

8 October 2021

Individual and Indirect Tax Division
Treasury
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Via email: charitiesconsultation@treasury.gov.au

Australian Charities and Not-for-profits Commission Amendment (2021 Measures No. 3) Regulations 2021

As the representatives of over 280,000 professional accountants, CPA Australia and Chartered Accountants Australia and New Zealand (CA ANZ) thank you for the opportunity to comment on the above draft regulations.

We support the proposed amendments to increase financial reporting thresholds for charities registered with the Australian Charities and Not-for-profits Commission. Subject to our below comments, we also support the proposed amendments to require the inclusion of related party disclosures, including disclosure of remuneration paid to key management personnel (KMP) for certain medium and large sized charities that are currently not providing this information.

We believe these reforms represent important first steps in a reform process that will promote transparency by the sector and its activities to stakeholders and the public, in a way that minimises complexity and the cost to charities and the broader not-for-profit (NFP) sector.

However, we note that the proposals as currently drafted apply the requirements of AASB 124 *Related Parties* (AASB 124) to entities preparing special purpose financial statements (SPFS). This would result in KMP disclosures that are more onerous than the requirements that are already in place for NFPs preparing Tier 2 general purpose financial statements (GPFS). This is because those entities are permitted to apply AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (AASB 1060). Paragraph 194 of AASB 1060 only requires KMP disclosures in aggregate whereas the equivalent paragraph 17 of AASB 124 requires this information both in total and disaggregated into prescribed component parts. We do not believe it is appropriate to require NFPs preparing SPFS to provide more disclosures than NFPs preparing GPFS. We therefore recommend that the proposed regulations be amended to replace “compliance with AASB 124” with “compliance with the related party transaction disclosure requirements in AASB 1060 (paragraphs 189-203)”. We consider that using the requirements of AASB 1060 will satisfy the intended spirit of the reforms while more appropriately balancing preparer costs with user needs.

We also note that the proposed related party disclosures dealing with remuneration paid to KMP would need to be included in financial statements for the 2021-2022 financial year and all other related party disclosures would need to be included in financial statements for the 2022-2023 financial year. This means that the proposals would require comparative information for KMP disclosures for the 2020-2021 period and for all other related party disclosures for the 2021-2022 period. Given the 2020-2021 period is already complete and the 2021-2022 has already commenced, we do not believe it is appropriate to require affected charities to provide such comparative information. Accordingly, we recommend a transitional provision be included in the regulations that exempts affected charities from having to disclose the comparative information in the first year that these related party disclosures are required.

Finally, in our [submission](#) in response to the consultation paper that preceded these draft regulations, we made a number of recommendations pertinent to the broader reform agenda for Australia's NFP sector that includes charities. These recommendations remain relevant, and we request that they be taken into consideration as part of this consultation process.

If you have any questions about our submission, please contact either Ram Subramanian (CPA Australia) at ram.subramanian@cpaaustralia.com.au or Amir Ghandar (CA ANZ) at amir.ghandar@charteredaccountantsanz.com.

Your sincerely

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