



Australian Government
Australian Taxation Office

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

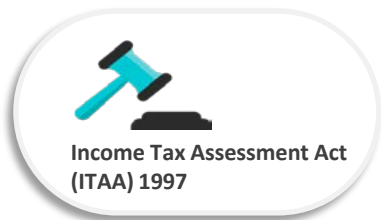
The screenshot shows the ATO website with the search bar containing 'QC 63638'. The navigation menu includes Home, Individuals, Business, Not-for-profit (selected), Super, Tax professionals, and About ATO. The breadcrumb trail is: Home / Non-profit / Getting started / In detail / Types of DGRs / Community sheds. The main heading is 'Community sheds'. A left-hand sidebar contains sections for 'Characteristics', 'Eligibility criteria', 'Applying to be DGR endorsed', and 'Obligations as a DGR endorsed community shed'. The main content area explains that community sheds are not-for-profit organizations and that from 1 October 2020, a new category of deductible gift recipients (DGR) for community sheds will be available.

The screenshot shows the ATO website with the search bar containing 'QC 46216'. The navigation menu is the same as in the first screenshot. The breadcrumb trail is: Home / Non-profit / Getting started / Getting endorsed / Is my organisation eligible for DGR endorsement? / Apply for DGR endorsement. The main heading is 'Apply for DGR endorsement'. A left-hand sidebar contains sections for 'Getting started', 'Starting an NFP', 'Know your legal structure', and 'What type of NFP is your organisation?'. The main content area explains that there are two ways to apply for DGR endorsement, depending on where you are up to in the registration process.

The screenshot shows a Google search for 'QC 63638'. The search bar contains 'QC 63638' and the search button is visible. Below the search bar, there are filters for All, Maps, Images, News, Shopping, and More. The search results show 'About 45,600 results (0.41 seconds)'. The first result is from 'www.ato.gov.au' with the title 'Community sheds | Australian Taxation Office' and a snippet: 'A community shed must meet certain requirements to be endorsed as a deductible gift recipient (DGR). Last modified: 11 Sep 2020QC 63638 ...'.

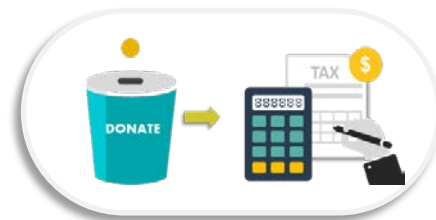
The screenshot shows a Google search for 'QC 46216'. The search bar contains 'QC 46216' and the search button is visible. Below the search bar, there are filters for All, Images, Maps, Shopping, News, and More. The search results show 'About 64,300 results (0.42 seconds)'. The first result is from 'www.ato.gov.au' with the title 'Apply for DGR endorsement | Australian Taxation Office' and a snippet: '... that already meet the requirements, can download our DGR endorsement application form and apply directly to us. Last modified: 19 Jun 2017QC 46216 ...'.

INTRODUCTION NEW DGR CATEGORY FOR COMMUNITY SHEDS



DGR now available 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**
 - legislation.gov.au/Details/C2020A00079



What DGR means 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**

COMMUNITY SHEDS LANDSCAPE



Currently ...



Approx. **95%**
men's sheds



Approx. **20**
women's sheds

Also ...



Other types of sheds include
defence and youth

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

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



- 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 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

REQUIREMENTS FOR GOVERNING DOCUMENTS

Community shed requirements for DGR endorsement



COMMUNITY SHEDS
Meeting the requirements for DGR endorsement

From 1 October 2020, community sheds can apply for deductible gift recipient (DGR) endorsement. To do so, they need to meet a number of criteria to be eligible.

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

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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



The dominant purposes for community sheds are advancing mental health and preventing or relieving social isolation

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

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

Example that does not meet requirements

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

WHAT SHEDS NEED TO REGISTER AS A CHARITY



Anna Longley
Assistant Commissioner
General Counsel

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

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

- 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

WHAT SHEDS NEED TO MAINTAIN CHARITY REGISTRATION

5 Governance Standards

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

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

Find out more

- To learn about obligations for maintaining charity registration visit [acnc.gov.au/ManageMyCharity](https://www.acnc.gov.au/ManageMyCharity)

FIND OUT MORE

To assist you make informed decisions for your shed



Anna Longley
*Assistant Commissioner
General Counsel*

Visit acnc.gov.au

- Visit our webpage for community sheds: acnc.gov.au/communitysheds
- 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

Get in touch

- Ask a question via the online form: 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.com/acnc.gov.au



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



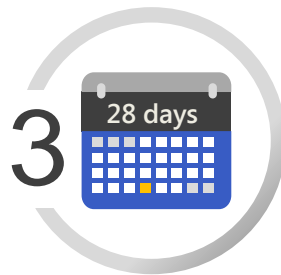
Download DGR application form

Search ato.gov.au for **QC 24063**
Select *Application for endorsement as a deductible gift recipient*, item number 1.1.9



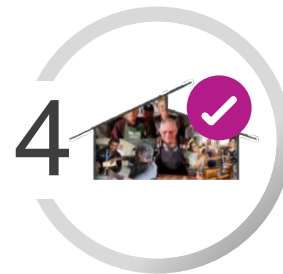
Submit your documents

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



Processing

- The ATO will contact you when your application is received
- 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 from the ATO



ATO NFP Premium Advice
Service 1300 130 248

ACNC Charity Advice
Line 13 22 62



ATOEndorsements@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



Register with ACNC

- Visit acnc.gov.au
- Register to use the *Charity Portal*



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



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



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



Download ATO application form

- Search ato.gov.au for **QC 24063**
- Select *Application for endorsement as a deductible gift recipient*



Review charity subtype 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



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



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



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Australian Taxation Office
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DGR endorsement responsibilities

Collect, record and disburse funds for DGR endorsement purposes



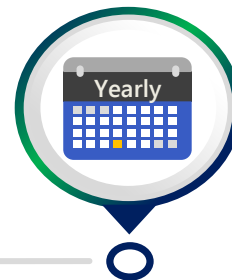
Accepting tax deductible donations

- 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*

- ATO Premium not-for-profit service **1300 130 248**
- 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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