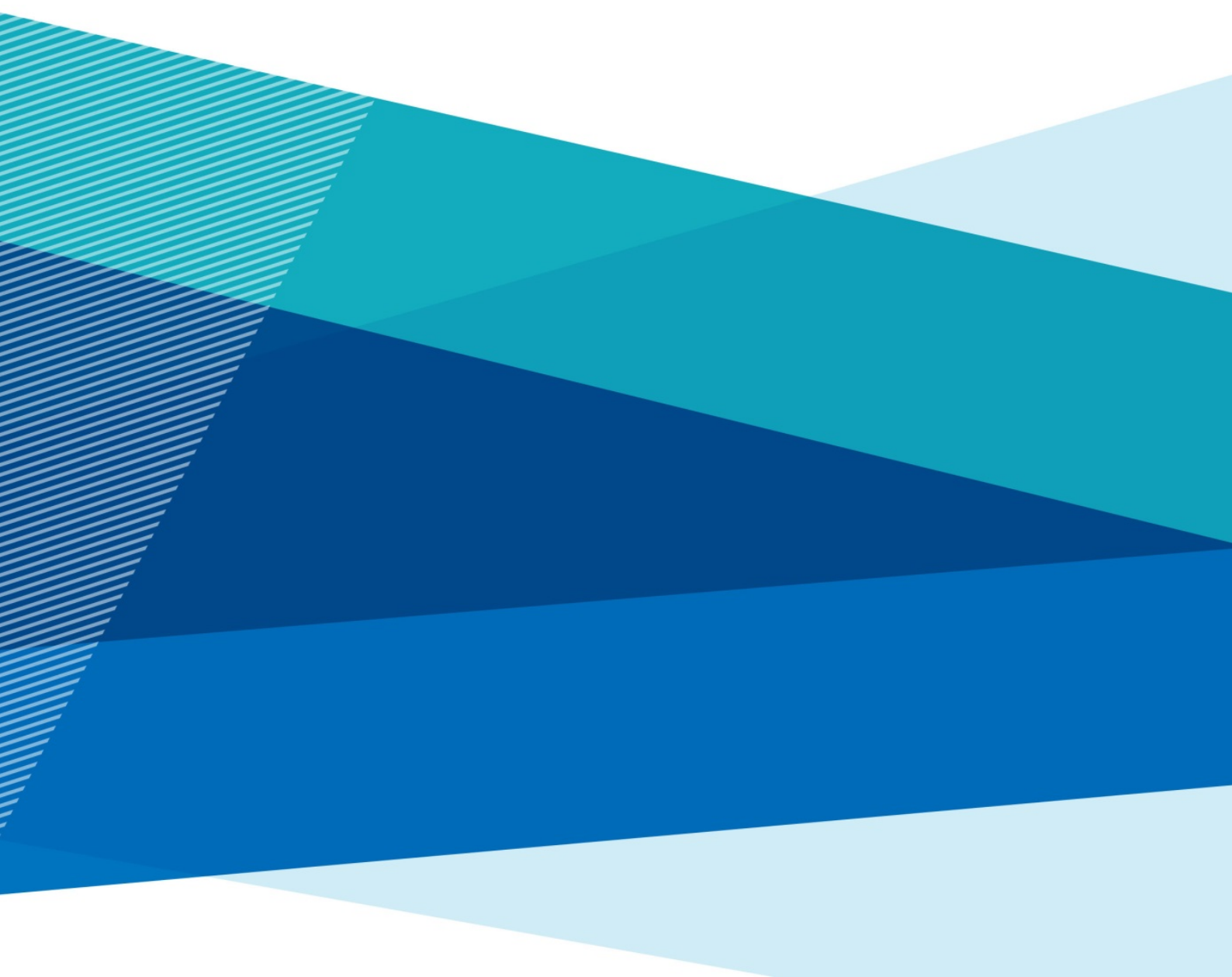




Australian Government  
The Treasury

**TSY/AU**

# Deductible Gift Recipient Category — Shed FAQs



## What does Deductible Gift Recipient (DGR) mean?

An organisation with DGR status can receive tax deductible gifts and contributions from the public. Taxpayers can claim an income tax deduction for donations of \$2 or more to an organisation with DGR status.

## What is the Government doing?

In the 2019-20 Budget, the Government announced it will establish a DGR general category to enable men's sheds and women's sheds to access DGR status from 1 July 2020.

## Does a shed have to be registered as a charity with the Australian Charities and Not-for-profits Commission (ACNC)?

If a shed wants to seek DGR endorsement, it will need to be registered with the ACNC. It is Government policy for organisations seeking DGR status to be registered as a charity with the ACNC.

## What is the application process for DGR endorsement after the DGR shed legislation commences?

If a shed wants to seek DGR endorsement, it should apply to the ACNC for charity registration first. During the charity registration process, the shed can nominate that it wishes to also seek DGR endorsement and provide information for both the charity and DGR assessment processes.

If the ACNC determines that the shed is eligible for charity registration, it will pass on the information to the Australian Taxation Office (ATO) who will assess the shed for DGR endorsement. The ACNC or ATO may contact you to clarify or provide further information before making their determination.

