

# Not-for-profit reporting and tax update

June 2026



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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***

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

The AASB also issued Exposure Draft 338: *Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation (ED 338)* which did not propose any modifications to AASB 18 for NFP entities preparing Tier 1 GPFS, but instead proposed additional guidance to assist in interpreting certain principles in an NFP context.

Having considered feedback on ED 338, the AASB decided at its May 2026 meeting to develop a further ED to consider:

- How NFP entities should categorise income and expense under AASB 18, in particular income recognised under AASB 1058.
- Whether and when NFP entities might be considered to be investing in assets or providing financing as part of their main business activities.

#### Resources

[New Standard AASB 18 issued](#)

[AASB Action Alert No. 247, for meeting held on 14 May 2026](#)

[ED 338](#)



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The better the answer.  
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## Sustainability-related financial reporting standards

As flagged in our June 2025 edition, amendments to the *Corporations Act 2001* in September 2024 introduced a mandatory climate-related disclosure regime for entities lodging financial reports under Chapter 2M, with some NFP entities captured by the Act's requirements<sup>1</sup>. The regime requires the preparation of a sustainability report in accordance with AASB S2 *Climate-related disclosures*, with the report being subject to assurance.

ASIC's Regulatory Guide 280, issued in March 2025, provides supporting guidance on preparing climate-related financial disclosures. In May 2026, ASIC shared early observations based on a desktop review of a sample of 31 December 2025 sustainability reports, with the aim of assisting other reporting entities as they approach the 30 June 2026 reporting season.

The Federal Government's 2026 Budget includes proposed reforms aimed at improving productivity and reducing regulatory burden, including changes relevant to sustainability reporting under the Australian Sustainability Reporting Standards. While not yet enacted, the proposals signal a potential narrowing of scope, particularly for entities expected to fall within the Group 3 thresholds. Specifically, the Government has proposed doubling the financial thresholds for large proprietary company status, which would reduce the number of entities captured under the Act's framework and, by extension, those required to prepare sustainability reports. The Government has also indicated it will consult on measures to streamline reporting, including clarifying the application of concepts such as "undue cost or effort", ensuring proportionate assurance requirements, and limiting supplier information requests to reduce cost and complexity.

### Resources

[Mandatory climate-related financial disclosures updates | EY - Australia](#)

[Regulatory updates on assurance of climate disclosures in Australia | EY - Australia](#)

[Key elements in ASIC's Regulatory Guide 280 | EY - Australia](#)

[Regulatory Guide \(RG\) 280: Sustainability Reporting](#)

[ASIC issues early observations on sustainability reporting ahead of 30 June 2026](#)

## NFP financial reporting framework

A simpler set of requirements for financial statements will shortly become available for some smaller private sector NFP entities that are required to prepare General Purpose Financial Statements (GPFS) due to the removal of the reporting entity concept. Following ED 334 and ED 335 as flagged in our June 2025 edition, the AASB has issued:

- AASB 1061 *General Purpose Financial Statements - Not-for Profit Private Sector Tier 3 Entities* (AASB 1061) and
- AASB 2026-2 *Amendments to Australian Accounting Standards-Extending the Application of the Conceptual Framework and Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements* (AASB 2026-2)

### Limiting SPFS and extending the Conceptual Framework (CF)

AASB 2026-2 represents a significant change to the NFP financial reporting framework extending the revised CF to all NFP entities. It removes the reporting entity concept and the ability for certain NFP entities to prepare Special Purpose Financial Statements (SPFS).

This means that private sector NFP entities that are subject to legislative or other requirements to prepare financial statements in compliance with Australian Accounting Standards must now prepare GPFS instead of SPFS.

### Introduction of Tier 3 reporting

To alleviate the reporting burden on smaller private sector NFP entities, the AASB has issued AASB 1061, which introduces a new Tier 3 reporting framework with simplified recognition, measurement and disclosure requirements compared with Tier 1 GPFS and Tier 2 GPFS.

Tier 3 entities are private sector NFP entities that are not publicly accountable and are not prohibited from applying AASB 1061 by legislation, their constituting document or another document. However, specific eligibility criteria, based on thresholds have yet to be determined by regulators.

AASB 1061 and AASB 2026-2 will apply for annual reporting periods beginning on or after **1 July 2029**, with early application permitted.

An NFP entity applying Tier 3 is required to apply AASB 1061 together with the requirements in AASB 1060 in respect of AASB 2, AASB 5, AASB 6, AASB 9 (in relation to certain more complex financial instruments only), AASB 17, AASB 119 (defined benefit plans only) and AASB 41, which remain unchanged.

<sup>1</sup> Refer to June 2025 edition for further guidance on determining whether a sustainability report needs to be prepared

## NFP financial reporting framework (cont.)

### Key areas of simplification in Tier 3

#### Revenue recognition:

Tier 3 introduces a simplified approach to revenue recognition. Rather than focusing on enforceable contract and sufficiently specific performance obligations, to determine whether the arrangement is in scope of AASB 15 or AASB 1058, Tier 3 focuses on whether there is a clear obligation supported by a “common understanding” between the parties.

