest rate, the introduction of compounding interest, and a higher base administration component all have the potential to substantially increase costs for employers.

Timely voluntary disclosures of shortfalls will help mitigate costs, while penalties for failure to pay after the Commissioner issues a written notice to pay an outstanding amount are between 25% and 50% depending on the employer's compliance history.

The revised SG charge will include a higher administrative uplift percentage up to 60%, potentially increasing costs for non-compliance.

These measures are intentionally designed to adjust the financial implications for employers, encouraging them to invest in robust compliance and governance practices.

Car parking fringe benefits – Toowoomba Regional Council v Commissioner of Taxation

The contentious issue of what constitutes a commercial parking station is back on the radar. The recent Federal Court decision in the Toowoomba Regional Council case centred on whether the Grand Central Shopping Centre's car park qualified as a "commercial parking station" as defined in the legislation.

The Toowoomba Regional Council sought a private ruling on the FBT liability for car parking at the Grand Central Shopping Centre. The Commissioner of Taxation ruled that the car park was a commercial parking station, making it subject to FBT. The Council objected to this decision.

The Court ruled in favour of the Council, stating that the car park's primary purpose was to support the shopping centre by attracting customers, not to operate primarily for profit from parking fees. This was mainly because the car park charged penalty rates. This decision challenges the ATO's interpretation of what constitutes a commercial parking station, impacting the determination of FBT liability for employee-provided parking.

However, the Commissioner has appealed the decision to the Full Federal Court, asserting that the current ATO stance on car parking FBT will remain unchanged until the appeal is resolved.

Further, in an interim decision impact statement issued by the ATO on 28 March, taxpayers are advised to continue submitting their FBT returns in accordance with the ATO's existing guidelines, as detailed in the relevant taxation ruling and guide.

Charging PHEVs – ATO guidance

In February 2024, the ATO released Practical Compliance Guideline (PCG) 2024/2 which covered the methodology for calculating electricity costs when charging electric vehicles at an employee's or individual's home. However, the PCG was not comprehensive enough to cater for plug-in hybrid EV's that use both electricity and petrol.

We expect further ATO guidance on how to practically split kilometres travelled that are fuelled by electricity or petrol and to also address the issue of where employees charge their personal EVs at the workplace.

FBT – Record keeping simplification

To reduce the burden of record keeping for employers, the Commissioner has passed changes to some of the current FBT record keeping requirements through the enactment of 11 legislative instruments which can be applied for the first time in the 2025 FBT year.

The instruments will allow employers to use existing corporate records instead of prescribed employee declarations and other prescribed records to complete the FBT returns, as long as these alternative records are considered to be sufficient.

Some of the more notable Instruments for employers to use alternative records for transport-related benefits cover:

- Overseas employment holiday transport
- Travel for employment interviews
- Car travel for work-related purposes

Regulatory activity

Key areas of interest include:

- Additional funding provided to the ATO for compliance programmes. For example, the ATO runs a Random Enquiry Program (REP) where the ATO estimates the small business income tax gap and to ensure compliance with obligations across various taxes including Income tax, Fringe Benefits Tax, PAYG-withholding and Superannuation.
- The ATO is ramping up audit activity in relation to employment taxes. Specific focus areas include vehicle benefits, entertainment and accommodation benefits, expense payments and record keeping accuracy.
- The ACNC has a mandate to review 2% of all registered charities endorsed as DGRs.

Resources

NFP tax, super and registry responsibilities checklist

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