

## Is a NFP also a Charity\*

It can be confusing to know the difference between a not-for-profit (NFP) and a Charity.

As a guide, think of a Charity as a special type of NFP.

This means Charities are always NFPs but NFPs are not always a Charity.

### What is a NFP?

A NFP organisation must use any profits (and it is good to have some each year so you can keep operating!) go back to the purpose of the organisation.

For example, a sporting club might use a surplus to buy new gear for teams. A community housing Association might invest in upgraded heating for residential units.

A NFP can be an Incorporated Association or a Company limited by Guarantee. Profits must not go to members (of the Company or Association) or Committee Members.

### How is this different to a charity?

A Charity is a NFP with all of its purposes being for a charitable purpose as defined in the commonwealth *Charities Act 2013*. An organisation may have more than one charitable purpose.

Purposes that are incidental or ancillary (meaning they will support or aid the charitable purpose) are permitted.

A NFP which is incorporated and which seeks to be recognised as a charity must apply to be registered with the Australian Charities and Not-for-Profit Commission or ACNC.

If the registration is accepted, this introduces oversight by the ACNC and often the Australian tax Office. Plus, the NFP is still subject to state registration and reporting requirements (if it is an Incorporated Association) or commonwealth registration and reporting requirements (if it is a Company).

A NFP which is not incorporated and seeking to collect charitable donations must first, have a charitable purpose and second, seek approval under the *Collections for Charities Act 2001*. This is a Tasmanian Act.

### What about donations?

Not all donations to NFPs or Charities are tax deductible.

The NFP or Charity must be a deductible gift recipient (DGR) which means it has registered to receive tax deductible gifts or donations.

*Practical Tip: NFPs which operate as an Incorporated Association can operate outside their original state or territory of registration if they register with the Australian Securities and Investments Commission (ASIC).*

# The Governance Hub

\*This resource is general in nature and does not constitute legal advice.

[utas.edu.au/governance-hub](https://utas.edu.au/governance-hub)

Resources for not-for-profits (NFPs)