Where such an obligation exists, revenue is deferred and recognised as the entity satisfies its obligation. Where no clear obligation exists, revenue is recognised upfront when the entity obtains control of the asset.

This approach is expected to significantly reduce the level of analysis and judgement typically required under the current standards.

#### Consolidation

Tier 3 also proposes a more flexible approach to accounting for controlled entities, allowing entities to prepare either consolidated or separate financial statements. Where an entity elects to treat its subsidiaries, associates and certain joint arrangements as investments, consolidation is no longer required and separate financial statements are prepared instead, thereby reducing complexity and simplifying the overall reporting process.

#### Financial instruments:

Under Tier 3, AASB 9 will only apply to more complex or less common financial instruments. For more straightforward instruments, entities can develop an appropriate accounting policy that reflects their nature.

Further simplifications are introduced in several areas. For example, the effective interest method is not required and most non-complex financial instruments are measured at cost. Hedge accounting is not required and embedded derivatives do not need to be separated and accounted for individually. In addition, impairment is simplified, with losses measured using a straightforward approach based on the difference between the asset’s carrying amount and the expected future cash flows.

#### Leases

Lease payments are recognised as an expense on a straight-line basis over the lease term. This removes the need to recognise a right-of-use asset and lease liability, as well as the ongoing remeasurement required under AASB 16.

#### Other areas of simplification:

Tier 3 also introduces simplifications across a number of other areas, particularly in relation to measurement and disclosures. These include:

- **Inventories:** Entities can choose an appropriate measurement basis for inventories such as cost or current replacement cost, where this is practical to determine
- **Donated assets:** Assets received for nil consideration can be measured at cost or fair value
- **Provisions and employee benefit:** Measured on an undiscounted basis
- **Intangible assets:** All internally generated intangible assets are expensed
- **Income taxes:** Deferred tax accounting is not required
- **Impairment of non-financial assets:** The framework removes the need to apply cash-generating unit (CGU) concepts, reducing the level of modelling and judgement required

In addition, Tier 3 introduces a range of disclosure simplifications. These include exemptions from disclosing contingent assets and liabilities when it is impracticable and removing detailed disclosures on guarantees and examples of firm commitments.

Overall, Tier 3 introduces a more proportionate and practical financial reporting framework for smaller private sector NFP entities. By simplifying recognition, measurement and disclosure requirements, it is expected to ease the reporting burden while still providing users with useful and relevant financial information.

#### Resources

[AASB 1061](#)

[AASB 2026-2](#)

# Tax update

## 2026-2027 Federal Budget announcements

The below announcements were made as part of the Federal Budget on 12 May 2026 and are yet to be legislated. A link to further details is provided below.

### Capital gains tax updates

The 50% capital gains tax (CGT) discount available to individuals, trusts and partnerships will be replaced with a cost base CPI-indexation method (similar to the pre-21 September 1999 law, in place between 1985 and 1999). In addition, a new minimum tax rate of 30% will apply to real capital gains accruing from 1 July 2027, with limited exceptions.

For investors in new residential property constructed from 1 July 2027, a choice can be made to use either the 50% CGT discount or indexation method.

The current 60% CGT discount applying to qualifying affordable housing is proposed to remain unchanged.

### Negative gearing

From 1 July 2027, investors will not be able to deduct losses from rental properties purchased from 7:30pm AEST 12 May 2026 against their other income, such as salary and wages, other than in respect of new residential properties. Disallowed losses will be quarantined and carried forward for deduction against income from residential properties, including capital gains, in future years. New builds can continue to be negatively geared before and after 1 July 2027.

These changes will apply to individuals, partnerships, companies and most trusts. Widely held trusts (for example, most managed investment trusts (MITs)) and superannuation funds (including self managed superannuation funds (SMSFs)) will be excluded. There are no changes to commercial property and other asset classes, such as shares.

### Loss refundability

The government will permanently reintroduce a loss carry back tax offset for eligible corporate tax entities (turnover less than \$1 billion). From income years starting on or after 1 July 2026, company tax losses incurred in an income year can be carried back to offset taxable income in either of the preceding two income years, resulting in cash refunds of taxes paid in those earlier years.

Consistent with the previous rules, the loss carry back will apply to revenue losses only and will be limited by a company's franking account balance.

### Minimum 30% tax on discretionary trust income

The government has announced a significant change affecting non-fixed (discretionary) trusts. From 1 July 2028, income (including capital gains) derived through discretionary trusts will generally be subject to a minimum tax rate of 30%.

It is proposed that the trustee will pay the tax and certain beneficiaries will be entitled to a non-refundable offset.

Certain trusts are excluded from these rules including fixed trusts, special disability trusts and charitable trusts (i.e., trusts registered with the ACNC).

