

19 March 2021

Thresholds Working Group
C/- Not-for-profit Unit
Individuals and Indirect Tax Division
The Treasury
Langton Crescent
PARKES ACT 2600

By email: Thresholds@treasury.gov.au

Dear Sir/Madam

Increasing financial reporting thresholds for ACNC-registered charities

Thank you for the opportunity to provide feedback and comments on the proposal to increase financial reporting thresholds for ACNC-registered charities.

The Australian Institute of Company Directors' (**AICD**) mission is to be the independent and trusted voice of governance, building the capability of a community of leaders for the benefit of society. The AICD's membership reflects the diversity of Australia's director community, our membership of more than 45,000 is drawn from directors and leaders of not-for-profits, large and small businesses and the government sector.

The NFP sector is a major focus of the AICD's work with a significant majority of our members involved in the governance or work of NFPs, many of them making contributions as directors on a voluntary basis. The AICD is committed to advocating for a fit for-purpose regulatory regime for the NFP sector that supports and promotes good governance, is streamlined, national and will support good practice in this important sector. The AICD supports good governance in the NFP and charities sector in a range of ways, including AICD's Not-for-profit Governance Principles¹, NFP governance education and NFP governance resources.

The AICD welcomes government initiatives to reduce red-tape in the charities (and broader NFP) sector, particularly harmonisation of Federal, State and Territory regulations as they apply to fundraising and reporting.

Our responses to key consultation questions are set out below.

1. Do you consider the proposed new thresholds are suitable? If no, why? If no, what thresholds do you consider appropriate to balance regulatory red tape and the need for accountability and transparency?

We urge the Australian government to adopt the thresholds proposed by the ACNC Review, which would reduce compliance costs for a significantly larger number of businesses than that contemplated by the government's proposal. Out of approximately 56,000 ACNC-registered charities, the increase in thresholds will only benefit approximately 6,800 (or 12 per cent). We urge the Australian government to

¹ The AICD's NFP Governance Principles (<https://aicd.companydirectors.com.au/nfp>)

continue to look to work with the states and territories to raise the thresholds as originally proposed on a long-term basis. In the interim, we support these new thresholds in the interests of harmonisation.

2. In your view, is it more important for the ACNC to increase reporting thresholds as soon as Commonwealth legislative priorities allow, or for the increased thresholds to be increased simultaneously across all jurisdictions consistent with a longer timeframe?

Increased thresholds should be increased simultaneously across all jurisdictions consistent with a longer timeframe. However, this should be time-limited to encourage states and territories to expeditiously undertake the necessary reform. In our view, the increased thresholds should not apply before any reporting period commencing after 30 June 2022. This would capture entities reporting across the usual 2022/23 Australian financial year. It would also give the states and territories sufficient time to make the necessary adjustments to their own arrangements.

3. What lead in time would you consider suitable for charities to make the necessary changes to their reporting processes?

See answer to question 2. As no charity will have increased reporting or auditing requirements this should be sufficient lead in time. However, such reform should be accompanied by a parallel communications campaign in the sector, led by the ACNC, so that organisations are aware of their modified obligations.

We have no comment on questions 4, and 5.

6. In your opinion, is the Thresholds Working Group overlooking any issues concerning the nexus between fundraising reporting requirements and financial reporting requirements for ACNC-registered charities?

We strongly support the work of the Thresholds Working Group to harmonise charitable fundraising regulation. In our view, there needs to be cross-border harmonisation of both financial reporting requirements and charitable fundraising regulation in order to cut red-tape for this important sector.

Next steps

We hope our response will be of assistance. If you would like to discuss any aspects further, please contact David McElrea, Senior Policy Adviser at dmcelrea@aicd.com.au, or Christie McGrath, Senior Policy adviser, at cmcgrath@aicd.com.au.

Yours sincerely,



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