GLOBAL WEALTH
CLUB

Australian Foundations

How a charitable foundation lets you give back and build a legacy, and how to set one up properly.

Global Wealth Club

7 SECTIONS · STRUCTURE DIAGRAMS · FAQ APPENDIX



Updated for the trust changes announced in the May 2026 Federal Budget. Current as at November 2026: what counts as a charity, the rules, how tax works now, the structures, and who we set foundations up for.

OVERVIEW

What matters most

A charitable foundation lets you give back and build a legacy beyond your lifetime. Since the May 2026 Federal Budget, the tax side has changed, so set it up for the right reasons, and properly.

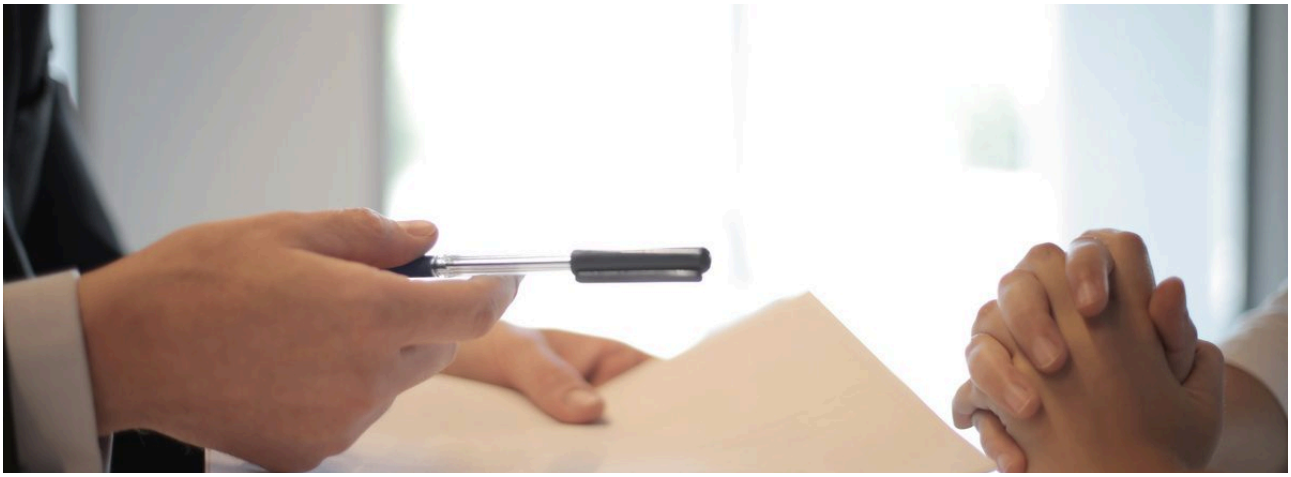
1 **A foundation is for people who want to give back.**
It supports the causes you care about, involves your family and carries on after you.

2 **It is not tax exempt the day it is set up.**
It must have a genuine charitable purpose, be approved by the ACNC and the ATO, and be run properly every year.

3 **The rules are strict.**
You need at least three independent trustees, its money is for its charitable purposes, and if it is wound up its assets go to a similar charity.

4 **The tax benefits are now narrower.**
Assume the benefit is on the donations that go into the foundation and are used for its purposes, not on your personal tax.

5 **Choose the right structure, and get proper advice.**
We use a charitable trust or a public company limited by guarantee, and only for public foundations.



