

# The endorsement process for deductible gift recipients (DGRs)

Most organisations that wish to receive income tax deductible gifts must now apply to be endorsed.

You will receive an application form for DGR endorsement if you answer 'Yes' at question 11 on your application for an Australian Business Number (ABN).

If you wish to apply for an ABN, you can request an application form by phoning 13 24 78, or you can obtain one from a newsagent.

### What is endorsement?

Endorsement is the new approval process for organisations that wish to be classed as deductible gift recipients. These organisations are required to apply to the Australian Taxation Office (ATO) for DGR status.

### What are the types of endorsement?

If an organisation as a whole can be endorsed as a DGR, then gifts to the entire organisation will be tax deductible. For example, a public hospital could be endorsed as a DGR.

Alternatively, an organisation may be endorsed for a particular fund, authority or institution that it operates. Only gifts to this part of the organisation will be tax deductible. For example, a school may be endorsed as a DGR in relation to its building fund.

### What are the pre-requisites for endorsement?

- The applicant must have an Australian Business Number (ABN).
- The applicant must maintain a gift fund.
- The organisation (or the relevant part of the organisation) must:
  - generally be *in Australia*
  - come within a gift category set out in the income tax law, and
  - satisfy any special conditions in the tax law.

If you do not yet have an ABN, you can request an application to register for The New Tax System by phoning 13 24 78.

Remember to indicate on your ABN application form (at question 11) that you are a DGR or intend to apply for endorsement as a DGR.

### What is a gift fund?

A gift fund is a special fund that the applicant must maintain to receive all gifts made for the principal purpose of the applicant organisation (or for the principal purpose of the relevant part of the organisation).

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The gifts can only be used for the principal purpose of the applicant (or for the relevant part of the applicant organisation).

For further information, see the fact sheet *Gift fund requirements for deductible gift recipients (DGRs)*.

## **What does in Australia mean?**

To be *in Australia*, the applicant (or the relevant part of the applicant's organisation) must:

- be established in and operating in Australia, and
- have its beneficiaries and purposes in Australia.

Overseas aid funds and public funds on the register of environmental organisations need not meet these criteria.

## **Can sub-entities be endorsed?**

Certain non-profit organisations can choose to treat separately identifiable sections of their organisations (non-profit sub-entities) as though they are entities for GST purposes. Sub-entities can have their own ABN.

However, a non-profit sub-entity cannot be endorsed as a DGR in its own right.

The parent organisation must apply for endorsement on behalf of the non-profit sub-entity.

## **Which ABN should be used on the application?**

The organisation making the application must quote its ABN. This applies even where an applicant is seeking endorsement for a particular fund, authority or institution that it operates, and this part of the organisation has an ABN that is issued to it on the basis that it is a non-profit sub-entity.

For example, if a church applies for endorsement of a sub-entity welfare institution that it operates, it must use its own ABN, even if the institution has a separate ABN for GST purposes.

## **What if you have been previously confirmed as gift deductible?**

The ATO will generally process and grant your application without query if it has previously confirmed you as entitled to receive deductible gifts.

To help the ATO do this, the application form asks for your 'DGR number'. You can find this number on the letter you received from the ATO prior to 1 July 2000 stating that you were gift deductible. It will be a six digit number or a nine digit number beginning with the numerals 900.

If you have lost the letter or your letter does not give a 'DGR number', write to the ATO and we will notify you of your number.

Organisations mentioned by name in the gift provisions of tax law do not need to be endorsed.

## **What if you have not been previously confirmed?**

If you have not previously received ATO confirmation of your gift deductible status, you will be required to satisfy the ATO that you are entitled to be endorsed.

Generally, this will require the provision of constituent documents, accounts, publications and other information.

The process will delay endorsement so you should make an early application.

## **When does endorsement commence?**

Your endorsement starts from the date that you nominate on your application for endorsement, though this date cannot be earlier than 1 July 2000.

## What are the consequences of DGR endorsement?

Donors can claim income tax deductions for most types of gifts they make to a DGR from the date that endorsement starts.

Your entry in the Australian Business Register will be updated to show you are a DGR. You can access the Australian Business Register website at [www.business.gov.au](http://www.business.gov.au).

You must notify the ATO if you stop being entitled to DGR endorsement. For example, you would not be entitled to endorsement if you stopped maintaining a gift fund.

When you give receipts for gifts you must include your ABN, your name (or the name of the relevant part of your organisation) and a statement that the receipt is for a gift.

## What notification will you receive?

The ATO will send you written notification of the outcome of your application, indicating whether you have been endorsed or refused endorsement.

## What if your application is refused?

If your application for endorsement is refused, you can have the decision reviewed by the ATO. You will need to put your full reasons in writing. If endorsement is refused after the review, you will be advised of further appeal rights.

## What if there are delays in notification?

You can notify the ATO in writing that you wish to treat your application as having been refused if the ATO has not notified you of a result by the later of:

- the end of the 60th day after you made the application, or
- the end of the 28th day after the last day on which you gave the ATO information that it requested.

You can then have this 'refusal' reviewed by the ATO.

## What if you are no longer entitled to endorsement?

It is your responsibility to advise the ATO if you are no longer entitled to endorsement.

Failure to notify your loss of entitlement may result in prosecution.

## Can your endorsement be revoked?

The ATO may revoke your endorsement if:

- you are not entitled to endorsement
- you have not provided information or a relevant document within the time specified by the ATO, or
- you have improperly issued receipts for gifts made to you.

This revocation will be given in writing and will take effect from a date specified by the ATO.

You have a right to have a revocation reviewed.

## Does DGR endorsement affect income tax exemption?

DGR endorsement is separate from income tax exemption.

DGRs that are charities will need to apply separately for endorsement as an income tax exempt charity (ITEC). DGRs that are not charities should check whether they may be considered as another kind of income tax exempt entity.

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## Need more information?

To help you understand your new tax entitlements and obligations and apply for endorsement, you can:

- phoning the business Tax Reform Infoline on **13 24 78**
- downloading information from the website at **www.taxreform.ato.gov.au**
- obtaining *A Fax From Tax* on **13 28 60**
- phoning the TTY service on **1300 130 478** if you have a hearing or speech impairment, or
- writing to us at PO Box 9935 in your capital city.

Taxpayers who do not speak English and need help from the ATO can phone the Translating and Interpreting service on **13 14 50**.

## Guarantee

Businesses can rely on the information presented in this publication, which provides advice from the Commissioner of Taxation on the operation of the GST system.

Under the GST law, any written ruling or advice given or published by the Commissioner protects taxpayers who have followed the information provided. Rulings or advice can be issued in the form of fact sheets, information booklets, advice manuals and bulletins.

In the event that there is a change in the law or the Commissioner's position on a particular matter, you will be protected in respect of what you have done up to the date of that change. This means that if you have relied on a ruling which has later been changed and, in reliance on the earlier ruling, you have underpaid an amount of GST, you will not be liable for the shortfall prior to the later ruling. Similarly, you will not be liable to repay an amount overpaid by the Commissioner as a refund in these circumstances. Equally, no penalties or interest will apply.

You should take care to ensure that the information in this publication is the latest advice from the Tax Office. Where a change occurs, the Tax Office will be taking all steps to alert taxpayers to that change.

The information in this publication is intended to explain how the GST System will work. It may not apply fully to your circumstances. You can always get help from the Tax Office or consider using a professional tax practitioner.

The information in this publication is current at 6 July 2000.

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