



Straight from the source – April 2023

Last updated 30 March 2023

What's in a word?

Last month, I opened my blog stating compliance isn't optional; neither is ignoring misbehaviour or mischief!

There's been a lot of media attention recently on the regulatory oversight of not-for-profits, particularly charitable organisations. As most of you know, the ATO cannot disclose taxpayer information for confidentiality reasons; however, we can influence the narrative and do so through multiple channels.

The signals we send to market are very important. We do this predominantly through our public advice and guidance including rulings, determinations, web content and even key messages. Our most current key messages cover several topics that go to the heart of building trust and confidence in the administration of not-for-profits in Australia.

Administering charities

The ATO works with the Australian Charities and Not-for-profits Commission (ACNC) to ensure registered charities are operating for purpose and accessing tax concessions correctly.

- The ACNC is responsible for the registration and regulation of charities, while the ATO is responsible for administering Commonwealth tax concessions such as income tax exemption and deductible gift recipient status.

- The ACNC and ATO share information to the extent permitted by law, to carry out our respective roles.

Charitable not-for-profits

Organisations with a charitable purpose must be registered with the Australian Charities and Not-for-profits Commission (ACNC) and endorsed by the ATO in order to access Commonwealth tax concessions.

- Charitable not-for-profits cannot self-assess as income tax exempt.
- The Charities Act 2013 (Cth) outlines 12 charitable purposes.
- If a not-for-profit organisation has one of these charitable purposes and is not registered with the ACNC and endorsed by the ATO, it will not be income tax exempt. This means it will be taxable and may be required to lodge an income tax return.

Charitable not-for-profits that aren't registered with the ACNC should review their purpose and contact the ATO or ACNC if they need assistance.

Deductible gift recipients (DGR)

There are 52 general DGR categories set out in tax law, each with specific criteria.

There is no general DGR category for the advancement of religion in tax law. This means religious organisations are not generally entitled to DGR status in their own right. However, certain funds or organisations operated by a religious organisation may fit one of the DGR categories. For example, they may operate a school building fund which is eligible for DGR status. Only donations made to an active DGR operated by a religious organisation will be tax deductible.

- DGR applications are assessed by dedicated ATO not-for-profit staff to ensure applicants meet the eligibility requirements for DGR endorsement.
- The assessment process requires the provision of evidence to demonstrate the purposes and activities of an organisation align with the legal requirements of the DGR category applied for.

- Organisations eligible for DGR endorsement for only part of their purposes can only use DGR funds for that purpose, not the broader purposes of the organisation.
- The ATO will revoke entitlement to tax concessions, including DGR endorsement, if we form the view that an organisation doesn't meet the eligibility requirements set out in tax law.

Tax deductible donations

Not all donations are tax deductible.

- You can only claim a tax deduction for a gift or donation made to an organisation that has an active DGR status.
- To claim a deduction you must be the person who gives the gift or donation, and it must meet certain conditions.
- Before making a donation, check the organisation has an active DGR status at

QC 71972

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

Copyright notice

© Australian Taxation Office for the Commonwealth of Australia

You are free to copy, adapt, modify, transmit and distribute this material as you wish (but not in any way that suggests the ATO or the Commonwealth endorses you or any of your services or products).