CONTENTS

Inside this guide

01 · Why a Foundation 3

02 · What Counts as a Charity 4

03 · The Rules to Know First 6

04 · How Tax Works 8

- Donations and tax-deductible status 9
- Salaries, benefits and GST 11

05 · Choosing the Structure 12

06 · Fitting It With Your Other Structures 14

07 · Getting It Set Up 17

- How it works 18

Appendix · Frequently Asked Questions 19

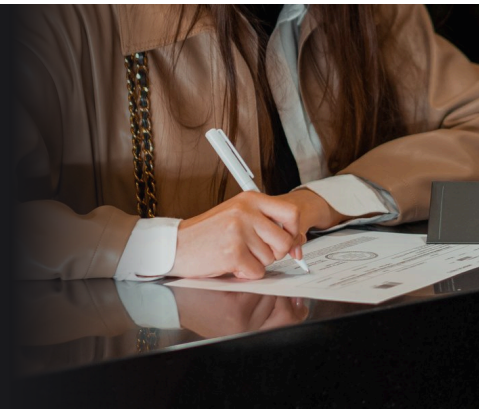


01

SECTION ONE

Why a Foundation

Give back, and build a legacy that outlasts you.



THE BIGGER PICTURE

Wealth that does some good

Many successful people reach a point where they want their wealth to make a difference, now and after they are gone. A charitable foundation is one of the best ways to do that. It lets you support the causes you care about, involve your family in a shared purpose, and build a legacy beyond your own lifetime.

Most people set goals for the month or the year. Businesses plan five years ahead. The families who leave a real legacy think in generations. A foundation is built for that kind of long-term thinking.

WHAT IT GIVES YOU

The benefits, when it is done properly

- ✓ **A lasting way to give.** Your foundation can keep supporting your causes long after you.
- ✓ **A purpose for your family.** Children and grandchildren can be involved in its work.
- ✓ **Protection.** The foundation's assets belong to the foundation, not to you, so they are kept for its purposes.
- ✓ **Tax concessions.** A properly approved foundation can be exempt from income tax, and some can receive tax-deductible donations.

> ★ IMPORTANT
>
> A foundation is for giving back. If your main goal is to cut your personal tax, a foundation is not the answer, and since the May 2026 Federal Budget the tax climate for foundations is less favourable than it was.



02

SECTION TWO

What Counts as a Charity

A foundation is a charity, set up for charitable purposes.



THE FOUR CHARITABLE PURPOSES

Every charity fits one of four groups

Charities have been treated differently by governments for thousands of years. Today, a charitable purpose falls into one of four broad groups, and the benefits available depend on which one your foundation fits.

1. Relief of poverty

Direct relief for people who are poor, distressed or disadvantaged. Raising awareness or education alone does not count here.

2. Advancement of religion

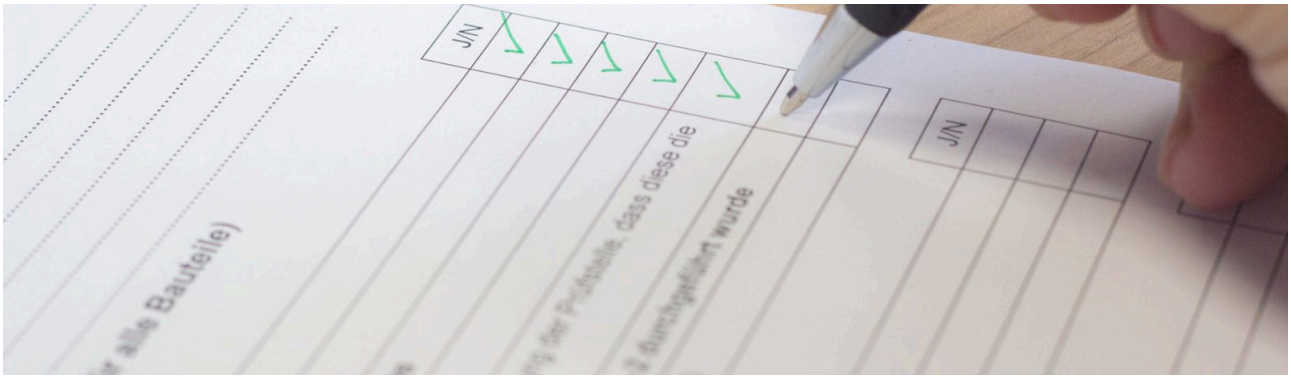
Very broad. It covers religion and spirituality that connects people with God or a Supreme Being.