### Permanent \$20,000 instant asset write-off for small businesses

The current temporary \$20,000 instant asset write off for businesses with aggregated annual turnover less than \$10 million (for assets acquired from 1 July 2023 to 30 June 2026) will be made permanent.

### Community Foundations Deductible Gift Recipient (DGR) category

The Government aims to remove the ministerial declaration requirement from the community charity DGR process.

A link to further budget announcements and additional details is provided below.

### FBT exemption for EVs

The government will modify the fringe benefits tax (FBT) treatment of electric vehicles (EVs), to better target affordable vehicles while maintaining incentives for EV uptake.

The changes apply to current or new arrangements and will be phased in over three years:

- For 2027-28 and 2028-29 FBT years - a new "affordability threshold" of \$75,000 will be introduced:
  - EVs costing less than \$75,000 are eligible for the full FBT discount
  - EVs costing more than \$75,000, but below the Luxury Car Tax (LCT) threshold, will receive a 25% discount on FBT payable instead of the full exemption (note that the LCT threshold is indexed, and for 2026-27, the fuel efficient vehicle limit is \$91,387).
- For 2029-30 and later FBT years - all EVs below the LCT threshold will receive a 25% FBT discount, rather than a full exemption.

There is no change for the current 2026-27 FBT year the full FBT exemption continues unchanged for eligible EVs.

### Working Australians Tax Offset

A new \$250 Working Australians Tax Offset will apply from the 2027-28 income tax year, to offset tax on an individual's work income, such as wages and salaries, and business income of sole traders. This offset will increase the effective tax-free threshold for income derived from work by nearly \$1,800 to \$19,985 (or up to \$24,985 for workers eligible for the Low Income Tax Offset).

## ACNC updates

### De-identified registration decision summaries

Since funding was provided in the 2023-24 Budget the ACNC has been releasing de-identified reasons for registration decisions. Recently released summaries include:

- Addressing conflicts of interest when working overseas - ensure that your conflicts of interest policy meets the External Conduct Standards requirements
- Necessitous circumstances
- Basic Religious Charities and overseas missionary work
- Organisations undertaking community sport programs

### Updated Commissioners Interpretation Statement: Public Benevolent Institutions

The term PBI is not defined in legislation and evolves as case law does. Therefore, the decision by the Federal Court in *Equality Australia Ltd v ACNC [2023]* provided a prompt to update the interpretation statement. This updated statement is aimed at incorporating the above decision, updating some of the language and reflecting the evolving nature of how PBIs work to achieve their outcomes (e.g., more indirect support and cooperation between organisations).

### Red tape cuts for charities fundraising in NSW

From 1 April 2026, ACNC-registered charities do not need to apply for or renew a NSW charitable fundraising authority. Registered charities are automatically taken to hold a "deemed authority" in NSW once they notify the ACNC that they intend to fundraise in that state.

### Revocation of charity registrations

In October 2025, the ACNC revoked the charity registrations of 75 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

### Giving fund reforms

The Hon Dr. Andrew Leigh MP, Assistant Minister for Productivity, Competition, Charities and Treasury, announced in February 2026 that the minimum distribution rate for private and public giving funds (formerly ancillary funds) will be 6%. There is also proposed to be a mechanism to smooth distributions over a three-year period to allow for support of larger projects.

These rules will apply from the first financial year following the amendment to the giving fund guidelines

## \$2 deduction threshold

Treasury Laws Amendment (Delivering an Efficient and Trusted Tax System) Bill 2026 was introduced to parliament in March 2026. This bill includes the removal of the requirement for donations to be \$2 or more to be deductible.

## Payday superannuation

The much-debated Payday Superannuation legislation passed both houses of Parliament on 4 November 2025 and will take effect from 1 July 2026. This landmark reform to Australia's Superannuation Guarantee system means that employers will have seven business days - not quarterly as before - to deposit superannuation contributions into employees' superannuation funds.

The key changes in the new legislation include:

- Faster contribution deadlines
- New terminology - "Qualifying Earnings" which replaces Ordinary Time Earnings (OTE) and includes OTE plus superannuation salary sacrifice
- Annual Maximum Contributions Base
- Expanded Single Touch Payroll reporting
- Broader definition of employees
- Stricter penalties

## Car parking fringe benefits - Commissioner of Taxation v Toowoomba Regional Council

The Toowoomba Regional Council case focusses 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 Federal Court ruled in favour of the Council but the ATO appealed the decision. On 27 April 2026 the Full Federal Court issued its decision, where it unanimously allowed the appeal. The Full Court found that "commercial" in this context means "being in the nature of or being engaged in commerce" and did not "inquire into the revenue of the facility, the operating expenses or profitability (or absence thereof)".

This case confirms a broader definition of "commercial parking station".

### Resources

[EY 2026-27 Federal Budget Tax Alert | EY - Australia](#)

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