



Deductible gift recipient eligibility

You must meet certain requirements to be endorsed as a deductible gift recipient (DGR).

Last updated 2 January 2024

Endorsement for the operation of a fund, authority or institution



Winding up and revocation



Types of DGR endorsement



Work out if you are eligible to be endorsed as a deductible gift recipient (DGR).

Meeting the 'in Australia' condition



All DGRs must meet the 'in Australia' condition.

Endorsement as a whole



Find out when organisations are required to transfer certain surplus assets.

Endorsement for the operation of a fund, authority or institution

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Conditions

To be endorsed as a DGR for the operation of a fund, authority or institution, an organisation must maintain a gift fund for the principal purpose of the fund, authority or institution.

An exception is where the organisation is already endorsed as a DGR as a whole and is seeking endorsement for a fund, authority or institution that it owns or includes. In this situation, the organisation does not need to maintain a gift fund.

Gift fund not required

A public university is endorsed as a DGR as a whole. The university is seeking endorsement for the operation of a public library. The university does not need to maintain a gift fund for its library, as the university itself is endorsed as a DGR as a whole.

Gift fund

A gift fund must have all these characteristics:

- it is a fund
- it is maintained and used only for the principal purpose of the fund, authority or institution
- all gifts and deductible contributions of money or property for that purpose are made to it
- any money received by the organisation, because of such gifts or deductible contributions is credited to it
- it does not receive any other money or property

- the organisation is required by a law, its constituent documents or governing rules – to transfer any surplus assets of the gift fund to another gift deductible fund, authority or institution when the fund, authority or institution is wound up or the DGR endorsement is revoked, whichever occurs first.

How you set up a gift fund

A gift fund should be set up as part of your organisation or of the fund, authority or institution it operates. The gift fund may have its own rules or constitution, or they may be part of the governing documents of your organisation or of the fund, authority or institution.

The rules or governing documents should provide evidence of the gift fund's existence, name, purpose and operations.

A gift fund can receive either gifts or deductible contributions, or both. However, if a gift fund's rules only allow the receipt of gifts and your organisation wants to receive deductible contributions, the gift fund rules must be amended to allow the receipt of deductible contributions to the fund.

If your organisation is endorsed or seeking endorsement for more than one fund, authority or institution that it operates, it must meet the gift fund requirements for each of its funds, authorities or institutions. Your organisation can do this by maintaining a single gift fund or multiple gift funds.

Setting up a gift fund

A school is seeking endorsement for a school building fund, a scholarship fund and a public library that it operates. The school can choose to maintain:

- separate gift funds for the school building fund, the scholarship fund and the library
- a single gift fund for two of them and one separate gift fund for the other
- a single gift fund for all three.

Your organisation does not need a separate bank account for the gift fund, however banking money in a separate account will provide clear

evidence of the existence of a gift fund. Money or property of a gift fund should not be mixed with other money or property of your organisation.

Many types of DGRs must be public funds, including necessitous circumstances funds, school building funds and ancillary funds.

A public fund must have a **separate bank account** and **clear accounting procedures**.

The existence of a public fund does not necessarily meet the gift fund requirement. However, if the public fund only receives gifts or deductible contributions, and the appropriate winding-up rules exist, the public fund itself may be the gift fund. In this case, there would be no need for a separate gift fund.

Separate fund not required

A war memorial repair fund only receives gifts. All gifts and earnings from them are used in the restoration of the war memorial. The fund has appropriate rules covering winding up and revocation of endorsement.

The war memorial repair fund itself meets the gift fund requirement. It does not need to set up a separate fund.

How you operate a gift fund

When running a gift fund you should separately record:

- all gifts and contributions, through a bank account or other cash management system for money, and a property register
- transfers from the gift fund, whether as payments, disbursements or for use by the fund, authority or institution
- investment returns on money or property that has been transferred out.

The money and property of the gift fund must be clearly separate from that of the rest of your organisation and accounted for accordingly.

Not maintaining a gift fund

A public art gallery receives gifts, entrance fees and sale proceeds from its gallery gift shop. All amounts received at the gallery, such as gifts, fees and sales, are banked into its donation account. The gallery is not maintaining a gift fund.

