### **DEDUCTIBLE GIFT RECIPIENT STATUS**

#### WHAT IS DGR STATUS?

Which organisations can and cannot hold DGR status is defined by tax law – with only certain types of organisations eligible.

The Australian Government's ABN website defines DGR status as:

A deductible gift recipient (DGR) is an entity or fund that can receive tax deductible gifts. There are two types of DGR endorsement:

- An entity that has DGR endorsement in its own right
- An entity that is only a DGR in relation to a fund, authority or institution it operates. In this instance, only gifts to the fund, authority or institution are tax deductible

Deductible Gift Recipient (DGR) status means an organisation can receive gifts or donations that are income tax deductible to the donor.

Obtaining DGR status is not as easy as you might think – there are rules about what sorts of organisations can claim DGR status.

#### WHO CAN APPLY?

Landcare groups / networks can apply for DGR status and need to fall within a general DGR category set out in income tax law in order to qualify for DGR status.

Currently, there are approximately 50 general DGR categories—including categories for public hospitals, scholarship funds and public funds on the Register of Environmental Organisations (REO). From time to time, new categories are also added. Please continue reading for more information on the REO.

**TIP:** For more information on how to access to LNSW's Deductible Gift Recipient (DGR) status, which is included in your group's membership benefits, please refer to the Landcare <u>NSW DGR Policy</u>.

#### **TYPES OF DGR STATUS**

There are 2 types of DGR endorsements:

- An entity that has DGR endorsement *in its own right*.
- An entity that is only a DGR in relation to a fund it operates. In this instance, only gifts to the fund are deductible.

Further details on DGR categories and endorsements are outlined in the ATO's online *Induction package for notfor-profit administrators* <u>here</u>.

#### **ELIGIBILITY OF DGR STATUS**

To apply for a DGR endorsement, your organisation will need to:

- Hold an ABN
- Fall within a general DGR category (as set out in the <u>ATO DGR table</u>) or have a fund or institution that is part of the organisation which falls within a general DGR category
- Have acceptable rules for transferring surplus gifts and deductible contributions on winding up or DGR endorsement being revoked:
  - by having **DGR revocation**

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**clauses** in its governing documents (such as its constitution, rules or trust deed), or

- by showing it is required to do this by law
- Be registered with the Australian Charities and Notfor-profits Commission\* *set to be passed through Parliament July 1, 2020*
- Maintain a 'Gift Fund' according to rules set out by the ATO
- Where a public fund is operated, have responsible people who administer it
- Be located in Australia

For further information visit the ACNC website for their <u>DGR Factsheet.</u>

#### WHAT IS A GIFT FUND?

A gift fund is essential for groups with a DGR status. All gifts and deductible contributions of money are to be made to this fund.

#### **CLAIMING DEDUCTIONS**

Tax laws specify what types of gifts are tax deductible. Further information is available at the ATO website <u>here.</u>

# REGISTER OF ENVIRONMENTAL ORGANISATIONS

The REO is maintained by the Department of Agriculture, Water and the Environment.

To be entered on the register, Landcare groups must meet the following criteria:

- Be a Body Corporate (either incorporated or a company limited by guarantee), a cooperative society or a trust, an unincorporated body established for a public purpose by the Commonwealth, a State or a Territory;
- Have a principal purpose to protect and enhance the environment or provide information, education or research associated with the natural environment;
- Does not distribute property or profits to members, controllers or owners;
- In the case of a Body Corporate, have at least <u>50 financial members</u> who are entitled to vote at the AGM;
- Maintain a Public Fund to receive gifts.

For more information, visit their website <u>here</u>.

# If your organisation is made up of other Bodies Corporate:

If your organisation is a body corporate made up by a majority of other bodies corporate, then your organisation is not required to meet the 50 minimum membership requirement. While there is no number of bodies corporate specified, it's anticipated that such organisations will have at least 5 other bodies corporate as members.

### If your organisation is made up of individuals:

If your membership consists mainly of individuals, or a mix of individuals and bodies corporate, then you are required to meet the 50 minimum

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#### **REO LISTING ENSURES DGR STATUS**

The Treasurer and the Environment Minister decide which organisations are entered on the REO. Once an application to join the REO is successful, the organisation is automatically endorsed as a DGR. There is no need for a separate application to the ATO.

**REPORTING REQUIREMENTS** 

Once on the REO, to maintain DGR status Landcare organisations need to report annually. This consists of an annual <u>Statistical Return of Tax</u> <u>Deductible Donations</u> and an annual audited financial statement.

In order to be named on the REO, Landcare groups also need to have a policy of not acting as a conduit for the donation of money or property.

#### APPLYING TO JOIN THE REO

Guidelines and application details for applying to join the REO are available for download <u>here.</u>

**TIP:** The laws governing Deductible Gift Recipient status are quite complicated. Equip yourself with the basic information you need using the ATO's <u>Induction Package for Not-For-Profit</u> <u>Administrators</u>, but then see if you can find yourself a (preferably pro bono) lawyer to guide your organisation through the process.



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