



Project:	Not-for-Profit Private Sector Financial Reporting Framework	Meeting:	AASB March 2026 (M219)
Topic:	Not-for-Profit Private Sector Financial Reporting Framework – Project update, Due process and review of pre-ballot draft	Agenda Item:	3.0
		Date:	4 March 2026
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		Decision-Making:	High
		Project Status:	Finalising Standards

Objectives of this agenda item

- The objectives of this agenda item are for the Board to:
 - receive an update of the project, including interactions with not-for-profit (NFP) regulators (this paper),
 - decide whether to include an exception preventing certain entities from early adopting the Tier 3 Standard (in this paper);
 - decide whether to proceed to a pre-ballot draft of a Standard (Agenda Paper 3.1); and, if so,
 - review a pre-ballot draft of a Standard (Agenda Paper 3.2).

Attachments

- Papers for this agenda item are:
 - Agenda paper 3.1 Not-for-Profit Private Sector Financial Reporting Framework – Due Process;
 - Agenda paper 3.2 Pre-ballot Draft of Tier 3 Standard;In supplementary folders are:
 - Agenda paper 3.3 Substantive changes between working draft and pre-ballot draft of Tier 3 Standard;
 - Agenda paper 3.4 Feedback from regulators on early adoption of Tier 3 (Board only); and
 - Agenda Paper 3.5 Certification Letter on the Impact Analysis of the forthcoming Australian Accounting Standards AASB 10XX and AASB 2026-X submitted to the Office of Impact Assessment on 4 March 2026 (Board only).

Background and decisions made by the Board

- ED 335 *General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities* was issued in late October 2024 with a four-month consultation period ending 28 February 2025.

The exposure draft contained the Board's proposals for a Tier 3 Standard with simplified recognition, measurement, presentation and disclosure requirements, transitional requirements and effective date. At the same time, the Board issued ED 334 *Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements*, which exposed the Board's proposals to extend the application of the *Conceptual Framework for Financial Reporting* and Australian Accounting Standards to more NFP private and public sector entities.

- 4 At its May 2025 meeting, the Board considered collations of the feedback on the proposals in ED 335 and ED 334 and decided to continue the projects and begin redeliberations.
- 5 From the July 2025 to November 2025 meetings, the Board redeliberated the proposals in ED 335 and made decisions about them, in addition to some editorial decisions. The Board concluded the majority of its technical decisions at the February 2026 meeting. A summary of Board decisions, including the extent of revisions to the proposals in ED 335, is provided in the [Not-for-Profit Private Sector Financial Reporting Framework Project Summary](#). Agenda Paper 3.1 also provides a summary of the Board decisions made between May 2025 and February 2026 for the Board to consider as part of re-exposure considerations.

Cross-cutting project update

- 6 As mentioned at the 5 February 2026 Board meeting, staff are monitoring the feedback from stakeholders to AASB ITC 56 *Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2* relevant to the NFP FRF project. Staff noted only one submission to ITC56 provided by a practitioner of a NFP private sector entity. The stakeholder expressed strong support for retaining special purpose financial statements (SPFS) for NFP entities, arguing that their removal would impose disproportionate burdens on organisations with limited resources. They viewed SPFS as a flexible, fit-for-purpose solution that avoids unnecessary compliance costs. They also expressed concerns about the volatility created by using single-year revenue thresholds for tier classification, as one-off grants can push small NFP entities into Tier 2 reporting temporarily, creating instability and forcing them to adopt more complex standards without capacity or lasting benefit. To address this, the submission proposes basing Tier 2 eligibility on a five-year average of revenue to provide greater predictability and allow entities to plan appropriately. Overall, they recommended the AASB to retain SPFS or ensure a genuinely simplified Tier 3, reconsider the use of annual thresholds, and ensure any changes are evidence-based and developed in close consultation with the sector.
- 7 Staff consider the stakeholder's concerns have already been addressed by the Board extensively throughout the development of the NFP FRF project. The Board has previously concluded that retaining SPFS is not appropriate and results in inappropriate reporting outcomes, including limited comparability between NFP private sector entities in similar economic circumstances, as supported by stakeholder feedback and other collected evidence (refer to paragraph BC3 of the pre-ballot draft of the Tier 3 Standard in Agenda Paper 3.2). The Board also decided to develop the Tier 3 Standard as a proportionate response for smaller-sized NFP private sector entities with less complex transactions and events that are required to prepare financial statements that comply with Australian Accounting Standards. As noted in paragraph BC12 of the pre-ballot draft of the Tier 3 Standard, the Board considers the establishment of appropriate quantitative reporting thresholds (and hence, a requirement to comply with a specified reporting tier of GPFS) is more appropriately within the remit of the relevant legislation or regulatory authority. Accordingly, the staff view is that the issues raised in this stakeholder's submission align with matters the Board has already discussed and addressed through the design of the Tier 3 Standard and the Board's broader policy decisions on SPFS removal.