If your organisation maintains one gift fund for 2 or more funds, authorities or institutions that it operates, it must keep records identifying:

- gifts and deductible contributions made to the gift fund and any money credited to the gift fund for each of the funds, authorities or institutions
- gifts, deductible contributions and money in the gift fund have been used for the principal purpose of the fund, authority or institution to which they relate.

Amounts that go to the gift fund

The following amounts must be credited to a gift fund:

- all gifts of money or property made for the principal purpose of the fund, authority or institution, including
 - testamentary gifts (that is, gifts made under a will)
 - gifts that are not tax deductible for the donor
 - distributions from other charities or DGRs, if made for the principal purpose
 - the whole amount of deductible contributions made to a fundraising event staged to raise funds for the principal purpose
- money received because of these gifts and deductible contributions, including
 - proceeds from the sale of gifted property
 - investment returns from money or property that continues to be part of the gift fund.

Amounts that are not gifts or deductible contributions are not to be credited to a gift fund. They include:

- receipts from sponsorships or commercial activities

- proceeds of raffles, charity auctions, dinners and similar events, if the proceeds are not deductible contributions.

If money or property is incorrectly received, it must be removed from the gift fund as soon as practicable, with the accounts adjusted and noted accordingly. The gift fund will need procedures to make sure only proper amounts are credited into it.

When money is not banked before being used for the purposes of the DGR, it must be properly accounted for in the gift fund's records.

What a gift fund should be used for

The gift fund must only be used for the principal purpose of the fund, authority or institution.

If the fund is operated only for some minor purpose, it will not meet the gift fund requirement.

Not acceptable use of gift fund

A local government council that is a DGR for the operation of its public library sets up a fund for donations towards the annual picnic for its library staff. The fund is not for the principal purpose of the public library and so can't be a gift fund.

Uses of a gift fund for the principal purpose of the fund, authority or institution include:

- transferring money or property to your organisation or to the fund, authority or institution for its current and continuing use
- purchases of property or services for use by the fund, authority or institution or by your organisation for the principal purpose of the fund, authority or institution
- reasonable costs of managing the gift fund, for example,
 - bank charges
 - stationery
 - accounting and audit fees for the gift fund
- professional fees for fundraising

- investment, if it is consistent with carrying out the principal purpose of the fund, authority or institution.

Acceptable use of gift fund

Example 1 : When a public museum operated by a historical society receives gifted artefacts for the museum's collection its gift fund identifies the artefact by recording its characteristics, its date of receipt, and that it is being held by the museum as part of its collection. These activities show the gift fund is being used for the principal purpose of the museum.

Example 2: The gift fund of a cultural organisation pays leasing charges on cars the institution provides to its employees to be used for the principal purpose of the organisation. This is an acceptable use of the gift fund.

If your organisation maintains one gift fund for two or more funds, authorities or institutions that it operates, it must use the following only for the principal purpose of the fund, authority or institution:

- gifts and deductible contributions made to the gift fund
- any money credited to the gift fund.

Acceptable use of gift fund when entity operates two funds

A school is endorsed as a DGR for the operation of a school building fund and scholarship fund. The school maintains a single gift fund for its 2 funds. The school must use the gifts and contributions made to each fund for the principal purpose of the fund to which the gift or contribution relates. For example, the school can't transfer funds from its school building fund to its scholarship fund to provide money for scholarships.

What happens on winding up or revocation of endorsement

Your organisation must be required by a law, its constituent documents or governing rules to transfer any surplus assets of the gift fund to

another gift deductible fund, authority or institution on the earlier of either:

- the fund, authority or institution being wound up
- the DGR endorsement being revoked.

If your organisation operates a fund, authority or institution that is a registered charity, any surplus assets of the gift fund must be transferred to another charity (DGR fund, authority or institution) with similar charitable purposes.

