



Deductible Gift Recipient Endorsement

Deductible Gift Recipient Endorsement is essential for not-for-profits, enabling them to issue tax-deductible receipts for donations over \$2, attracting tax-conscious donors. It also grants access to ancillary fund donations and is often required by grant makers and government agencies as a sign of good governance.

Introduction

Deductible gift recipient (DGR) endorsement is highly valued by not-for-profits and charities, as it can improve the ability of an organisation to raise funds to support its purpose.

Importantly:

- a DGR can provide tax deductible receipts to private individuals and organisations for gifts over \$2. This means that the donor may be able to claim a tax deduction for the amount of the donation. Donors who want to ensure their giving is tax effective often preference DGRs;
- public and private ancillary funds can only distribute to DGRs, so DGR endorsement can unlock a significant category of potential donors; and
- many grant makers and government agencies view DGR endorsement as an indicator of good governance and will preference DGRs or make DGR endorsement a requirement for particular grants.

What are the requirements for DGR endorsement as an Environmental Organisation?

The DGR category most relevant to Groups and Networks is that of an Environmental Organisation. Schedule A summarises the process for applying to the Australian Taxation Office (ATO) for registration as an Environmental Organisation.

To be eligible for DGR endorsement as an Environmental Organisation, an organisation must be located in Australia and satisfy the following requirements:

(a) Registered charity

If it is not an Australian government agency, the organisation must be a charity registered with the ACNC. The process for charity registration is outlined in Landcare NSW's "Charity Registration" factsheet.

(b) Principal Purpose

Environmental Organisations must have a principal purpose (set out in the constitution) of:

- protecting and enhancing the natural environment or of a significant aspect of the natural environment; or



- providing information or education, or carrying on research about the natural environment or a significant aspect of the natural environment.

An Environmental Organisation can have other purposes which are incidental, ancillary, or secondary to its principal purpose.

Environmental Organisations include those involved in land, wildlife and rainforest conservation. An Environmental Organisation's activities in pursuit of its principal purpose must relate to the natural environment as distinct from other types of environments such as built, cultural and historic environments. Natural environment includes all aspects of the natural surroundings of humans, whether affecting them as individuals or in social groupings.

(c) Not be a mere conduit

An Environmental Organisation must not act as a mere conduit for the donation of money or property to third parties. It must ensure that funds and resources are used in accordance with the purposes of the organisation and the direction of the governing body.

(d) Gift fund

An Environmental Organisation must maintain a gift fund into which tax-deductible gifts and contribution are made.

A clause must be included in the Environmental Organisation's constitution that provides for the gift fund and meets the ATO's requirements. The gift fund can but is not required to be operated via a separate bank account.

Moores has prepared a template constitution for Groups and Networks that includes an appropriate principal purpose clause and the required gift fund rules.

Obligations once endorsed as a DGR

The ACNC is the primary regulator for DGR endorsed Environmental Organisations that are charities. An organisation must keep records that explain all transactions and activities relevant to its status as a DGR, including records that show that gifts and deductible contributions have been used for the organisation's principal purpose. However, an organisation is not required to report or submit any statements or returns to the ATO concerning their DGR endorsement.

Further details about reporting and compliance obligations for charities can be found in Landcare NSW's "Charity Registration" information sheet.

Receipts issued by DGRs must state:

- the organisation's full name and ABN;
- the date and amount of the gift or contribution;
- the name of the donor or contributor; and
- that the receipt is for a gift or contribution.

Authorisation

This document was prepared by Moores for Landcare NSW Limited on 18 July 2024.

Disclaimer

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Contact us

Moores is here to lend a helping hand to Landcare NSW Groups, Networks and members if needed.

Should you require any further assistance with DGR endorsement or would like to discuss any part of this information sheet in greater depth, then please feel free to reach out to Moores at nfpassist@moores.com.au or via (03) 9843 2124.