



<b>Project:</b>	<b>Not-for-Profit Private Sector Financial Reporting Framework</b>	<b>Meeting:</b>	AASB October 2025 (M215)
<b>Topic:</b>	<b>Redeliberation – related party disclosures</b>	<b>Agenda Item:</b>	6.3
		<b>Date:</b>	16 September 2025
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		<b>Decision-Making:</b>	High
		<b>Project Status:</b>	Project redeliberations

## Objective of this paper

- 1 The objective of this staff paper is for the Board to **decide** how to finalise the proposed requirements exposed in ED 335 *General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities* regarding Section 28: *Related Party Disclosures* of that ED.

## Structure of this paper

- 2 This paper is structured as follows:
  - (a) Summary of staff recommendations (paragraph 3); and
  - (b) Background and reasons for bringing this paper to the Board (paragraphs 4 – 5);
  - (c) Summary of proposals in Section 28: *Related Party Disclosures* (paragraphs 7 – 8); and
  - (d) Staff analysis of stakeholders’ feedback, and staff recommendations, on Specific Matter for Comment 37 (Table 2 and paragraphs 10 – 13).

## Summary of staff recommendations

- 3 Staff recommend the Board finalises the Tier 3 requirements for related party disclosures as exposed in ED 335 Section 28 subject to any redrafting necessary to improve the clarity of the requirements.

## Background and reasons for bringing this paper to the Board

- 4 The Board decided at its 1 May 2025 meeting to proceed with developing a Tier 3 Accounting Standard with simplified recognition, measurement, and disclosure requirements for smaller not-for-profit (NFP) private sector entities, and commence redeliberations of the proposals in ED 335.<sup>1</sup>
- 5 At the May 2025 board meeting, the Board considered the summarised feedback on ED 335 and a proposed categorisation of the extent of the Board’s re-deliberation efforts. This paper

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1 Per [minutes](#) of the 1 May 2025 AASB meeting.

provides the staff analysis of stakeholder feedback received on Section 28: *Related Party Disclosures*. The Category B topics are proposals where stakeholders provided mixed feedback or expressed substantive concerns on one or more particular aspects of the proposals.

- 6 The primary objective of this paper is for the Board to, in respect of the topic covered, decide whether to make any substantive changes to the proposals exposed in ED 335. Staff have not included any revised drafting in this paper. Consistent with the approach taken to the redeliberated topics to date, staff plan to present the revised drafting collectively in November 2025, as per the project timeline outlined in Agenda Paper 6.0. This approach will allow the Board to first consider all decisions on matters of principle, ensuring a comprehensive view of the overall draft Standard.

### **Summary of proposals in Section 28: *Related Party Disclosures***

- 7 As noted in paragraph BC124 of the Board's Basis for Conclusions for [ED 335](#), the Board proposed that Tier 3 disclosure requirements for related party transactions should generally be consistent with Tier 2 disclosure requirements (except as noted in paragraph 8). This decision reflects stakeholders' feedback during preceding outreach activities that related party disclosures are important for users of financial statements of Tier 3 NFP entities, especially since related parties might enter into transactions that unrelated parties would not. The Board also noted that existing NFP private sector entities, such as charities, are already required under the Australian Charities and Not-for-profits Commission (ACNC) legislation to make related party disclosures regardless of the size of the charity.
- 8 As noted in paragraph BC125 of the Board's Basis for Conclusions for ED 335, for further simplification, the Board decided on the following exemptions from the Tier 2 related party disclosure requirements in AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*:
  - (a) not to require disclosure of key management personnel (KMP) compensation (para. 28.10(a)); and
  - (b) not to require disclosure of donations from related parties unless evidence indicates the donations could influence the entity's activities or use of resources (para. 28.10(b)).

### **Developments since issue of ED 335**

- 9 As noted in Agenda Paper 6.0, the International Accounting Standards Board (IASB) reissued the IFRS for SMEs in February 2025. As the Board had regard to the related IASB Exposure Draft in developing some of its proposals for related party transactions, staff reviewed the reissued IFRS for differences between the IASB ED and the final IFRS Standard. Staff have determined that it contains no changes from the Exposure Draft on which Section 28 of ED 335 was based that would warrant further consideration by the Board in finalising the Tier 3 Standard.