If your organisation is seeking to be a DGR endorsed for the operation of a fund, authority or institution, the following acceptable clause should be included in your constituent documents or governing rules:

Acceptable clause

If the fund, authority or institution is wound up or if the endorsement (if any) of the organisation as a deductible gift recipient for the operation of the fund, authority or institution is revoked, any surplus assets of the gift fund remaining after the payment of liabilities attributable to it, shall be transferred to a fund, authority or institution to which income tax-deductible gifts can be made.

If the fund, authority or institution is a registered charity, the above clause must state that the surplus assets of the gift fund shall be transferred to a charity (fund, authority or institution) with a similar charitable purpose to which income tax-deductible gifts can be made.

If your organisation is a DGR for more than one fund, authority or institution it operates, it may transfer the assets to another of its gift deductible funds, authorities or institutions upon winding up or revocation of endorsement, if the rules of the fund, authority or institution allow such a transfer.

Your organisation **does not** need to meet this requirement if it is established by an Act or the Commonwealth Parliament, and that Act, or another Act, does not provide for the winding up or termination of your organisation.

If you do not maintain a gift fund

If your organisation is seeking endorsement for the operation of a fund, authority or institution and is not maintaining a gift fund, it can't be endorsed as a DGR. The only exception is if your organisation is already endorsed as a DGR as a whole.

If your organisation is endorsed as a DGR for the operation of a fund, authority or institution and stops maintaining a gift fund, it stops being entitled to endorsement. Your organisation must then notify us in writing so that we can revoke your organisation's endorsement.

However, if the failure to maintain a gift fund is an administrative error, not intentional and corrected quickly, endorsement will not be withdrawn.

Failing to maintain gift fund – administrative error

A public library ran a charity ball and banked all proceeds in the library's gift fund account. When preparing the treasurer's monthly report, the mistake was discovered. The money was immediately transferred to the library's general bank account. The correction was noted in the gift fund's books.

The library's endorsement would not be revoked and it would not have to notify us because it had a system that would identify errors, it rectified the deposit in a short time and noted the error in its accounts.

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Winding up and revocation

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When endorsed DGRs are wound up, or if their endorsement is revoked, they have to transfer all remaining gifts, deductible contributions and money received in relation to such gifts and contributions to a gift deductible fund, authority or institution. For

registered charities, the transfer must be to another DGR with similar objects, which is charitable at law. This requirement varies with the type of endorsement.

Organisations **do not need** to meet this requirement if they are established by an Act of the Commonwealth Parliament, and that Act, or another Act, does not provide for the winding up or termination of the entity.

See also

- [Apply for DGR endorsement](#)
- [What happens after I lodge my endorsement application?](#)

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Types of DGR endorsement

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Types of DGR endorsement

Work out if you are eligible to be endorsed as a deductible gift recipient (DGR).

There are 2 types of DGR endorsement:

- where an organisation as a whole falls within a DGR category
- where a fund, authority or institution that is operated by an organisation falls within a DGR category.

If an organisation as a whole falls within a DGR category, donors may claim an income tax deduction for gifts and deductible contributions to the entity.

If a fund is legally owned by an organisation or an authority or institution within an organisation, the organisation can be endorsed, but it is endorsed only for the particular fund, authority or institution.

Only gifts and deductible contributions to the fund, authority or institution can be deductible.

If an organisation operates more than one fund, authority or institution, it will need a separate endorsement for each one.

Each DGR category has additional eligibility requirements specific to that category. These are set out in the **DGR table**.

From 14 December 2021, non-government DGRs are required to be a registered charity, except for ancillary funds or DGRs that are specifically listed in tax law. A transitional period applies for eligible not-for-profits. For more information, see **DGRs required to be a registered charity**.

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Meeting the 'in Australia' condition

All DGRs must meet the 'in Australia' condition.

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The 'in Australia' condition requires all DGRs to be in Australia. This means that all DGRs must be **established and operated** in Australia.

The purposes and beneficiaries of a DGR **do not** have to be in Australia, unless the DGR is one of the following public funds:

- 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

- a public fund for providing money for scholarships.

Example 1: In Australia condition met – public benevolent institution

An institution is set up in Australia 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.