Project timeline and milestones

- 8 The project timeline below is the same as that presented at the Board’s 5 February 2026 meeting, except that it also includes the Board’s consideration and decision at this meeting about whether it would include the exception from early adopting the Tier 3 Standard for Tier 2 preparers. The timeline also has regard to the Board’s work on its associated Conceptual Framework: Not-for-Profit Amendments Project (refer Agenda Paper 4.0). The timeline presumes that the Board will agree with the staff recommendations in Agenda Papers 3.1 and 4.1 that the proposals in the Standard need not be re-exposed.

Topics	Date
ED 334 Bring a pre-ballot draft amending Standard for consideration	March 2026 (this meeting)
ED 335 <ul style="list-style-type: none"> Bring a pre-ballot draft Tier 3 Standard for consideration Bring analysis of whether to allow Tier 2 preparers to early adopt the Tier 3 Standard. 	
ED 334 and ED 335 considerations <ul style="list-style-type: none"> Consider due process 	
<ul style="list-style-type: none"> Consider Explanatory Statement and vote on final pronouncements. 	Out of session before the end of Q2 2026
<ul style="list-style-type: none"> Update the AASB Not-for-Profit Entity Standard-Setting Framework Update Research Report 10 Legislative and Regulatory Financial Reporting Requirements (Updated) Develop a Table of Differences summarising the main differences between the Tier 3 Standard and the International Non-Profit Accounting Standard Produce any accompany guidance/FAQs 	Q2-Q3 2026

Question to Board members

- 1) Do Board members have any comments on the project timeline presented in paragraph 8 above, or any other matters noted in this agenda paper?

Whether Tier 2 entities should be permitted to early adopt the Tier 3 Standard

- 9 At its February 2026 meeting, the Board noted that legislation or regulatory changes may still not be finalised before the issuance of Standards resulting from ED 335 (AASB 10XX *General Purpose Financial Statements – Not-for-Profit Private Sector Tier3 Entities*) and ED 334 (AASB 2026-X *Amendments to Australian Accounting Standards – Extending the Application of the Conceptual Framework and Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements*). In light of this uncertainty, some Board members considered that it might be necessary to prevent entities currently preparing Tier 2 GPFS from early adopting the Tier 3 Standard, as doing so could allow entities to move to a lower reporting tier ahead of regulatory decisions. Board members were concerned this could create inconsistency in reporting practices during the transition period and potentially require entities to re-transition to Tier 2 if subsequent regulatory outcomes mandate GPFS at that level. Accordingly, Board

members questioned whether an exception should be included to prevent entities that are currently preparing Tier 2 general purpose financial statements (GPFS) from early adopting the Tier 3 Standard. Board members were interested in the views of the Australian Charities and Not-for-profits Commission (ACNC) and other relevant regulators and directed staff to do further work to help inform its decision making in this regard.

Background to the ED 334 proposals

- 10 Throughout this project, the Board has been of the view that, as a standard-setter, it does not have the role to determine quantitative reporting thresholds for application of the tiers of Australian Accounting Standards. The establishment of appropriate reporting thresholds (and therefore, requirements to comply with a particular GPFS tier) is a matter for NFP legislators or regulators. The Board also acknowledged that its decision in ED 334 not to develop financial reporting thresholds leaves entities with some uncertainty as to whether the Standard will apply to them in the future. In addition, there is a risk that a Tier 3 Standard may be applied by larger and more complex entities, even though the Board did not develop AASB 10XX with such entities in mind.
- 11 In developing its proposals in ED 334 to allow early adoption of the Tier 3 Standard, the Board was aware that reporting thresholds might not be determined by other parties prior to the Standard's issuance. As a result, the Board considered whether early adoption should be restricted until legislation or regulatory requirements clearly identify which entities may apply the Tier 3 Standard. At that time, the Board recognised that prohibiting early adoption for all entities unless explicitly permitted by legislation or regulation would delay the benefits of simplified accounting requirements for smaller entities and users of their financial statements, who are the primary beneficiaries of the Standard.

Staff analysis of whether to include an exception from early adoption of the Tier 3 Standard

- 12 Agenda Paper 3.4 summarises feedback from NFP regulators on whether they had concerns about Tier 2 entities early adopting the Tier 3 Standard ahead of any legislative changes that would clarify which entities may apply the Tier 3 Standard.
- 13 Staff consider the following are the reasons that support including an exception preventing Tier 2 (and, by extension, Tier 1) NFP private sector entity preparers from early adopting the Tier 3 Standard:
 - (a) An exception could help mitigate the risk of larger and more complex entities inadvertently adopting the Tier 3 Standard before reporting thresholds or regulatory guidance that prohibit application of that Standard are developed.
 - (b) An exception may help address stakeholder concerns about the lack of clarity regarding which entities can apply the Tier 3 Standard.
 - (c) From the work performed, only two regulators expressed concerns and one regulator explicitly supported including the exception, noting that thresholds or regulatory guidance have not yet been developed. That regulator commented that an exception would avoid potential transition costs for an entity that adopts the Tier 3 Standard early but is later legislatively prohibited from doing so.
- 14 Staff consider the following are reasons against including an exception preventing Tier 2 (and Tier 1) preparers from early adopting the Tier 3 Standard:
 - (a) Tier 2 preparers are already complying with more rigorous reporting obligations and restricting them from accessing simplified requirements may be perceived as penalising entities that are adhering to higher reporting requirements.
 - (b) Larger SPFS preparers may be eligible to apply the Tier 3 Standard, yet the exception would apply only to Tier 2 preparers, potentially leading to inconsistency. Staff also note that a Tier 2 entity could transition to SPFS, thereby circumventing the exception.

