New Deductible Gift Recipient Category for Community Sheds

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Australian Taxation Office Not-for profit Centre

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Overview
What you need to know about community sheds

- Introduction
  - ato.gov.au quick codes
  - New deductible gift recipient (DGR) category for community sheds
  - Community sheds demographics
- What sheds need – eligibility criteria for DGR endorsement
- Requirements for governing documents
- Characteristics for a DGR community shed:
  - Public institution and dominant purposes
  - Advancing purposes through activities in a physical location
  - Open membership
- What sheds need to register as a charity
- Pathways for DGR endorsement
- DGR endorsement responsibilities
- Four key takeaways
How to search for information

ato.gov.au quick codes

Search for QC 63638

Search for QC 46216
INTRODUCTION NEW DGR CATEGORY FOR COMMUNITY SHEDS

DGR now available for community sheds

- DGRs are organisations that can receive gifts that are tax deductible for donors
- Donors gifting $2 or more may be able to claim an income tax deduction
- Access to DGR status is intended to encourage philanthropy and support for Community Sheds in the not-for-profit sector
- Community sheds must be endorsed by the ATO as a DGR to receive tax deductible gifts
- There are many different categories of DGR, each with their own requirements
- Visit ato.gov.au and search for QC46213

What DGR means for community sheds

- DGRs are endorsed under one of general categories set-out in ITAA 1997 (or be specifically listed)
- Government announced it would establish a new DGR general category in the 2019-20 Budget
- Legislative amendments creating the new general DGR category for sheds passed Parliament and received Royal Assent 3 September 2020
- Start date for new DGR category for Community Sheds 1.1.9 is 1 October 2020
- Visit:
  - ato.gov.au and search for QC 63010

Income Tax Assessment Act (ITAA) 1997
COMMUNITY SHEDS LANDSCAPE

Community sheds aim to improve mental health and relieve social isolation of members.

There is growing support around the country for the benefits that sheds provide the Australian community.

Currently ...

Approx. 95% men’s sheds
Approx. 20 women’s sheds

Also ...

Other types of sheds include defence and youth

National peak bodies and state associations
- Represents their member sheds
- Provides practical advice and support
- Provides assistance for establishing and managing a shed

Note: membership is not required to be registered for DGR endorsement

National regulator and administrators
- National regulator for tax and super
- Assesses entities seeking access to Commonwealth tax exemptions and concessions, such as charities seeking DGR endorsement

Note: membership is not required to be registered for DGR endorsement

National regulator for charities
- Assesses entities seeking charity registration
- Approx. 200 sheds are registered as charities
- Some of these are DGR endorsed by the ATO – under the Health Promotion Charity (HPC) and Public Benevolent Institution (PBI) categories
WHAT SHEDS NEED
DGR eligibility criteria for item 1.1.9 A Community Shed

Community sheds eligibility criteria
- Have an active ABN
- Be a registered charity with ACNC
- Be established and operate in Australia
- Meet **DGR category requirements**
- Include **DGR winding up and revocation clauses** in your governing documents

Community shed category description
- A public institution whose dominant purposes are advancing mental health and preventing or relieving social isolation
- Principally advances these purposes through providing a physical location and supports individuals to work on projects or undertake other activities in the company of others
- Has membership that is open, or is limited only to an individual’s gender or indigenous status, or both
To apply for charity registration and DGR endorsement, you need to submit governing documents to demonstrate you meet charity registration and DGR endorsement requirements:

- Outlines your charitable purpose, not-for-profit character, how decisions are made and what to do upon wind-up
- There is no single template that will accurately reflect the purposes and operations of each individual community shed
- When preparing your governing documents ensure to check they:
  - accurately reflect how your community shed operates when carrying out its purposes
  - Contain a DGR winding up and revocation clause and a Not-for-profit dissolution clause

Check your governing documents:

- If they already meet requirements, no further action is required before applying
- If some requirements are not met, update your governing documents before applying
- For more information visit:
  - ato.gov.au and search for QC52594 for assistance on Rules and tests for DGR endorsement
  - acnc.gov.au/for-charities/start-charity to check charity eligibility requirements
CHARACTERISTICS FOR A DGR COMMUNITY SHED

Public institution and dominant purposes

What is a Public Institution?

- For an institution to be a public institution it must be open to the public (or a sufficient section of the community) to join as a member
- Not carry on its activities for private profit or gain of individual members

What are Dominant Purposes?

