

A practical guide

To Key Public or Private Ancillary Funds (PAF) Requirements

The summary tables below are for guidance only to suggest major areas of compliance risk for the specified categories of PAFs¹.

Financial Reporting Obligations for PAFs

| | Public Ancillary Fund ² | Private Ancillary Fund ² |
|--|--|---|
| Minimum annual distribution³ | \$8,800 OR 4% * Prior year net asset market value | \$11,000 OR 5% * Prior year net asset market value |
| No distribution period | First 4 years of operation | First year of operation |
| Asset valuation | Estimated annually | |
| Land valuation⁴ | Every 3 years | |
| Audit required | Revenue > \$1 million; OR Assets > \$1 million | |
| Review required | Revenue < \$1 million; AND Assets < \$1 million | |
| Investment strategy | Must be designed and maintained | |
| Allowed borrowings | When purpose is to make a distribution; AND the period of the borrowing does not exceed 90 days; AND the borrowings do not exceed 10% of assets. | |
| Lodgement deadline | The audit or review must be finalised before the fund is required to give to the Commissioner its income tax return for the year. | |

The financial statements must be prepared in accordance with Australia Accounting Standards.⁵

How we can help

Pilot has extensive experience helping PAF entities with accounting, audit and advisory services, including:

- Audit services
- Advice on compliance requirements and risk management
- Preparation of financial reports
- Accounting, tax and structuring services

Next steps

For more information or assistance contact Daniel Gill or Chris King on +61 7 3023 1300.

¹ Summary tables are not a comprehensive statement of all applicable requirements. Requirements for PAFs are defined in the *Taxation Administration (Public Ancillary Fund) Guidelines 2022* and the *Taxation Administration (Private Ancillary Fund) Guidelines 2019* ("The Guidelines").

² Private ancillary funds are used to undertake private activities and are not allowed to solicit donations from the public. Public Ancillary Funds are used to collect donations from the public.

³ The greater amount is taken to be the value of the minimum annual distribution.

⁴ The market value of the land must be estimated (by a certified and independent valuer).

⁵ If a PAF is required to prepare, and does prepare, a financial report in accordance with Subdivision 60-C of the *Australian Charities and Not-for-profits Commission Act 2012*, it will have satisfied this section.

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