



Project:	Not-for-Profit Private Sector Financial Reporting Framework	Meeting:	AASB November 2025 (M216)
Topic:	Redeliberation – effective date	Agenda Item:	10.1
		Date:	31 October 2025
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		Decision-Making:	High
		Project Status:	Project redeliberations

Objective of this paper to the Board

- 1 The objective of this staff paper is for the Board to **decide** how to finalise the proposed effective date of a final Standard based on ED 335 *General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities*.

Structure of this paper

- 2 This paper is structured as follows:
 - (a) Background and reasons for bringing this paper to the Board (paragraphs 3 – 4); and
 - (b) Staff analysis of stakeholders’ feedback on SMC 4 and staff recommendations (paragraphs 5 – 16);

Background and reasons for bringing this paper to the Board

- 3 The Board decided at its May 2025 meeting to proceed with developing a Tier 3 Accounting Standard with simplified recognition, measurement, presentation and disclosure requirements for smaller not-for-profit (NFP) private sector entities, and to commence redeliberations of the proposals in ED 335.¹
- 4 The primary objective of this paper is for the Board to decide whether to make any substantive change to the proposals exposed in ED 335 regarding the effective date of a final Standard.

Staff analysis of stakeholder’s feedback and recommendations on Specific Matter for Comment (SMC) 4

- 5 The Board exposed in the ED that the effective date of a finalised Standard will be at least three years after its issue. Therefore, ED 335 did not propose a specific effective date. The Board also decided to align the effective date of the proposed Tier 3 Standard with the effective date of amendments of the *Conceptual Framework for Financial Reporting* and other Australian Accounting Standards to extend their application to more not-for-profit (NFP) entities.

1 Per [minutes](#) of the 1 May 2025 AASB meeting

- 6 As per paragraph BC134 of ED 335, the Board had considered several factors in its decision to provide at least a three-year transitional period, including:
- (a) stakeholder feedback that there would appear to be more Tier 3 entities that would be affected by the removal of special purpose financial statements (SPFS), thus warranting a longer transitional period than the period provided to for-profit entities when they transitioned from SPFS to general purpose financial statements (GPFS) under AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* for the first time;
 - (b) that some NFP private sector entities currently preparing SPFS may elect, or be required, to move to Tier 1 or Tier 2 GPFS instead of Tier 3 GPFS, and may need a longer transitional period than usual; and
 - (c) ensuring that stakeholders have adequate time to prepare for implementation of new and amended Standards, which, in line with the *AASB Due Process Framework for Setting Standards*, involves the Board issuing a Standard at least two years before its effective date.
- 7 SMC 4 sought stakeholders' views on whether the effective date of a final Standard should be set at least three years after the issue of a final pronouncement. For example, if the Standard was issued in June 2026, the effective date would not be earlier than annual periods beginning on or after 1 July 2029. Early adoption would be permitted. The Board also proposed to align the timing of the effective date of the Tier 3 Standard with the effective date of amendments to the *Conceptual Framework for Financial Reporting* and other Australian Accounting Standards² to extend their application to more NFP entities.
- 8 As reported in Agenda Paper [4.3](#) considered at the May 2025 Board meeting, of the 18 comment letters that responded directly to ED 335 and the total number of participants who attended a virtual/in-person outreach session, 15 and 30 respondents, respectively, provided a response to SMC 4. In addition, 12 survey respondents also provided feedback on SMC 4. The following table provides an overview of the responses received on SMC 4.

Table 1 SMC 4 responses

	Agree	Agree with exception	Disagree	Unsure
Out of 12 surveys that commented	12 (100%)	-	-	-
Out of 15 comment letters that commented	12 (80%)	-	3 (20%)	-
Out of 30 participants who attended a virtual/in-person outreach session and commented	24 (80%)	-	2 (7%)	4 (13%)

Stakeholders' comments on SMC 4

- 9 Staff consider that the majority of stakeholders agreed that the proposed effective date should be at least three years after the issue of a final pronouncement, with support for early adoption. Twelve written submitters (representing five professional services firms, a preparer, four professional bodies, two regulators and two other stakeholders) supported the Board's proposal, but some of them qualified their responses with the following comments:

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- 2 As noted in Agenda Paper 10.0, the proposed project timeline for discussing the effective date of the proposed amendments to the *Conceptual Framework* has been deferred from November 2025 to Q1 2026.