- The dominant purposes outlined in a shed’s governing documents should be advancing mental health and preventing or relieving social isolation
- Any other purposes of the shed must either serve its dominant purposes or be less important or secondary
- A shed should also be able to demonstrate how it is supporting its dominant purposes
CHARACTERISTICS FOR A DGR COMMUNITY SHED

Advancing purposes through activities in a physical location

A community shed advances mental health and prevents or relieves social isolation through:

- providing a physical location and
- by supporting individuals to work on projects or undertake other activities in the company of others

Examples that may meet requirements

Demonstrate the shed advances mental health:
- Invite guest speakers to provide talks on mental health issues
- Help members to access mental health information or assistance

Address social isolation by facilitating activities that promote social connections among its participants

The shed is providing a 'physical location'
- Workshop or space
- To meet and work on projects in the company of others

Example that does not meet requirements

Community sheds that do not have a physical location

Only an online presence where members gather to share their interest or hobbies
CHARACTERISTICS FOR A DGR COMMUNITY SHED

Open membership

Community sheds must be open to the community to join and generally not impose criteria restricting membership

While membership must be open, sheds can restrict membership for people of a particular gender or with Indigenous status or both

Examples that may meet requirements

- Membership is open to all persons to join
- Sheds established and restricted to one gender, for example:
  - women sheds
  - men sheds
- Membership is open to all one gender with Indigenous status:
  - Indigenous women sheds
  - Indigenous men sheds

Example that does not meet requirements

- Restricts membership to men over the age of 50
- Restricts members to former members of defence only

Be sure to check that your shed complies with council, state, territory and federal regulation and laws. Meeting these requirements will not affect open membership criteria for DGR purposes.
WHAT SHEDS NEED TO REGISTER AS A CHARITY

Who can register as a charity?

To be a charity, a community shed must:
- be a not-for-profit
- have only charitable purposes that are for the public benefit
- not have a disqualifying purpose, and
- not be an individual, a political party or a government agency

Who is eligible to register?

To be eligible to register, your community shed must:
- be a charity
- have an ABN
- comply with governance standards and external conduct standards

Already a registered charity?

- Use the charity registration self-assessment tool to check ongoing entitlement as a charity and, if applicable, PBI or HPC
- If your shed is no longer eligible to be registered as a PBI or HPC:
  - update your charity subtype online via the ACNC Charity Portal
  - apply directly to the ATO for DGR endorsement

Find out more
- Starting a charity acnc.gov.au/for-charities/start-charity
- Download the Charity registration check self assessment checklist from acnc.gov.au/file/38741942/download?token=MwWdfyQx

Anna Longley
Assistant Commissioner
General Counsel
WHAT SHEDS NEED TO REGISTER AS A CHARITY

Governing documents and charity objects (purposes)

A charity’s governing document must set out its not-for-profit nature and contain charitable objects

Example clause

The [organisation] is established to be a charity whose purpose is to advance [health/social or public welfare] by operating a [men’s/women’s/community] shed to:

- Improve the health of [men/women] who are at risk of health issues arising from loneliness and isolation
- Facilitate programs that address mental, physical and emotional health issues in [men/women]
- Provide meaningful activities where [men/women] can participate in the company of others to relieve isolation and loneliness
- To undertake charitable activities for the benefit of the broader community

Find out more

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WHAT SHEDS NEED TO MAINTAIN CHARITY REGISTRATION

Obligations for registered charities
To maintain registration with the ACNC, charities must:

- maintain operation for purpose
- notify the ACNC of certain changes including:
  - charity name
  - address for service
  - responsible persons
- keep records
- report each year via the Annual Information Statement
- comply with the Governance Standards
- comply with the External Conduct Standards if operating overseas

5 Governance Standards
- Purposes and not-for-profit nature
- Accountability to members
- Compliance with Australian laws
- Suitability of responsible persons
- Duties of responsible persons

Find out more
- To learn about obligations for maintaining charity registration visit acnc.gov.au/ManageMyCharity
To assist you make informed decisions for your shed

Visit [acnc.gov.au](http://acnc.gov.au)

- Sign-up for the ACNC webinar to find out more about how to apply to register as a charity and ask questions [acnc.gov.au/tools/webinars](http://acnc.gov.au/tools/webinars)

Get in touch

- Ask a question via the online form: [acnc.gov.au/contact-us](http://acnc.gov.au/contact-us)
- Contact the ACNC charity advice line between 1pm and 5pm weekdays (AEST) on 13 22 62

Connect with us on social media

- [facebook](https://facebook.com/acnc.gov.au)
- [LinkedIn](https://linkedin.com/in/anna-longley)
THREE PATHWAYS FOR DGR ENDORSEMENT

Pathway one
ACNC registered community sheds that require only DGR endorsement

Pathway two
Community sheds that need to register as a charity and apply for DGR endorsement

Pathway three
ACNC registered community sheds with DGR endorsement as PBI or HPC and want to change to the new DGR category
PATHWAY ONE TO DGR ENDORSEMENT

ACNC registered sheds that require only DGR endorsement

1. Download DGR application form
   - Search [ato.gov.au](http://ato.gov.au) for QC 24063
   - Select Application for endorsement as a deductible gift recipient, item number 1.1.9

2. Submit your documents
   - Send your completed application form and your governing documents directly to the ATO via email or mail

3. Processing
   - The ATO will contact you when your application is received
   - Applications are processed within 28 days of receiving all information