### **Staff analysis of stakeholders' feedback, and staff recommendations, on Specific Matter for Comment 37**

#### ***Overview of stakeholder feedback received***

- 10 As reported in Agenda Paper [4.3](#) considered at the May 2025 Board meeting, of the 18 comment letters that responded directly to ED 335 and the total number of participants who attended a virtual/in-person outreach session, 9 and 18 respondents, respectively, provided a response to SMC 37. SMC 37 asked whether respondents agree with the two proposed disclosure exemptions referred to in paragraphs 8(a) and 8(b) above. The following table provides an overview of the responses received on SMC 37.

Table 1 SMC 37 responses

	Agree	Agree with exception	Disagree	Unsure
Out of 9 comment letters that commented on SMC 37	3 (33%)	6 (67%)	-	-
Out of 18 participants who attended a virtual/in-person outreach session and commented on SMC 37	13 (72%)	-	1 (6%)	4 (22%)

- 11 Stakeholders generally agreed with the proposals. Of the nine comment letters that commented on Section 28 of ED 335, three from professional services firms agreed with the proposals. One of those stakeholders considered smaller NFP entities would be likely to have only one member of KMP, and disclosing their compensation could result in privacy issues. They noted that Treasury and the ACNC identified privacy as an issue and decided that, for ACNC reporting purposes, even though AASB 124 *Related Party Disclosures* is mandatory for large charities preparing special purpose financial statements (SPFS), they are exempt from disclosing KMP compensation if they have only one remunerated member of KMP.
- 12 However, six comment letter submitters (from two other professional services firms, three professional bodies including two in a joint submission, one regulator and an individual stakeholder) and some virtual/in-person outreach participants generally agreed with the proposals in Section 28 but expressed the concerns (and made related suggestions) noted in Table 2 . The stakeholder feedback in Table 2 is categorised into comments on the issues raised in SMC 37; and comments on other issues.

**Detailed outline of concerns expressed in stakeholders' feedback on SMC 37 and staff analysis**

Table 2 SMC 37: Stakeholder comments and staff analysis and recommendations

Stakeholder comments	Staff analysis
<p><u>KMP remuneration disclosures</u></p> <p>Regarding the proposal in para. 28.10(a) of ED 335 not to require disclosure of KMP remuneration:</p> <p>(a) Five stakeholders (two professional services firms and three professional bodies) disagreed with the proposal, emphasising that KMP disclosures important to users. One professional services firm argued for alignment with Tier 2 requirements, adding that regulators can exercise discretion to exempt Tier 3 NFP entities from these disclosures if deemed appropriate. Another firm considered the proposals could create inconsistency with the ACNC disclosure requirements, potentially adding complexity and confusion for preparers.</p> <p>(b) A regulator did not disagree with the proposal but noted that, in the absence of Tier 3 thresholds, the ACNC might require legislative changes to ensure that large charities continue to disclose KMP compensation; and</p> <p>(c) A few virtual/in-person outreach participants were either unsure about or disagreed with the proposal. A preparer commented that if KMP compensation disclosures are already mandated by legislation or regulatory requirements, it would make sense to</p>	<p>In developing its proposed exemption for KMP compensation disclosures in ED 335, the Board was aware of stakeholder views that the disclosures would provide important information for users, and that the disclosure requirements should align with Tier 2 requirements.</p> <p>However, the Board also noted views that disclosure of KMP remuneration might be regarded as a regulatory/probity disclosure rather than a disclosure necessary to achieve the objective of general purpose financial statements for a broad range of users. As noted in para. BC125 of ED 335, the Board noted that the relevant legislation or regulations may still require KMP compensation disclosures for certain NFP private sector entities (see also below). In addition, the Board noted that an inherent aspect of a Tier 3 Standard with simplified recognition, measurement and disclosure requirements (compared with Tier 1/Tier 2 reporting requirements) is that some relevant information would not be required to be disclosed by Tier 3 NFP entities where the outcome is proportionate.</p> <p>The Board's proposal is consistent with ACNC disclosure requirements for KMP remuneration, notwithstanding one stakeholder's concern. Small charities reporting to the ACNC are not required to disclose KMP remuneration. Medium-sized charities preparing SPFS are not required by the ACNC to disclose KMP remuneration. Only medium charities that prepare general purpose financial statements (GPFS) and all large charities (unless a basic religious charity) are required by the ACNC to disclose KMP remuneration. As noted in paragraph 11, even these entities are exempted from disclosing KMP remuneration if they have only one remunerated member of KMP and their KMP services are not provided by a separate management entity. Thus, the Board's proposal to exempt smaller NFP entities from KMP remuneration disclosure aligns with ACNC requirements in two respects.</p> <p>In light of the mixed views expressed by stakeholders in feedback on the proposed exemption, and the fact that the stakeholder feedback did not provide new compelling evidence that should cause the Board to change its view on the proposal, <b>staff recommend</b> that the Board confirms its proposal that the Tier 3 Standard should not require disclosure of KMP remuneration.</p>

