

## Grants and legal eligibility – A guide

Certain grants require applicants to have certain legal status. Here's an explainer on some of the main statuses and legal structures of not-for-profits:



- Deductible Gift Recipient (DGR1)** Most philanthropic grant-makers require grant applicants to have DGR1 status. This means their grants are tax deductible. Due to the legal structure of many trusts and foundations, they are legally required to give only to DGR1 charities.
- Tax Concession Charity (TCC)** Charities that are registered with the ACNC can receive charity tax concessions from the ATO. TCC status exempts charities from having to pay income tax. A large proportion of philanthropic grant-makers require both DGR1 and TCC status of their applicants.
- ACNC Registered Charity** Charities registered with the Australian Charities and Not-For-Profit Commission are often referred to as 'registered charities'. ACNC Charities are beholden to charity legislation. A large proportion of grant-makers require applicants to be ACNC registered. Charities must be registered with the ACNC to be eligible for TCC status. Some DGR categories require ACNC registration.
- Public Benevolent Institution (PBI)** Public Benevolent Institutions are charities focussing mainly on relief of poverty or distress. It is an ACNC charity registration sub-type.
- Incorporated Association** An incorporated association is a legal organisational structure separate from its members, requiring registration under state/territory legislation. It generally requires a committee, annual meetings, and certain documentation and publications like an annual statement.
- Unincorporated Association** An unincorporated association is not a separate legal entity from its members. An unincorporated association can register with

the ACNC if it has acceptable governing documents, committee members, and ability to meet ACNC governance standards. There are a limited range of funders who grant to unincorporated groups.

### **Auspiced**

Unincorporated groups who don't have the resources or legal eligibility to undertake a grant agreement by themselves, but which are operating as a nonprofit, can apply for some grants if they are auspiced by a larger organisation that does have DGR1 or incorporated status. The Auspicing organisation enters the funding agreement on behalf of the smaller organisation, and often manages the money and is the body legally accountable to the grant-maker. Some funders will not provide funding via auspicing arrangements.

### **Social Enterprise**

There is no legal structure or registration process to operate as a social enterprise in Australia. They can be operated by for-profit or not-for-profit entities. Social Enterprises are regarded as businesses or activities carrying out profit-making activities helping achieve or fund a mission, or creating a public benefit. There are a growing pool of funders and initiatives in Australia that provide seed funding and grants specifically for social enterprises.

### **501(c)3 or equivalent**

Most US based funders require their applicants to have the American nonprofit status 501(c)3, or their country's equivalent. In Australia the equivalent is ACNC Registration and DGR1 status. Charities can also register with the Charities Aid Foundation (CAF), which acts as an auspicing body providing 501(c)3 to vetted organisations, who can then accept tax deductible donations from American donors.

For more information on legal structures of nonprofit organisations, see [NFPLaw](#) and the [ACNC](#).

**Be sure always to confirm the eligibility requirements and guidelines BEFORE applying.**