

# Technical headlines

## The changing face of NZ charity financial reports

The content of registered charity financial reports has been overhauled.

BY ZOWIE MURRAY CA

### FOR PERIODS BEGINNING ON

or after 1 April 2015, all New Zealand registered charities have a statutory requirement (Section 42A, Charities Act 2005) to prepare general purpose financial reports (GPFR). This means for balance dates from 31 March 2016, all charities have a legal requirement to prepare their financial reports in line with the new reporting standards issued by the External Reporting Board (XRB). The aim of this legislative change is to improve the quality, consistency and comparability of charity financial reports.

### New reporting standards

Due to being granted charitable status, registered charities meet the financial reporting definition of a public benefit entity (PBE) (Para. 6 and Appendix A, XRB A1) so must use the XRB reporting standards for not-for-profit (NFP) PBEs. There are four different reporting tiers, and the criteria and standards for each tier are established in Standard XRB A1: Application of the Accounting Standards Framework and outlined in the table on the right.

TIER	CRITERIA	NFP REPORTING STANDARD(S)
1	"Public accountability" [Para. 7–13, XRB A1]; or Expenses >NZ\$30m*	PBE Standards
2	No public accountability; and Expenses ≤NZ\$30m*	PBE Standards RDR
3	No public accountability; and Expenses ≤NZ\$2m*	PBE Simple Format Reporting Standard – Accrual [SFR-A (NFP)]
4	No public accountability; and Operating payments <NZ\$125k*	PBE Simple Format Reporting Standard – Cash [SFR-C (NFP)]

\*For the two preceding accounting periods

Public accountability (from Para 7-13, XRB A1) has a specific definition which is different to everyday usage. For reporting purposes an entity has public accountability if it holds cash or assets on behalf of others as one of its main activities. This is typically the case for banks, credit unions and insurance providers. However, it is expected that very few charities will meet this definition because that will not be their main activity.

The tier 1 and 2 standards consist of 38 separate standards derived

largely from International Public Sector Accounting Standards (IPSAS). This set of standards is similar in nature to IFRS. Tier 2 entities are allowed to apply Reduced Disclosure Regime exemptions (RDR). This means they must apply the recognition and measurement criteria set out in the 38 standards but are allowed to take advantage of significantly reduced disclosure requirements.

The tier 3 and 4 standards are single, short, stand-alone

standards that have been developed domestically. In these, the financial report is called a “performance report” to reflect that its contents are both financial and non-financial. The XRB has developed optional templates and guidance to assist compliance with these new reporting standards. There is some transitional relief whereby comparatives are not required for the first year, but the previous year’s financial report is required to be attached.

### New audit requirements

The legislative change also created a statutory assurance requirement (Section 42C, Charities Act 2005) for “medium” and “large” charities. This means for balance dates from 31 March 2016, some charities have a legal requirement to have their financial reports audited or reviewed as follows:

SIZE	DEFINITION	ASSURANCE REQUIREMENT
Large	Expenses $\geq$ \$1m*	Audit
Medium	Expenses $\geq$ \$500k*	Review

\*For the two preceding accounting periods

Note that the charity size requirements for audit or review requirements are significantly lower than the tiers for reporting.

### Filing and assistance

All charities have a separate legal requirement (Section 41, Charities Act 2005) to file an annual return with the Department of Internal Affairs (DIA) Charities Services within six months of balance date.

We have a dedicated webpage ([nzica.com/technical/registered-charities](http://nzica.com/technical/registered-charities)) which links to all the resources we have available. In addition, we are currently running a series of seminars on the tier 3 and 4 standards – so look out for locations near you as they get released. For those unable to attend the seminar, we will also deliver this same training as a webinar. ●

**ZOWIE MURRAY CA** is a senior policy adviser in the Thought Leadership and Policy Team.

## AUSTRALIA

### Australian Federal Election

During the election campaign, Chartered Accountants ANZ has been keeping track of the main tax and superannuation election policies of the Coalition, Australian Labor Party and the Australian Greens. Links to these have been compiled on our website as a handy reference to indicate policies that could be implemented once the outcome of the 2 July 2016 Australian Federal Election is known. Go to [charteredaccountantsanz.com/tax-and-super](http://charteredaccountantsanz.com/tax-and-super)

### Legislation

A number of tax related bills received Royal Assent just prior to the calling of the election. These included Tax and Superannuation Laws Amendment (2016 Measures No.1) Act 2016 which introduced measures extending the GST to digital products and other services imported by consumers from 1 July 2017 (the so-called “Netflix tax”). Other changes relate to GST on cross border supplies between businesses and changes to the tax treatment of farm ▶