



FOUNDATIONS

Objects and Purpose Clauses: Mission, Taxation and Charitable Status

The shortest clause in your constitution is the one your regulator reads first

The objects clause is the shortest section of most constitutions and the one boards revisit least. That is precisely backwards. It is the clause a regulator reads first, the clause that determines whether your organisation can access charitable tax treatment at all, and the clause against which every one of your programs, partnerships and activities gets quietly measured, whether your board is paying attention to that measurement or not.

Get it wrong and the consequences are not abstract. An organisation with the wrong objects clause, or the right objects clause and the wrong activities, can be refused charitable registration outright, or have that registration challenged later. Get it right, and the objects clause becomes something useful: a durable statement of mission that survives changes of board, changes of CEO, and years of operational drift.

Which rules apply to your association?

The law depends on how your association is set up. A **company limited by guarantee** follows the Corporations Act 2001 (Cth) and its constitution. An **incorporated association** follows its state or territory associations Act and its rules. A **registered charity** also follows the ACNC Act and the ACNC Governance Standards, and some Corporations Act rules are replaced for charities that are companies. Check your own governing documents, and get advice before decisions with legal consequences.

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Three Clauses, Not One

Boards often talk about the objects clause as though it were a single provision. For any organisation seeking or holding registration with the Australian Charities and Not-for-profits Commission (ACNC), it is really three distinct clauses working together, and conflating them is a common source of drafting error.

- The purpose or objects clause itself, stating what the organisation exists to achieve.
- The not-for-profit clause, confirming that income and assets are applied solely to those objects, and are not distributed to members except as compensation for services rendered or expenses incurred.
- The dissolution or winding-up clause, confirming that if the organisation closes down, any surplus assets transfer to another organisation with similar purposes rather than to members.

For organisations seeking Deductible Gift Recipient (DGR) endorsement from the Australian Taxation Office (ATO), a further clause is often required for the relevant DGR category, such as a gift fund clause and a clause directing surplus gifts to another DGR if endorsement is revoked or the organisation winds up. Check the ATO requirements for your category. All of these clauses need to work together consistently. A strong objects clause paired with a weak or absent not-for-profit clause will not satisfy a regulator, and vice versa.

What Makes A Purpose Charitable

For organisations seeking charity registration specifically, the objects clause has to clear a higher bar than simply being worthy. The Charities Act 2013 (Cth) sets out twelve recognised categories of charitable purpose, spanning areas such as advancing health, advancing education, advancing social or public welfare (which includes relieving poverty), advancing religion, and promoting reconciliation, mutual respect and tolerance, among others. To register as a charity, all of an organisation's purposes must fall within one or more of these categories, except for purposes that are incidental or ancillary to a charitable purpose. An organisation can hold more than one charitable purpose at once. Note, however, that most professional and industry associations are not charities because they mainly serve their members. They are usually non-charitable not-for-profits that must self-assess their income tax status and, if they have an ABN, lodge the ATO's annual NFP self-review return.

The purpose also has to satisfy a public benefit test. It generally does not need to benefit everyone, but it does need to benefit the public generally, or a sufficient section of it, rather than serving a narrow private interest. This is where a specific and common drafting trap sits: an objects clause that reads primarily as providing social or recreational benefits to members is unlikely to qualify for charity registration, even where the organisation also does some charitable work alongside it. The ACNC looks at all of the organisation's purposes, and any non-charitable purpose, such as providing social benefits to members, must be no more than incidental or ancillary to the charitable purpose.

When Activities Drift From Objects

Consider this example: a charity established to relieve poverty by operating a community meal centre for homeless people begins, after a local disaster, providing emergency accommodation services instead. The accommodation work may sit outside the charity's purpose as originally stated. Short-term emergency work is not automatically a compliance failure, but a charity whose activities change materially and durably should check them against its purpose, update its governing document where needed, and tell the ACNC about any change to its governing document or charity subtypes.

The governance lesson generalises well beyond disaster response. When a board approves an additional program, a new partnership, or a shift in strategic direction, checking it against the objects clause should be a standing step, not an afterthought. Under ACNC Governance Standard 1, a charity must be not-for-profit and working towards its charitable purpose, and must be able to demonstrate this. A charity whose actual activities have quietly outgrown or diverged from its registered objects is exposed on exactly this standard, regardless of how worthwhile the new activity is in its own right.

An objects clause is not decoration. It is the yardstick your regulator, your funders, and eventually your own board will use to judge whether you are still doing what you said you would.

Drafting For Durability

The most common drafting failure runs in the opposite direction to mission drift: an objects clause written so narrowly, or so tied to a specific activity, method, or era, that it becomes obsolete within a decade. An objects clause that names a particular technology, a particular delivery method, or a highly specific beneficiary group can trap a growing organisation into either operating outside its own constitution or undertaking a formal amendment simply to keep pace with how the sector has evolved.

The more durable approach is to draft the objects clause at the level of purpose, what the organisation exists to achieve, rather than at the level of current method, how it happens to achieve that purpose today. A professional association's object might reasonably be framed around advancing standards and representing practitioners in a defined field, rather than naming the specific training formats, membership tiers, or delivery channels the organisation currently uses to do so. Method belongs in strategy and by-laws, where it can evolve freely. Purpose belongs in the constitution, where it should be built to last.

None of this removes the need for periodic review. Even well-drafted objects clauses should be checked against actual activities on a regular cycle, not just when a regulator asks or a dispute forces the question. A board that treats its objects clause as a living reference point, consulted when approving new strategy, rather than a historical artefact from incorporation, is a board that will rarely be surprised by a compliance question about mission drift.

This is one of the practical governance topics built into our Board Director course, alongside the papers, tools and frameworks that turn the principle into your board's actual practice. [Explore the course](#)

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BOARDROOM ACTION WORKSHEET

Objects and Purpose Clauses: Mission, Taxation and Charitable Status

Turn the resource into evidence, a decision and an accountable next step. Keep the completed record in your association's approved board records system.

1 What is the issue or decision?

State the governance question in one clear sentence.

2 What evidence do we already have?

Record the facts, source documents and stakeholder evidence available now.

3 What evidence is still needed?

Identify the legal, regulatory, financial, member or operational information still required.

4 What is the agreed next action?

Capture the owner, timeframe and how the matter will return to the board.

Action owner	Review date	Board decision or resolution

General education, not legal, financial, tax, clinical or governance advice. Confirm specifics at the relevant primary source or with your own qualified adviser. Nexus Leadership is operated by Lipstick Consulting Pty Ltd · ABN 15 619 120 482.

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