4. DGR outcome
   - Successful applicants will receive a *Notice of DGR endorsement* as a community shed from the ATO

ATO NFP Premium Advice Service 1300 130 248
ACNC Charity Advice Line 13 22 62
ATO Endorsements@ato.gov.au
Australian Taxation Office
PO Box 3373
Penrith NSW 2740
PATHWAY TWO TO DGR ENDORSEMENT
Sheds that need to register as a charity and apply for DGR endorsement

1. Register with ACNC
   - Visit acnc.gov.au
   - Register to use the Charity Portal

2. Apply
   - Complete an ACNC charity registration form online
   - Select applying for DGR and tax concessions, item number 1.1.9
   - ACNC will assess and determine charity registration eligibility
   - ACNC will confirm the outcome of charity status - via email or letter to community shed within 15 days of receiving all information

3. Processing
   - The ACNC will forward the DGR endorsement application to the ATO for assessment – if the shed is a successful charity registrant
   - The ATO will contact you when your application is received
   - Applications are processed by the ATO within 14 days of receiving all information

4. DGR outcome
   - Successful applicants will receive a Notice of DGR endorsement as a community shed

ATO NFP Premium Advice Service 1300 130 248
ACNC Charity Advice Line 13 22 62
ATOEndorsements@ato.gov.au
PATHWAY THREE TO DGR ENDORSEMENT
ACNC registered sheds with DGR endorsement as PBI or HPC and want to change to the new DGR category

1. Download ATO application form
   - Search ato.gov.au for QC 24063
   - Select Application for endorsement as a deductible gift recipient

2. Review charity sub-type with ACNC
   - Use the ACNC self-assessment tool to help you review your charity’s registration
   - If applicable, update your charity subtype via the ACNC Charity Portal
   - For more details visit acnc.gov.au/community sheds

3. Revoke and Submit
   - Send a letter (email or mail) to the ATO and include:
     - Your request that the ATO revoke current DGR endorsement as PBI or HPC
     - Completed application form
     - Governing documents

4. DGR Processing
   - Applications are processed within 28 days of receiving all information

5. DGR outcome
   - Successful applicants will receive a Notice of DGR endorsement as a community shed

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For more details visit acnc.gov.au/community sheds
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- Completed application form
- Governing documents
DGR Processing
Applications are processed within 28 days of receiving all information
DGR outcome
Successful applicants will receive a Notice of DGR endorsement as a community shed

ACNC registered sheds with DGR endorsement as PBI or HPC and want to change to the new DGR category

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Select Application for endorsement as a deductible gift recipient
Review charity sub-type with ACNC
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DGR Processing
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DGR outcome
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DGR endorsement responsibilities

Collect, record and disburse funds for DGR endorsement purposes

Accepting tax deductible donations
- Ensure your donors can claim tax deductions by:
  - Applying for DGR endorsement
  - Understanding gift types and contribution conditions (search for QC 46262)
  - Providing donors with a receipt that contains specific information (search for QC 52957)
- For a donor to be entitled to a tax deduction, their donation or gift must be unconditional and voluntary

Keeping good records
- Generally, for tax purposes, you must keep your records in an accessible form:
  - Either printed or electronic
  - For five years
- Some of the basic records you may need to keep are:
  - Governing documents
  - Financial reports
  - Tax invoices and tax records
  - Records relating to employees

Reviewing your DGR endorsement
- We recommend a yearly review for your taxation obligations
- Review your affairs to ensure:
  - you are operating as a public institution
  - you meet the dominant purposes requirement
- It is a requirement to inform the ATO if you are no longer entitled to DGR endorsement
Review your governing documents and clauses
- Ensure you have all of your governing documents ready
- Make sure your purposes and activities are clearly outlined
- Provide information on how and where you undertake your activities
- Your shed must have an acceptable DGR winding up and revocation clause

It is not just in your name
- Your shed does not have to have the word shed in its name
- The ATO and ACNC will carefully consider the object clause and the activities you undertake to determine if you meet the DGR category and charity requirements

Confirm your DGR endorsement pathway
- Identify the process that you need to follow to apply for DGR endorsement

We are here to help
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- ACNC charity advice line
  - Ask a question via the online form
  - acnc.gov.au/contact-us
  - Call us between 1pm and 5pm weekdays (AEST) on 13 22 62
- Refer to our Community Sheds DGR endorsement help sheet
Have a question?

Visit ato.gov.au/notforprofit
- Getting started
- Tax concessions
- Getting endorsed
- Gifts and fundraising
- Guidelines
- NFP News Service
- atoTV not-for-profit channel for past webinar recordings

NFP premium advice service
Our dedicated advice service for not-for-profits operates from 8.00am to 6.00pm AEST, Monday to Friday.
Phone us on 1300 130 248
Email ATOEndorsements@ato.gov.au
Email feedback about ato.gov.au web content or online products to notforprofit@ato.gov.au

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