3. Advancement of education

Providing education, advancing science, or raising awareness in some form.

4. Other purposes that benefit the community

Anything else genuinely charitable and not for profit, such as library and sporting clubs, or reducing prejudice and discrimination.



COMMON TYPES OF CHARITY

The foundations people set up most

There are many kinds of charity. These are the most common, in no particular order.

Churches

Advancement of religion.

Public benevolent institutions

Organisations that give direct relief to people in need. Relief of poverty.

Educational institutions

Schools, colleges and other education providers. Advancement of education.

Funds for people in hardship

A special fund that raises money to give direct relief to a person in a very difficult situation, such as serious illness or disability. Relief of poverty.

School building funds

A fund that raises money to buy, build or maintain a school, college or university building.



03

SECTION THREE

The Rules to Know First

The catches that surprise people, so you can plan for them.



CATCH ONE

It is not tax exempt automatically

A common myth is that a foundation is tax exempt the day it is set up. It is not. It must be set up for a genuine charitable purpose, be approved, and be run that way. Expect hard work at the start. In the long term it is rewarding.

CATCH TWO

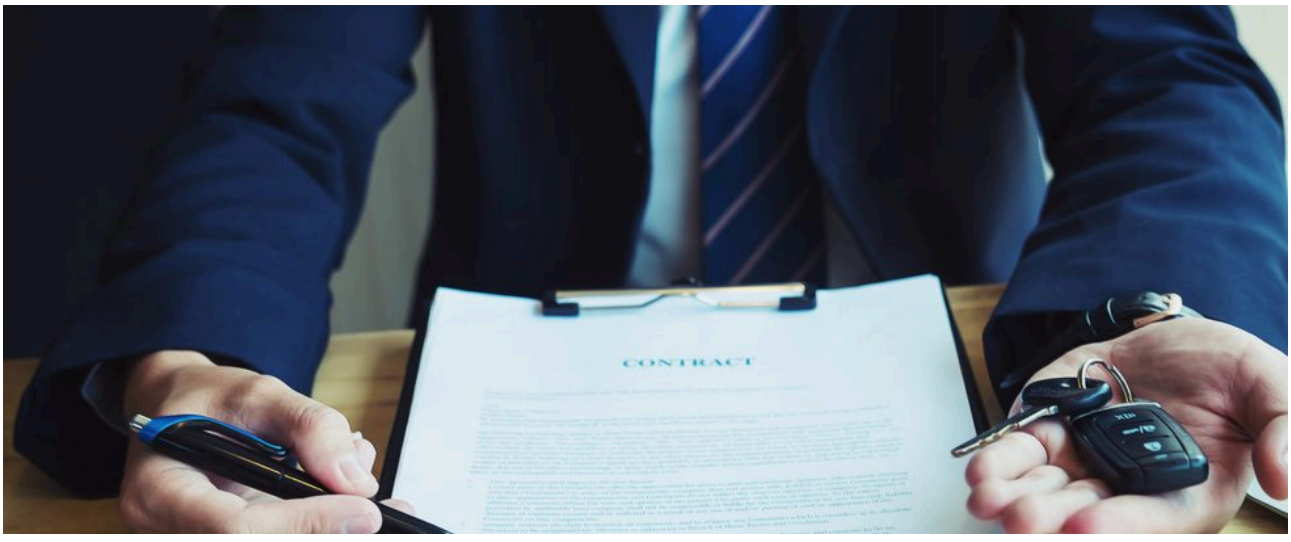
At least three independent trustees

You need at least three independent trustees or directors, with some responsibility to the public. Family can be involved, but a foundation cannot be run only by your spouse, children, siblings or other relatives. The rules are stricter for foundations that receive tax-deductible donations, and more relaxed for churches.

CATCH THREE

If it is wound up, its assets go to a similar charity

If you close the foundation, its money and assets must go to another charity with similar purposes. You and your family cannot take them back.