Stakeholder comments	Staff analysis
<p>duplicate this requirement in the Tier 3 Standard.</p>	
<p><u>Donations from a related party</u></p> <p>Regarding the proposal in para. 28.10(b) not to require disclosure of donations from related parties unless evidence indicates the donations could influence the entity's activities or use of resources, two stakeholders made the following comments in written submissions:</p> <p>(a) a professional services firm noted that determining whether a donation from a related party could influence an entity's activities could require judgement. To simplify the disclosure requirements and reduce subjectivity, they recommended removing the disclosure exemption for donations in para. 28.10(b), with application of the concept of materiality filtering out minor amounts; and</p> <p>(b) a professional body considered donations from a related party important for all entities and required by some regulators. Therefore, they considered disclosure of donations from a related party should be required in the Tier 3 Standard.</p> <p>In addition, a few virtual/in-person participants sought further guidance on what qualifies as a</p>	<p>As noted in Agenda Paper <a href="#">5.2</a> for the Board's November 2023 meeting (Meeting 200), when developing the proposals, the Board noted the following supporting arguments for the proposal in para. 28.10(b):</p> <p>(a) Unless there is evidence to the contrary, donations received by a charity from a related party without attached conditions that would, or might, require the charity to alter significantly the nature of its existing activities are unlikely to influence the pursuit of the separate independent interests of the charity; and</p> <p>(b) There may be a desire for related party donors to be anonymous or for their donations not to be publicly disclosed. Some donors would rather cease providing donations than have their donation amount reported. This feedback was consistent with the feedback observed by staff when the ACNC's requirements for medium and large charities to present related party disclosures were being introduced.<sup>2</sup> In addition, the Board's proposal aligns with legislative requirements; the ACNC generally does not require charities to disclose donations they receive from related parties.<sup>3</sup></p> <p>In relation to the adjacent comments by stakeholders disagreeing with the proposed exemption from disclosing certain donations from related parties, staff also note that:</p> <p>(a) applying the concept of materiality to donations from related parties would also be likely to require judgement, albeit that materiality might be assessed in various instances at a lower threshold than that of evidence existing that donations could influence the entity's activities or use of resources;</p> <p>(b) the reference in para. 28.10(b) to <u>evidence</u> indicating the donation could influence the entity's activities or use of resources should reduce the need for preparers to exercise</p>

