



## Not-for-Profit definition and guidance

### Project summary

The objective of this project was to:

- replace the current definition of not-for-profit entity in Australian accounting standards with the definition used for public benefit entities in New Zealand (but retaining the term NFP entity); and
- provide guidance to assist an entity that prepares general purpose financial statements (GPFS) to determine whether it is a for-profit entity or an NFP entity for the purpose of applying the accounting standards.

### Project contacts

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### Project discontinued, April 2021

#### Issued Documents

- AASB Exposure Draft ED 291  
*Not-for-Profit Entity Definition and Guidance*

#### Project status

- The Board decided to discontinue this project and to retain the current 'not-for-profit entity' definition in Australian Accounting Standards.

#### Other

- [Link to NZASB project page](#)

#### AASB Outreach

- Liaised with ATO and ACNC on the interaction between proposed definition and existing concepts of NFP used for taxation and charitable purposes.
- Performed targeted outreach to stakeholders including Business Council of Co-operatives and Mutuals (BCCM) for considerations for mutuals and co-operatives
- Outreached to stakeholders via roundtables
- Liaised with NZASB

#### Board deliberations

- AASB Action Alert Update and Board Papers (see below)

#### AASB Communications

- n/a

The staff of the AASB have prepared this summary for information purposes only. The Board decisions described are tentative and do not change current accounting pronouncements unless otherwise indicated. Official positions of the AASB are determined only after extensive due process and deliberations. While this summary is regularly updated, it does not provide a comprehensive review or statement of events and should not be treated as such.

## Latest project news

Date	News
22 April 2021	<a href="#">April 2021 Action Alert</a>
4 May 2020	<a href="#">April 2020 Action Alert</a>
10 March 2020	<a href="#">March 2020 Action Alert</a>
22 November 2019	<a href="#">November 2019 Action Alert</a>
21 February 2019	<a href="#">February 2019 Action Alert</a>
15 February 2018	<a href="#">February 2018 Action Alert</a>

## AASB Action Alert Update, Minutes and Board Papers

Meeting Date	Update
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**Apr 2021**

The Board decided to discontinue this project and to retain the current 'not-for-profit entity' definition in Australian Accounting Standards. The Board noted the initial feedback in response to the Invitation to Comment ITC 37 *The AASB's Standard-Setting Frameworks for For-Profit Entities and Not-for-Profit Entities* requested more guidance but did not indicate significant issues with the current definition. The Board also recognised that while the majority of the respondents to Exposure Draft ED 291 *Not-For-Profit Entity Definition and Guidance* showed support for the proposals, many raised reservations about the clarity of the implementation guidance, the level of judgement required and the expected transition effort and cost for some entities. The Board acknowledged the stakeholders' concerns and concluded that the potential benefits of the proposals are unlikely to justify the cost of their implementation.

**Apr 2020**

The Board decided in respect of the implementation guidance proposed in ED 291 to:

- (a) retain the terms of "equity" and "equity holder" and to clarify that:
  - equity is the residual interest in the assets of the entity after deduction of its liabilities;
  - equity holders are the holders of any equity claims of an entity and in the absence of clear equity instruments, the equity holders are those who have the rights to direct the use of the economic resources of the entity (e.g. members of clubs);
- (b) not provide further clarification on "primary objective" and "community or social benefit", acknowledging that judgement is required to perform the assessment;
- (c) include instances when the presumption that an entity is a not-for-profit (NFP) entity for financial reporting if it is a NFP entity for taxation purposes is rebutted and directed staff to reconsider the drafting of the rebuttal of the presumption to better reflect the implementation guidance;
- (d) include the flowcharts incorporating illustrative examples and demonstrating the assessment process for entities self-assessed as NFP for taxation purposes and for other entities;
- (e) include an illustrative example to clarify the term "providing goods or services for community and social benefit"; and

## AASB Action Alert Update, Minutes and Board Papers

Meeting Date	Update
	<p>(f) restructure the illustrative examples to include an overall assessment, emphasising the involvement of judgement in the assessment process.</p> <p>The Board will consider revised implementation guidance and illustrative examples at a future Board meeting.</p>
<b>Mar 2020</b>	<p>The Board decided to proceed with the not-for-profit (NFP) entity definition proposed in ED 291 with the amendments to the implementation guidance clarifying that an entity is a NFP entity for financial reporting purposes if it is NFP for taxation purposes, unless its primary purpose is for the financial benefit of its equity holder(s) (subject to further clarification of the terms used in the implementation guidance and illustrative examples).</p> <p>The Board did not agree that any entity should be able to elect to be a for-profit (FP) entity due to concerns with possible abuse of the election.</p> <p>The Board will consider revised implementation guidance and illustrative examples addressing other issues raised by stakeholders at the future Board meetings.</p>
<b>Nov 2019</b>	<p>The Board noted stakeholders' support for the overall direction of the proposals in ED 291 <i>Not-for-Profit Entity Definition and Guidance</i>. Further analysis of the submissions will be considered at the Board's next meeting, including the following matters:</p> <ul style="list-style-type: none"><li>• cost/benefit considerations;</li><li>• clarification of certain terms, implementation guidance and illustrative examples;</li><li>• the effective date of the proposed new definition and potential alignment with the Not-for-profit Financial Reporting Framework project, with early adoption permitted; and</li><li>• potential transition relief.</li></ul>
<b>Feb 2019</b>	<p><b>Not-for-Profit definition and guidance</b></p> <p>The Board decided to issue an Exposure Draft proposing to:</p> <p>(a) replace the current definition of NFP entity based on the definition of public benefit entity in New Zealand; and</p> <p>(b) provide guidance to assist an entity that prepares general purpose financial statements to determine whether it is a for-profit entity or an NFP entity for the purpose of applying the accounting standards.</p> <p>The ED will propose including the definition and guidance in AASB 1057 <i>Application of Australian Accounting Standards</i> and permitting early adoption. The ED will be open for a</p>

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90-day comment period. The ED addresses issues raised in submissions in previous consultations and is important given the proposals at this stage for for-profit entities.

[6.1](#) Not-for-profit (NFP)/Public Benefit Definition

[6.2](#) Draft Exposure Draft Not-for-profit Definition and Guidance

### Feb 2018

#### Standard Setting Frameworks

The Board considered the submissions received from stakeholders in respect of Invitation to Comment ITC 37 *The AASB's Standard-Setting Frameworks for For-Profit and Not-for-Profit Entities*. The Board decided to finalise the frameworks out of session, with amendments to address in particular:

- (a) the objective and purpose of the Standard-setting frameworks;
- (b) how the Standards relate to special purpose financial reporting; and
- (c) external reporting beyond financial reporting.

The Board took the view that 'not-for-profit' should be retained as a significant term for accounting purposes, but decided to consider at a later time amending the definition and guidance through monitoring the New Zealand Accounting Standards Board's project on its definition of 'public benefit entity'.

[11.1](#) For-profit and not-for profit Standard-setting frameworks: Review of responses to ITC 37