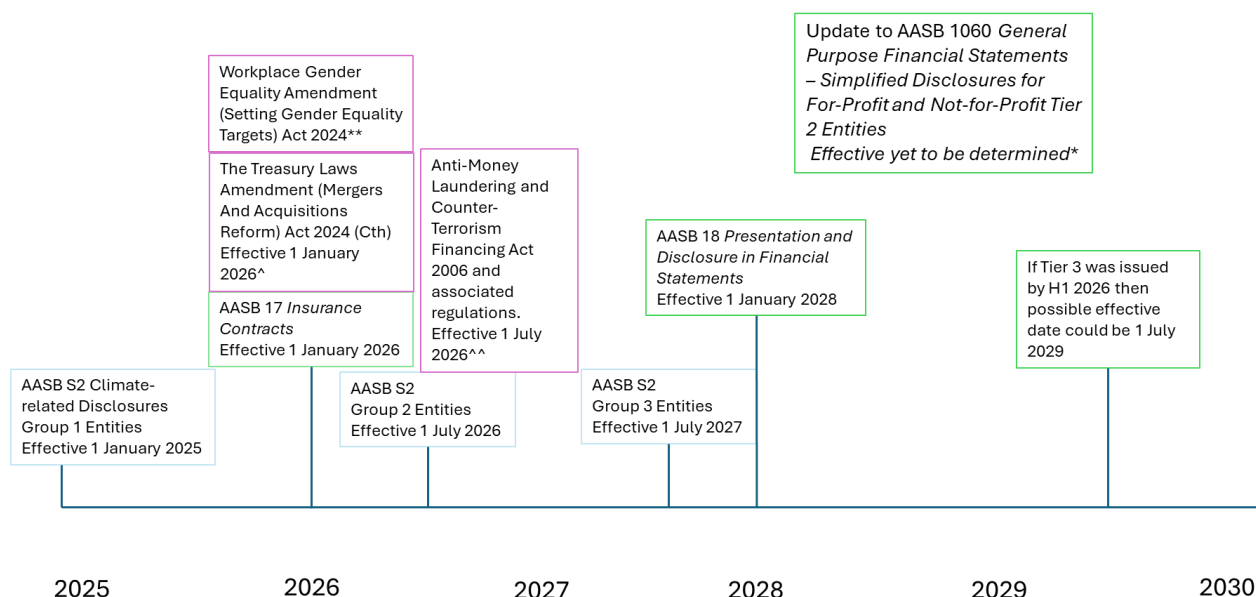
- (a) Alignment with legislative changes and reforms – several stakeholders emphasised the importance of coordinating the effective date with any upcoming legislative reforms to help avoid confusion and to ensure consistency across regulatory requirements;
 - (b) Time to develop templates, resources and educate the sector – professional firms noted that NFP entities will need adequate time to develop templates, tools and guidance materials to implement the new Standard effectively;
 - (c) Coordination with other major Standards – the proposed timeline should consider implementation of other significant Standards, such as AASB 18 *Presentation and Disclosure in Financial Statements* and sustainability reporting requirements, to avoid overwhelming preparers and auditors as well as allowing for other reforms impacting the sector.
 - (d) Flexibility of early adoption and consistent application across sectors—Some stakeholders supported early adoption provisions, especially for Tier 3 entities transitioning from SPFS to GPFS.
 - (e) Sector education and awareness – regulators and professional bodies highlighted the need for a comprehensive education campaign, which should include factsheets, webinars, and other resources to help NFP entities understand and apply the new requirements.
 - (f) Availability of early adoption – Two professional bodies and one professional services firm supported early adoption if regulatory eligibility requirements are in place or interim thresholds were established.
- 10 Three written submitters, representing other stakeholders, disagreed with the proposed approach and instead recommended phased implementation over three or more years. They suggested that allowing flexibility to extend the transitional period would help organisations, particularly those with limited financial management staff, to develop internal capacity before full compliance is required.
- 11 In contrast, a few auditors who attended a virtual/in-person outreach session preferred a shorter transitional period of two years, arguing that most NFP entities would likely begin preparing in the final year of the transition. A shorter timeframe would keep the exposure draft process in stakeholders’ minds. Of those virtual/in-person attendees who were unsure, indicated that a shorter transitional period could be feasible if appropriate transitional relief is provided in the first year of adoption, supported by an appropriate education/awareness campaign.