- (c) Some Tier 2 GPFS preparers that comply with all recognition and measurement requirements except consolidation may not be able to apply the Tier 3 Standard once SPFS is removed and would instead have to transition fully to Tier 2 requirements.
- (d) Certain regulators noted that large charities may currently be required to disclose key management personnel (KMP) remuneration within their financial statements which is subject to assurance requirements, whether preparing Tier 2 GPFS or SPFS, because compliance with AASB 124 *Related Party Disclosures* is mandated by certain regulators, e.g. in ACNC-lodged financial statements. Therefore, they were of the view that entities applying the Tier 3 Standard would no longer be required to present these KMP disclosures, resulting in a loss of information within those financial statements. However, staff consider that even if the Tier 3 Standard would remove the requirement to disclose KMP remuneration in the financial statements, the underlying transparency is largely preserved because regulators such as the ACNC already require this information to be disclosed in existing reporting (e.g., the Annual Information Statement). Therefore, users will continue to have access to KMP remuneration disclosures, even though they may no longer appear in the audited financial statements. For this reason, the concern about the loss of information is significantly diminished.
- (e) In conducting the Policy Impact Analysis, staff sought views from NFP advisors on the NFP Project Advisory Panel. Their feedback suggested that entities currently preparing Tier 2 GPFS are less likely to transition to the Tier 3 Standard, whereas entities currently preparing SPFS are more likely to adopt the Tier 3 Standard. Therefore, it would suggest that various larger Tier 2 preparers might be discouraged by perceived reputational risk from adopting simplified Tier 3 reporting requirements, reducing the risk of application of those reporting requirements by entities the Board did not have in mind when it developed them.
- (f) Not adding the exception could encourage NFP legislators and regulators to expedite development of reporting thresholds or guidance, thereby providing stakeholders with earlier clarity.
- (g) The AASB has not previously amended the Standards to accommodate instances where regulators choose to permit departures from the Standards. Where a regulator grants relief, entities apply the Standards as modified by that regulator. Hence, including an exception preventing Tier 2 and Tier 1 entities from early adopting the Tier 3 Standard would be inconsistent with past practice.

Staff recommendation

- 15 On balance, staff recommend that the Board does not include prevent Tier 2 and Tier 1 preparers from early adopting the Tier 3 Standard, for the reasons in paragraph 11. That is, as proposed in ED 335, entities presenting Tier 2 or Tier 1-compliant GPFS should be permitted to early adopt a Tier 3 Standard. Staff note that a regulator or other legislative authority is not limited by the Board's decision and could disallow entities under their purview from early adoption if they considered it necessary to do so.
- 16 If the Board disagrees with the staff recommendation and decides not to allow Tier 2 or Tier 1 entities to adopt the Tier 3 Standard prior to the effective date, then the staff would suggest the following edits to paragraph B1 in Agenda Paper 3.2 to limit early adoption to entities currently preparing SPFS.
 - B1 An entity shall apply this Standard for annual reporting periods beginning on or after ... [1 July 2029]. Entities whose most recent previous financial statements were special purpose financial statements may elect to apply this Standard to annual periods beginning before ... [1 July 2029], provided that AASB 2026-X *Amendments to Australian Accounting Standards – Extending the Application of the Conceptual Framework and Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements* is also applied to the same periods. If an entity applies this Standard earlier, it shall disclose that fact.

- 17 In Agenda Paper 3.1, the Board will consider the due process requirements, including whether the changes to the proposals in ED 335 arising from the Board's redeliberations meet the re-exposure criteria in paragraph 7.7.1 of the *AASB Due Process Framework for Setting Standards*. If the Board disagrees with the staff recommendation in paragraph 15, staff do not consider that adding an exception to prohibit entities preparing Tier 2 or Tier 1 general purpose financial statements from early adopting the Tier 3 Standard would meet the re-exposure criteria. Such an amendment does not introduce a new substantive issue but arguably responds to stakeholder feedback seeking greater clarity about which entities may apply the Tier 3 Standard early. The change is narrow in scope and does not modify the underlying recognition, measurement or disclosure requirements of the Tier 3 proposals. Accordingly, it does not represent an extensive or fundamental change to the proposals in ED 335.

Question to Board members

- 2) Do Board members agree with the staff recommendation in paragraph 15 to allow entities presenting Tier 2 or Tier 1-compliant GPFS to early adopt the Tier 3 Standard?

Only if the Board disagrees with staff recommendation in paragraph 15, do Board members agree with the staff's suggested amendments in paragraph 16 to paragraph B1 and adding paragraph B2 to not permit entities preparing Tier 1 or Tier 2-compliant GPFS to early adopt the Tier 3 Standard unless permitted by a regulatory authority?