CATCH FOUR

Its money is for its charitable purposes

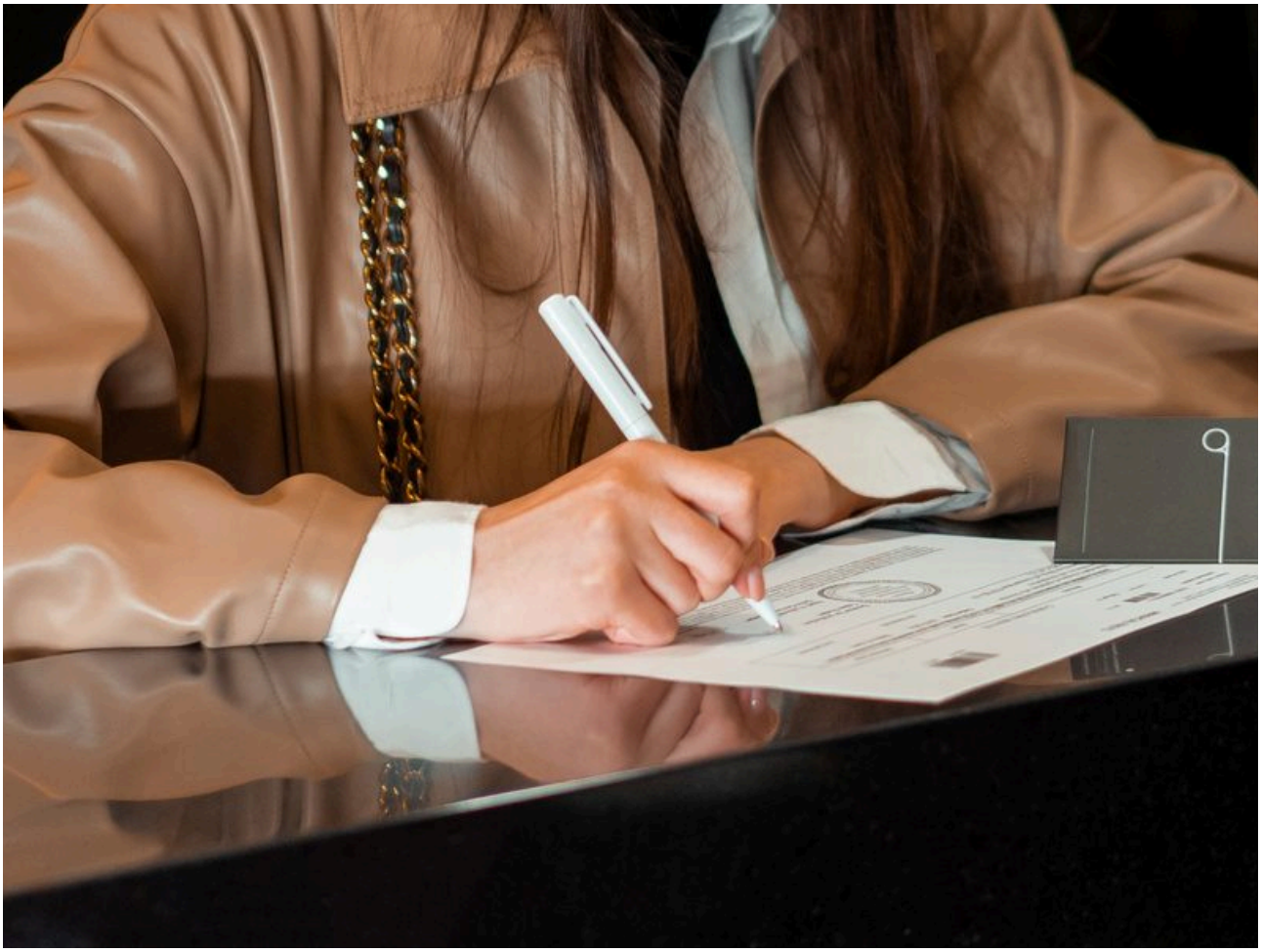
The foundation's assets belong to the foundation, not to you. It can run a business and build real wealth, but none of its earnings can go to a private owner, and it cannot be run for anyone's private benefit. Ultimately its money is used for the public good.

