



Level 38 Tower Three  
300 Barangaroo Avenue  
Sydney NSW 2000

P O Box H67 Australia Square  
Sydney NSW 1213  
Australia

ABN: 51 194 660 183  
Telephone: +61 2 9335 7000  
Facsimile: +61 2 9335 7001  
DX: 1056 Sydney  
www.kpmg.com.au

Thresholds Working Group  
C/- Not-for-profit Unit  
Individuals and Indirect Tax Division

Our ref CP-Thresholds ACNC charities

The Treasury  
Langton Crescent  
Parkes ACT 2600

19 March 2021

Dear Sir/Madam

### **Consultation Paper: Increasing thresholds for ACNC-registered charities**

We are pleased to have the opportunity to comment on the Consultation Paper *Increasing financial reporting thresholds for ACNC-registered charities* (Consultation Paper).

We broadly support the increase of the financial reporting thresholds for ACNC-registered charities, however, question why the proposed thresholds are below those recommended by the ACNC Review Panel. We believe additional analysis of the number and nature of charities in each *proposed* size category would be useful to assess whether the proposed thresholds are fit for purpose from the perspective of the charities that are 'left' in each size category.

Please refer to the Appendix for our detailed comments on the specific questions for which feedback was requested.

We would be pleased to discuss our comments with members of the Working Group. If you wish to do so, please contact myself on (02) 9455 9120 or Julie Locke on (02) 6248 1190.

Yours faithfully

Kim Heng  
*Partner*

## Appendix

### Consultation questions

**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 support the increase of the financial reporting thresholds, however, question why the proposed thresholds are below those recommended by the ACNC Review Panel. We expect the working group would have conducted an analysis of the number and nature of charities in each *proposed* size category, yet the Consultation Paper discusses the number of charities that would move to a lower size classification only. Whilst information regarding the number of charities that would move to a lower size classification is helpful, information on a wholistic basis of the proportions of charities remaining in each proposed size category would also be useful to assess if the proposed new thresholds are fit for purpose. Without this information, we can neither be supportive of the proposed new thresholds nor suggest another higher threshold that in our opinion goes far enough in reducing regulatory red tape yet balancing the need for accountability and transparency.

While increasing the thresholds further may increase the number of charities that will no longer be required to submit reviewed financial report to the ACNC, there will still be a requirement to submit an Annual Information Statement. This Annual Information Statement will maintain the level of accountability and transparency being sought for the sector – particularly with the proposed simultaneous implementation of other improvements recommended in the ACNC Review.

**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?**

We support the increasing of ACNC reporting thresholds as soon as Commonwealth legislative priorities allow. Simultaneous increased thresholds across all jurisdictions does not appear to be a practical option to achieve the reduction of regulatory red tape in a relatively short timeframe.

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

We note that the aim is to announce the increased financial reporting thresholds by 30 June 2021. Given the proposal is reducing the regulatory burden, we consider that the changes could be adopted immediately.

- 4 In your view, if non-ACNC-registered incorporated associations were required to report similar financial information to that which ACNC-registered incorporated associations provide to the ACNC, would this provide sufficient accountability and transparency, including for the purposes of members, donors and the interested public?**

We would believe the required ACNC financial reporting would provide sufficient accountability and transparency, including for the purposes of members, donors and the interested public for non-ACNC-registered incorporated associations.

- 5 What, if any, issues do you consider potential differences in reporting thresholds for charity and non-charity incorporated associations will cause? Why?**

We are not aware of the potential issues differences in reporting thresholds for charity and non-charity incorporated associations will cause.

- 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 do not have any comment in relation to this question.