More information is available from:

- ACNC: <https://www.acnc.gov.au/for-charities/start-charity/apply-now>
- ATO: <https://www.ato.gov.au/Non-profit/Getting-started/Getting-endorsed/Is-my-organisation-eligible-for-DGR-endorsement-/Apply-for-DGR-endorsement>

## What happens if a shed is already a registered charity?

If a shed is already registered with the ACNC, then from the commencement of the DGR shed legislation, it can apply directly to the ATO for DGR endorsement.

See the ATO website for information and the application form:

<https://www.ato.gov.au/Forms/Application-for-endorsement-as-a-deductible-gift-recipient/>

Alternatively, contact the ATO:

- Email: [notforprofit@ato.gov.au](mailto:notforprofit@ato.gov.au)
- Phone: 1300 130 248 (Monday — Friday from 8.00am—6.00pm)

## What are the requirements to become a registered charity?

To be eligible to be registered as a charity with the ACNC, the organisation must:

- have an Australian Business Number (ABN);
- provide governing documents that outline its charitable purpose, not-for-profit character, beneficiaries, and a description of its activities;
- provide the details of people responsible for governing the organisation;
- have only charitable purposes or purposes ancillary to charitable purposes; and
- provide other relevant information such as its financial information.

## What are the requirements for DGR endorsement in the new category?

To be eligible for DGR endorsement, the organisation must:

- be not-for-profit;
- have an ABN;
- have an appropriate dissolution/revocation of endorsement clause;
- maintain a gift fund; and
- be established and operated in Australia (with some exceptions).

It must also satisfy the proposed criteria for the new category which is, an organisation must:

- be an institution;
- be a registered charity with the ACNC;
- have the dominant purposes of advancing mental health, and preventing or relieving social isolation; and
- seek to achieve those purposes primarily by providing a physical location at which it supports individuals to undertake activities and work on projects in the company of others; and
  - has no particular criteria for membership; or
  - the criteria for membership relate only to an individual's gender or Indigenous status (in that membership is, for cultural reasons, open only to Indigenous persons) or both.

More information, including model clauses, can be found on the ACNC and ATO websites.

## What does a shed need to do to maintain charity registration and DGR endorsement?

An eligible shed must act in accordance with its ACNC obligations such as operating consistently with the ACNC governance standards and report annually to the ACNC. It should also collect, record and disburse funds in accordance with the purpose for which their DGR endorsement was provided.

## How does this new shed category differ from the health promotion charity (HPC)?

The eligibility criteria for HPC is narrower, requiring a charity to have a principal activity to promote the prevention or the control of diseases in human beings.

The criteria for the new shed category is intended to be broader than the criteria for a HPC in order to recognise the diversity and localised nature of sheds.

## Is the process the same for both receiving government grants and being assessed as eligible for DGR endorsement?

No, DGR endorsement is determined by the ATO consistent with criteria in the tax laws. DGR endorsement is assessed at a point in time and will hold as long as the entity continues to satisfy the DGR criteria, and acts in accordance with the DGR requirements. However, government grants, such as the annual grant rounds run by the Department of Health for men's sheds, are assessed by the relevant government department according to different criteria.

## Does a shed need to be a member of a peak shed association?

No, a shed does not need to be a member of a shed association to be assessed for DGR endorsement.

## How can a shed show it has a dominant purpose of advancing mental health and preventing or relieving social isolation?

A shed's governing documents should be consistent with a dominant purpose of advancing mental health and preventing or relieving social isolation. Any other purposes of the shed must either serve its dominant purpose or be less important or secondary.

A shed should also be able to demonstrate how it is supporting its dominant purpose. A shed could demonstrate it is advancing mental health by supporting members to understand mental health issues, perhaps by inviting guest speakers to provide talks on mental health issues, or by helping members to access mental health information or assistance. A shed is not expected to be providing professional mental health services.

A shed could demonstrate it is addressing social isolation by facilitating activities that promote social connections among its participants, and by welcoming people from across the community to join their activities.

## What is Treasury's role vis-à-vis the ACNC and the ATO?

Treasury works with the ACNC and ATO to provide advice to government on policy issues effecting the regulation and administration of Australia's not-for-profit sector, including taxation concessions.

The ACNC is the Government's national regulator for charities. Its role includes assessing entities seeking charity registration, which in turn can provide access to Commonwealth taxation exemptions and concessions.

The ATO is the Government's national regulator for taxation. Its role includes assessing entities seeking access to Commonwealth taxation exemptions and concessions, such as charities seeking DGR endorsement.

Treasury works closely with the ACNC and ATO to ensure that new laws are administrable.

## What are the next steps?

After 14 February 2020 when the public consultation period ends, Treasury will review and consider the submissions and feedback from stakeholders. This process will inform any potential amendments to the bill to ensure it achieves its intended purpose. We intend to finalise the bill and explanatory materials as soon as possible to give sheds and the regulators (ATO and ACNC) time to prepare for the category to commence from 1 July 2020.