

Tax deductible donations can be made to an Overseas Aid Fund only if the fund is endorsed as a “Deductible Gift Recipient”. It is very difficult to obtain endorsement as a Deductible Gift Recipient under the “Overseas Aid Gift Deduction Scheme”.

In this fact sheet, we outline options for funding overseas aid.

### Option 1 – Make donations directly to an existing organisation

The simplest option is to make donations to an existing organisation which already has endorsement as an Overseas Aid Fund.

### Option 2 – Establish your own Overseas Aid Fund

In order to seek endorsement as an overseas aid fund, an applicant needs to be accepted by the Minister for Foreign Affairs as an “approved organisation”. Once approved, a “developing country relief fund” must be established, certified by the Treasurer and approved by the Australian Taxation Office. There are therefore three separate “approvals” required. The journey to endorsement is long, expensive and uncertain and can take years.

In addition to the difficulties in obtaining endorsement as an overseas aid fund, there are restrictions as to what overseas aid funds can do. Tax deductible funds raised through overseas aid funds can only be used for “development and/or relief” in countries declared to be “developing countries”. “Development and/or relief” is defined to exclude welfare, evangelism and political activities.

Further detail regarding this process can be found at [ATO Fact Sheet - Overseas Aid Funds](#) and [AusAID Guidelines](#).

### Option 3 - Partner with an existing Overseas Aid Fund

Given the above process is difficult, an option is to partner with an existing Overseas Aid Fund, to conduit money from Australia to an aid project overseas. An agreement can be made between two organisations so that money raised at the initiation of a particular organisation can be applied to preferred projects, via the endorsed Overseas Aid Fund.

### Option 4 – Partner with an existing Overseas Aid Fund, via your own Ancillary Fund

An organisation seeking to provide overseas aid can establish an **ancillary fund** to raise funds for an existing overseas aid fund. An ancillary fund can either be “public” (receiving donations from the public) or private (receiving donations only from limited sources).

The *Income Tax Assessment Act 1997* (Cth) allows for an “ancillary fund” to be established for the purpose of providing money to Deductible Gift Recipients (“DGRs”). The process is that the Ancillary Fund receives money and provides a tax deductible receipt, and then releases that money to another Deductible Gift Recipient – typically, an endorsed Overseas Aid Fund.

This is an attractive option for entities which are happy to partner with another organisation to channel tax deductible donations made in Australia to agreed development and relief projects overseas.

## Not for Profit Fact Sheet

### Example – Australian Charitable Entity and Public Ancillary Fund

#### 1. The starting point – an **Incorporated Association**

- A not-for-profit Association is incorporated to act as trustee of an Ancillary Fund.
- The association applies to the Tax Office for endorsement as a Tax Concession Charity in order to obtain exemption from income tax.

#### 2. The fund raising vehicle – an **Ancillary Fund**

- An Ancillary Fund is established. This involves drafting a trust deed and appointing the association as trustee.
- The Association applies to the Australian Taxation Office to have the Ancillary Fund endorsed as a Deductible Gift Recipient.
- Donations are made to the Ancillary Fund and then passed on to a Partner which is endorsed as an existing Overseas Aid Fund.
- The Overseas Aid Fund Partner then makes payments to fund the nominated overseas project.

#### 3. The Overseas Aid Fund **Partner**

- The Association enters into a partnership arrangement with an existing Overseas Aid Fund which is prepared to endorse the Association's preferred project as its own. It is common practice for such an arrangement to be informal and in fact the trustees of the Overseas Aid Fund have to retain ultimate decision-making power over where the funds are spent. However, this kind of arrangement does often work well in practice.
- Examples of existing Overseas Aid Funds which may enter into this kind of arrangement are:
  - [Global Development Group - AUSTRALIA](#)
  - [Australian Hope International](#)
  - [World Relief Australia](#)

Moore's Legal can assist with advice regarding the best structure for your circumstances, and with implementation.

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