



# Tier 3 NFP Reporting Framework

## Fact sheet for Preparers

### Overview

The Australian Accounting Standards Board (AASB) has introduced a new simplified reporting framework for not-for-profit (NFP) private sector entities:

- AASB 1061 *General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities*
- AASB 2026-2 *Amendments to Australian Accounting Standards – Extending the Application of the Conceptual Framework and Limiting the Ability of Not-for-Profit Entities to prepare Special Purpose Financial Statements*

Together, these reforms:

- Remove the ability for certain NFP entities to prepare special purpose financial statements (SPFS)
- Introduce Tier 3 general purpose financial statements (GPFS) as a simplified alternative
- Extend the application of the Conceptual Framework and Australian Accounting Standards

### What this means

A streamlined framework that:

- Reduces reporting burden
- Simplifies accounting requirements
- Maintains decision-useful information for users of smaller NFP entities' financial statements

### Effective Date

- Applies to reporting periods beginning on or after 1 July 2029
- Early adoption permitted, if AASB 2026-2 is applied at the same time

### Who can apply Tier 3?

**Tier 3 applies to entities that:**

- Are NFP private sector entities
- Do not have public accountability
- Are not prohibited by legislation or governing document from applying Tier 3

**Keep in mind:**

- Regulators determine eligibility
- Some entities may be required to apply Tier 1 or Tier 2 instead
- You cannot mix and match Tier 3 with Tier 2 or Tier 1 requirements.

**Examples:**

- Charities
- Incorporated associations
- Co-operatives

**SPFS transition exception**

Entities may continue preparing SPFS (with AASB 1054 disclosures) if:

- Reporting is required only by governing or other documents, and
- Those documents were created and last amended before 1 July 2029

### Transition Options

On first-time adoption, choose one of the following:

**Option 1: Section 28 – Transition to Tier 3**

- Apply specific transition requirements in Section 28
- Includes targeted reliefs and exemptions
- Designed to reduce cost and complexity

**Option 2: Modified retrospective approach (Section 9)**

- Apply policies retrospectively
- Adjust opening balances in the current period
- No restatement of comparatives

## Key Features of Tier 3

### A single, simplified Standard

Tier 3 is a standalone Standard that:

- ✓ combines recognition, measurement, presentation and disclosure requirements
- ✓ Minimises reliance on other standards
- ✓ uses simpler language

### Required Financial Statements

A complete set includes:

- Statement of financial position
- Statement(s) of financial performance
- Statement of changes in equity (or income and retained earnings)
- Statement of cash flows
- Notes (including accounting policies)

## How Tier 3 Simplifies Reporting Compared to Tier 1 and Tier 2:

### Simplified recognition and measurement (R&M)

Less complexity in areas like:

- Financial instruments
- Revenue
- Leases
- Provisions and employee benefits
- Reduced need for complex calculations

### Easier to apply

- Clearer drafting
- Provides illustrative examples

### Reduced Disclosures

- Focus on **material information**
- Fewer note disclosures and breakdowns

### Removal of unnecessary topics

- Excludes uncommon or complex requirements not relevant to smaller NFP entities

## Tier 2 vs Tier 3 At a Glance

Area	Tier 2	Tier 3
Framework	Full R&M requirements + simplified disclosures	Simplified R&M + disclosures
Complexity	Moderate	Lower
Fair value use	More extensive	More limited
Disclosures	Reduced	Further reduced
Number of standards	Many	Primarily one (AASB 1061)

## What Preparers Should Do Now

- **Determine eligibility**
- Assess **impact on current reporting**
- Decide on the **most practical transition approach**

## Further Information

Please visit [AASB 1061 Knowledge Hub](#) on the AASB's website.

