Australian Government | Australian Charities and Not-for-profits Commission

28 August 2026
ACNCSUB2026/4

Australian Accounting Standards Board (**AASB**)

Submitted via email: standard@aasb.gov.au

Submission to the AASB Exposure Draft (ED) 341 - Updating AASB 1060 to align with AASB 18 classification and presentation requirements

The Australian Charities and Not-for-profits Commission (**ACNC**) welcomes the opportunity to comment on Question 5 of ED 341, which asks whether 'not-for-profit private entities' (including charities) should be exempt from proposed amendments to AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

The ACNC encourages the AASB to exempt charities from the proposed amendments, as the proposals are based on standards developed for the 'for-profit' sector and do not represent the nature or characteristics of the charity sector.

For the AASB's benefit, this submission provides information on:

(a) the ACNC, Australia's charity sector and the charities that will be impacted by the proposed amendments, and

(b) the basis for exempting the charity sector from the proposed amendments.

If you have any questions about this submission, please contact Tim Liu, Director – Reporting, Red Tape Reduction and Corporate Services via tim.liu@acnc.gov.au.

Sincerely,

Nadine Clode
Acting Commissioner
Australian Charities and Not-for-profits Commission

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About the ACNC and Australia's charity sector

1. The ACNC is the national regulator of charities established by the *Australian Charities and Not for-profits Commission Act 2012* (**ACNC Act**). The objects of the ACNC Act are to:

   (a) maintain, support and enhance public trust and confidence in the Australian not-for-profit sector

   (b) support and sustain a robust, vibrant, independent and innovative Australian not-for-profit sector

   (c) promote the reduction of unnecessary regulatory obligations in the Australian not-for-profit sector.

2. Despite our agency's name and the language of our statutory objects, we do not regulate the wider not-for-profit sector.

3. Currently we have oversight of over 66,000 registered charities.

4. The charity sector is a vital part of Australia's social and economic fabric. Charities deliver services, build community capability and cohesion, complement public services and contribute to the economy. In 2024, charities employed around 11% of the Australian workforce, engaged 3.9 million volunteers, and reported revenue of $239 billion[1].

5. To be recognised as a charity and registered with the ACNC, an organisation must:

   (a) be not-for-profit

   (b) have only charitable purposes that are for the public benefit

   (c) not have a disqualifying purpose, and

   (d) not be an individual, a political party or a government agency.[2]

6. Registration with the ACNC is voluntary but is required for an organisation to be eligible for Commonwealth tax concessions and other government benefits (such as deductible gift recipient status).

7. To maintain registration with the ACNC, charities must comply with annual reporting obligations. This includes submitting Annual Information Statements and, for medium and large charities (except Basic Religious Charities), financial reports. These documents are freely available on the ACNC Charity Register.

8. Each year, we conduct financial reporting reviews to assess the compliance of medium and large charities with ACNC reporting requirements. Based on our most recent review of 250 financial reports for the 2024 reporting period, we estimate that **around 7,300 medium and large charities (43% of all medium and large charities)** will be affected by the proposed amendments.

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[1] ACNC, *Australian Charities Report – 12th* edition (2026), < Australian Charities Report - 12th Edition | ACNC>
[2] ACNC, *Role of ACNC in deciding charity status*, <Role of the ACNC in deciding charity status | ACNC>

The basis for exempting the charity sector from the proposed amendments

9. In making our recommendation, the ACNC has reflected on:

   (a) **the need to maintain transparency and public trust and confidence in the charity sector,** which relies on the support of the public, volunteers, donors and government.

   (b) **the importance of simple, fit-for-purpose and proportionate reporting requirements** that are readily understood and applied by charities of varying sizes and levels of financial capability.

   (c) **the operating environment for charities**, which continues to be challenging due to increasing demand for services, economic pressures, workforce shortages and the resources required to recruit, support and retain volunteers.

   (d) **the cumulative impact and pace of regulatory reform (including the AASB's Tier 3 Standards)**, and the extent to which ongoing reporting and compliance changes reduce the capacity of charities to focus on delivering charitable outcomes.

   (e) **the Australian Government's productivity agenda**, including efforts to reduce unnecessary red tape through a 'tell-us once' approach, eliminating duplicative processes and improving regulatory efficiency.

10. We recommend that charities be exempt from the proposed amendments because any benefits are likely to be outweighed by implementation costs. The proposed amendments:

    (a) **are not designed for the charity sector** - the proposed amendments are based on standards developed for for-profit entities. Charities operate in a different context, existing to pursue charitable purposes and being accountable to donors, beneficiaries, regulators and the public, rather than investors.

    (b) **use terminology that is not relevant to the charity sector -** terms such as 'profit or loss before financing and income taxes' may be confusing for users of charity financial reports, as charities are generally exempt from income tax. This may lead users to (incorrectly) believe that charities are subject to income tax, reducing the understandability of financial reports.

    (c) **do not address an identified need -** the ACNC has not identified any evidence or received stakeholder feedback indicating that users of charity financial reports need the additional information outlined in the proposed amendments.