2 Refer to Agenda Paper [5.2](#) for the Board's November 2023 meeting (Meeting 200)

3 Refer to ACNC guidance on related party transactions published on the [ACNC website](#).

Stakeholder comments	Staff analysis
<p>donation that could influence an entity's activities. Similarly, an individual stakeholder was unsure about the proposal and whether related party donations include grants.</p>	<p>judgement. This is because if evidence does not exist, a preparer may conclude that there is no requirement to consider disclosing the related party nature of the donation;</p> <p>(c) donations that could influence the entity's activities or use of resources should occur in only limited circumstances, because most transfers of assets to an entity that could influence the entity's activities or use of resources would give rise to a 'common understanding' (deferred revenue liability) in accordance with Section 20: <i>Revenue</i> of ED 335, and therefore would not be treated as donations; and</p> <p>(d) as noted by the Board in developing the proposals, the exemption is similar to disclosure exemptions for certain related party donations included in the Singapore <i>Charities Accounting Standard</i> and United Kingdom <i>Accounting and Reporting by Charities: Statement of Recommended Practice</i> (Charities SORP)<sup>4</sup>.</p> <p>In light of the strong support expressed by stakeholders for the proposed exemption, and the fact that the stakeholder feedback did not provide new compelling evidence that should cause the Board to change its view on the proposal, <b>staff recommend</b> that the Board confirms its proposal that the Tier 3 Standard should not require disclosure of donations from related parties unless evidence indicates the donations could influence the entity's activities or use of resources.</p> <p>As a matter of drafting (for consideration at a future Board meeting, presently targeted for November 2025), in response to clarifications sought by stakeholders, staff recommend:</p> <p>(a) clarifying that, for the purpose of the disclosure requirement, donations may occur in the form of grants (although 'grants' would not necessarily be donations; it would depend on the circumstances whether transfers in the legal form of 'grants' are donations, transfers including a donation component, or neither); and</p> <p>(b) not to add examples of donations that could influence an entity's activities, in addition to the example included in para. 28.10(b) of ED 335, because it would neither be possible nor appropriate to provide exhaustive guidance.</p>

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4 Refer to Agenda Paper [5.2](#) for the Board's November 2023 meeting

Stakeholder comments	Staff analysis
<p>An individual stakeholder made the following comments:</p> <p>(a) they consider the name of the relevant related party should also be disclosed; and</p> <p>(b) they noted that para 28.9 contained terms that are not defined or used elsewhere in the proposed Standard; that is: uncollectable receivables and bad or doubtful debts.</p>	<p>In relation to the stakeholder comment in (a) adjacent, staff observe that:</p> <p>(a) ED 335's proposal in para. 28.4 to require disclosure of the name(s) of the parent entity and, if different, ultimate controlling party (or next most senior parent that produces financial statements available for public use) is consistent with para. 192 of AASB 1060; and</p> <p>(b) ED 335's proposal not to require disclosures of the names of other related parties is consistent with AASB 1060. Staff consider there is no Tier 3-specific reason why more extensive disclosure of names of related parties than under Tier 2 reporting requirements should be required by the Tier 3 Standard.</p> <p>In relation to the stakeholder comment in (b) adjacent, staff observe that the references to 'uncollectable receivables' and 'bad or doubtful debts' in para. 28.9(c) and (d) of ED 335 replicate those in para. 198(c) and (d) of AASB 1060. Those terms are not defined in the Glossary of terms in ED 335 or the Glossary of terms used in Australian Accounting Standards. In view of stakeholder requests to use the same terminology in the Tier 2 and Tier 3 reporting requirements unless a different meaning is intended, and the consistency between ED 335 and AASB 1060, staff consider these terms should neither be amended nor defined in the Tier 3 Standard.</p> <p>For the reasons set out above, <b>staff recommend</b> not to amend the ED 335 text for the Tier 3 Standard in response to the comments in (a) and (b) adjacent.</p>

### Staff recommendation

- 13 Based on the staff analysis of stakeholders' comments in Table 2, the staff recommendation is that the Board should finalise the Tier 3 requirements in Section 28: *Related Party Disclosures* of ED 335 as exposed. However, in the course of reviewing Section 28, staff identified some editorial changes of clarification in nature. Subject to the Board agreeing with the staff recommendation, staff will bring these editorial changes for the Board to consider at a future meeting (expected November 2025).

### Question 1 to Board members

Do Board members agree with the staff recommendation in paragraph 13 to finalise the Tier 3 requirements in Section 28: *Related Party Disclosures* as exposed in ED 335, subject to any redrafting necessary to improve the clarity of the requirements?

If not, what do Board members suggest