Staff analysis of stakeholders’ comments

- 12 Regarding the stakeholder comments noted in paragraph 9(a) – 9(e), staff consider that these stakeholders did not necessarily disagree with the proposed three-year lead time but rather, advocated that the Board provides flexibility to extend the transitional period if more time is needed. As noted in paragraph BC135 of ED 335, the Board could assess closer to the effective date whether there is a need to provide a further extension before the Standard becomes applicable to accommodate, for example, legislative threshold changes.³ Similarly, the Board may consider closer to the effective date whether more time is necessary to enable advisors to develop templates or guidance and raise awareness of the changes.

3 The Board has previously deferred the effective date of several Australian Accounting Standards for NFP entities, such as AASB 10 *Consolidated Financial Statements*, which was deferred by one year with application for NFP entities commencing from 1 January 2014 instead of 1 January 2013. More recently, the Board deferred the effective date of AASB 18 *Presentation and Disclosure in Financial Statements* for NFP entities by one year, making it applicable from 1 January 2028, compared to 1 January 2027 for for-profit entities.

- 13 Regarding the stakeholder comments noted in paragraph 9(f) regarding the availability of early adoption, staff observe that the Board has reaffirmed its decision that the Tier 3 Standard should not prescribe reporting thresholds or limit which NFP private sector entities may prepare Tier 3 GPFS, solely because relevant legislation has not yet been updated to reflect the proposed reporting tier.⁴ Accordingly, staff are not seeking any further Board decisions in response to feedback about permitting early adoption of the Tier 3 Standard prior to legislative updates acknowledging the new reporting tier.
- 14 Regarding the comments of disagreeing written submitters noted in paragraph 10, where a few stakeholders preferred phased implementation over three or more years, staff note that the Board had previously considered and rejected a phased effective date approach because it would be unnecessarily complex (see paragraph BC135 of ED 335). Staff also consider that the Board's ability to assess close to the effective date whether an extension is warranted effectively removes the need for a phased effective date approach.
- 15 Paragraph 11 notes stakeholder comments that a three-year lead time could be too long, and expressing a preference for a two-year transitional period. Staff consider that the views of other stakeholders, who supported the Board's proposal in paragraph 9, are arguments against a shorter transitional period. As noted by some stakeholders mentioned in paragraph 9(c), there are numerous significant Standards and legislative changes that advisors and practitioners are dealing with. These stakeholders indicated that they would prefer the effective date of any final pronouncement not to overlap with the implementation of other major Accounting Standards. Staff have presented a timeline below illustrating that allowing a three-year transitional period before the final pronouncement becomes effective would ensure there are no major overlaps of the implementation of other major Australian Accounting Standards.⁵



^Introduces a mandatory merger notification system whereby entities (including NFPs) falling within the relevant thresholds are required to notify ACCC of an acquisition and not proceed until ACCC approval.

^^Amendments to the AMC/CTF regime to expand the regulation to certain services (including accountants) known as 'tranche two' entities.

* The Board is considering updates to AASB 1060 to reflect the third edition of the IFRS for SMEs Accounting Standard. It is also evaluating whether AASB 1060 should be aligned with AASB 18 and whether IFRS 19: *Subsidiaries without Public Accountability* be implemented within the Australian context

** Employers who directly employ 500 or more people in Australia are covered by the legislation and are required to lodge their Gender Equality Report in 2026

Staff recommendation

4 Refer to [minutes](#) of the 3 July 2025 Board meeting and Agenda Paper [5.1](#) discussion.

5 Staff have not conducted an exhaustive search of all possible legislative or regulatory requirements that may impact preparers and/or advisors.

- 16 The majority of stakeholders expressed strong support for the Board’s proposal that the effective date be set at least three years after the issuance of a final pronouncement. No new concerns have been raised that would cause the Board to reconsider its proposal as exposed. Therefore, based on the staff analysis in paragraphs 12 – 15 and the anticipated timeline presented in Agenda Paper 10.0, if the Board issues a final Tier 3 pronouncement before 30 June 2026, staff recommend that the effective date be finalised as 1 July 2029, with early adoption permitted.

Question 1 for Board members

Do Board members agree with the staff recommendation in paragraph 16 for the Board to finalise the effective date of a final Tier 3 pronouncement as 1 July 2029, with early adoption permitted?

If not, what do Board members suggest?