



TAX, STRUCTURE & COMPLIANCE

DGR Status: Why Most Professional Associations Don't Qualify

And it isn't a governance failure. Understanding the real alternative pathway matters more than chasing a category that won't fit

Deductible Gift Recipient status is one of the most misunderstood concepts in the not-for-profit sector, and the honest starting point for most professional and industry associations is this: you probably do not qualify for it, and that is not a governance failure. Understanding why, and what alternative pathway may still exist, is worth more to most boards than a generic explanation of how DGR works.

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 Separate Concessions, Often Conflated Into One

ACNC registration, income tax exemption, and DGR endorsement are three independent concessions, each with its own application process and its own benefit. Income tax exemption is valuable where it applies: an exempt charity keeps the full value of interest, rent, trading surplus, and grant income. But many professional and industry associations are not charities and are not exempt, because the ATO generally treats not-for-profits that advance the common interest of members, rather than the broader community, as taxable. They may still not pay tax on mutual receipts from members, but other income such as interest, rent and non-member trading can be taxable. For an association that does hold it, exemption is usually the more economically significant concession day to day. DGR endorsement is a separate, additional status specifically affecting whether donations made to the organisation are tax deductible for the donor, and it requires its own distinct application, generally on top of charity registration.

Why Most Professional Associations Do Not Qualify

DGR endorsement requires fitting one of more than 50 specific, narrowly defined categories in tax law, health promotion charities, public benevolent institutions, cultural and environmental organisations, school building funds, and similar public-benefit purposes among them. An association whose core purpose is representing and benefiting its own members' professional interests, however valuable that work is, typically does not fit any of these categories, since DGR is built around broader public benefit rather than member benefit. This is worth stating plainly rather than leaving boards to wonder why their valuable work does not translate into DGR eligibility. Being a not-for-profit, or even ACNC-registered, and doing valuable work for your profession does not automatically mean your association can offer tax-

deductible donations. DGR is a separate, narrower status built around public benefit categories that most professional associations were never designed to fit.

The Workaround Worth Exploring

Where the association as a whole does not fit a DGR category, a useful alternative exists: establishing a separate fund or entity for a qualifying activity, depending on what the relevant DGR category allows, a research fund, an educational scholarship fund, or a public health promotion activity connected to the profession, for example. Some categories allow a public fund maintained by an organisation, while others require a separate entity. Either way, the fund can potentially secure DGR endorsement even where the parent association cannot, provided it is established and operated for the qualifying purpose, not simply a relabelled account within the existing organisation. This requires legal advice to structure correctly.

- Confirm whether your association is income tax exempt or taxable. If it is a non-charitable not-for-profit with an ABN that self-assesses as exempt, it must lodge an annual NFP self-review return with the ATO.
- Assess honestly whether your association's core purpose fits one of the specific DGR categories before investing time in an application likely to be declined.
- Explore establishing a separate fund or entity for a specific qualifying purpose, such as research or education, where the parent association itself does not fit a DGR category.
- Ensure any DGR-endorsed entity's governing document contains the required, acceptable revocation clause, a specific drafting requirement connecting directly to the constitutional discipline discussed throughout this series.
- Seek legal and tax advice before pursuing DGR status for a new fund or entity, given the value of getting right a fundraising lever that can make giving more attractive to donors.

DGR status is a powerful fundraising tool for the organisations built to hold it. It is not a universal marker of legitimacy, and a professional association without DGR endorsement has not failed at anything. Understanding which concessions your association actually holds, and which remain out of reach given its actual purpose, is what allows a board to make an honest, informed decision about where fundraising effort is worth investing. 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](#)

Annie Gibbins

Founder and CEO, Nexus Leadership

BOARDROOM ACTION WORKSHEET

DGR Status: Why Most Professional Associations Don't Qualify

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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