Less than half of the money provided by the institution is sent to beneficiaries overseas. The remainder of the money is given to beneficiaries in Australia.

The institution is established and operated in Australia. It meets the 'in Australia' condition.

Example 2: In Australia condition met – public benevolent institution

Assume the same facts as Example 1 except that all of the money provided by the institution is sent to beneficiaries overseas.

The institution is established and operated in Australia. The institution is not required to have its purposes and beneficiaries in Australia. It meets the 'in Australia' condition.

Example 3: In Australia condition not met

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.

Example 4: In Australia condition met – developing country relief fund

An organisation is set up in Australia as a registered charity.

It operates a public fund which is a developing country relief fund. The public fund was established with the principal purpose of delivering development or humanitarian assistance activities (or both) in a developing country and in partnership with entities in the country, based on principles of cooperation, mutual respect and shared accountability.

The management committee of the organisation are normally all located in Australia and decisions relating to the public fund are usually made in Australia.

The organisation opens a bank account in Australia and receives donations from members of the Australian public and from ancillary funds. The monies received are held by the organisation in accordance with the terms of the public fund rules.

All of the money provided by the fund is sent to beneficiaries in a developing country.

The fund is established and operated in Australia. The fund is not required to have its purposes and beneficiaries in Australia. It meets the 'in Australia' condition.

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Endorsement as a whole

Find out when organisations are required to transfer certain surplus assets.

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The organisation must be required to transfer the following surplus assets to a gift deductible fund, authority or institution when it is wound up or its endorsement is revoked (whichever occurs first):

- gifts and deductible contributions made to the organisation for its principal purpose
- money received by the entity because of such gifts and contributions.

For DGRs that are registered charities, the transfer must be to another DGR, with similar objects, which is charitable at law.

This requirement may be set out in a law, in an organisation's constituent documents or in separate rules governing an organisation's activities.

Example 1: Sample clause 1 – DGRs not registered with the ACNC

If the 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 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
- money received by the organisation because of such gifts and contributions.

Example 2: Sample clause 2 – DGRs registered with the ACNC

If the 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 with similar objects, which is charitable at law, 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

- money received by the organisation because of such gifts and contributions.

The winding up requirement for surplus gifts and contributions will also be met where the organisation's winding up clause requires **all** surplus assets to be transferred to another DGR. In this case, the DGR must have a separate rule regarding distribution of surplus gifts and deductible contributions in the event of revocation of DGR endorsement.

While most DGRs endorsed as a whole are not required to maintain a gift fund, all gifts and deductible contributions made for the principal purpose must be used for that purpose. All DGRs must maintain records that explain all transactions and other acts relevant to status as a DGR.

For more information see **Record keeping** for not-for-profits.

From 1 January 2024 organisations seeking DGR endorsement for the following DGR categories will be endorsed as a whole if eligible, and are required to maintain a **gift fund** for the principal purpose of the organisation:

- **cultural organisations** (item number 12.1.1)
- **environmental organisations** (item number 6.1.1)
- **harm prevention charities** (item number 4.1.4)
- **developing country relief organisations**, that are not operating a public fund, (item number 9.1.1)

Registered charities, operating a **developing country relief fund**, under item number 9.1.1, will be endorsed for the operation of a public fund.

If your organisation is seeking to be endorsed as a whole under one of the above categories, the following acceptable clause should be included in your constituent documents or governing rules in order to meet the **winding up and revocation requirement**:

Acceptable clause

If the organisation is wound up or if the endorsement (if any) of the organisation as a deductible gift recipient is revoked, any

surplus assets of the gift fund remaining after the payment of liabilities attributable to it, shall be transferred to a fund, authority or institution to which income tax-deductible gifts can be made.

If your organisation is a registered charity, the clause must state that the surplus assets of the gift fund shall be transferred to a charity (fund, authority or institution) with a similar charitable purpose to which income tax-deductible gifts can be made.

Your organisation **does not** need to meet this requirement if it is established by an Act or the Commonwealth Parliament, and that Act, or another Act, does not provide for the winding up or termination of your organisation. A gift fund is still required.

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