CATCH FIVE

It must be run properly, every year

Good records, proper reporting and compliance keep your foundation's status safe. A foundation that is set up the wrong way, or run sloppily, can face audits, penalties and lost status.

> ★ THE CLIMATE HAS CHANGED
>
> Foundations are under greater scrutiny than ever. The ATO and the ACNC (the Australian Charities and Not-for-profits Commission) are looking more closely, and the climate is unfavourable for anyone using a foundation for personal tax benefits. Get proper advice before you start.



04

SECTION FOUR

How Tax Works

What has changed, and what still applies.



★ EVERYTHING HAS CHANGED SINCE MAY 2026

The May 2026 Federal Budget announced a 30% minimum tax on discretionary trusts, due to start on 1 July 2028. It is not yet law. Based on our understanding, you should presume that the ways foundations were used alongside family trusts in the past will no longer work as they did. This guide is current as at November 2026.

TWO SEPARATE TAXPAYERS

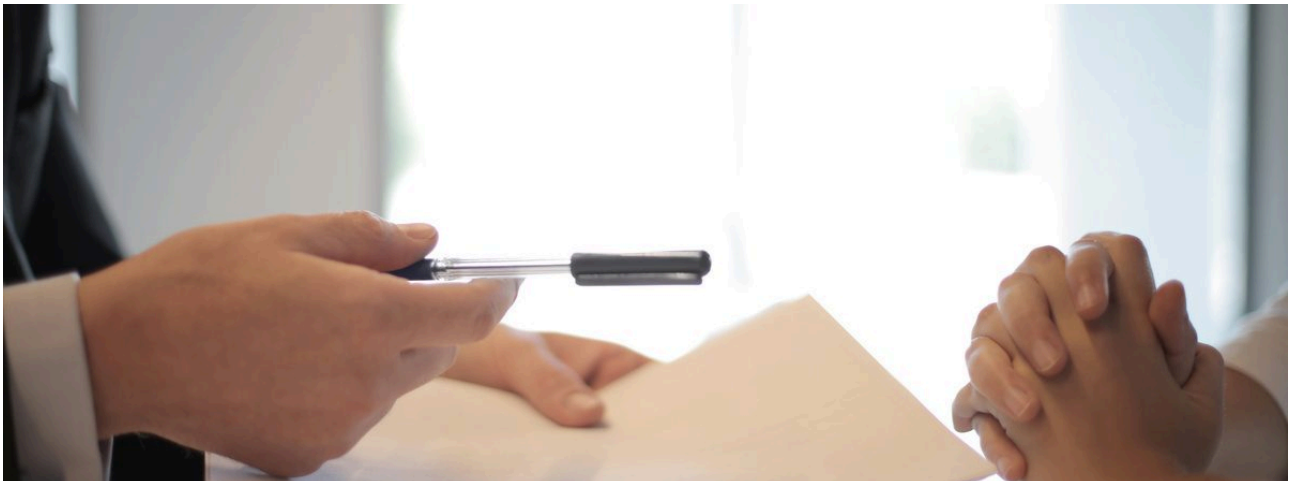
The foundation and the people running it

The foundation and the people who run it are taxed separately. A foundation may be exempt from income tax. That does not make the people running it exempt. You, the trustees and any employees still pay personal tax on what you receive.

INCOME TAX EXEMPTION

Broad, but it must be approved

A charity set up for one of the four charitable purposes, and endorsed by the ATO, is exempt from income tax, as long as none of its earnings go to a private owner. Most genuine charities meet this test. An income tax exempt charity may also qualify for GST concessions, and a limited fringe benefits tax rebate.



DONATIONS

Tax-deductible donation status

Being income tax exempt and being able to receive tax-deductible donations are two different things. The second is much stricter.

DEDUCTIBLE GIFT RECIPIENT

Approved by the ATO to receive deductible gifts

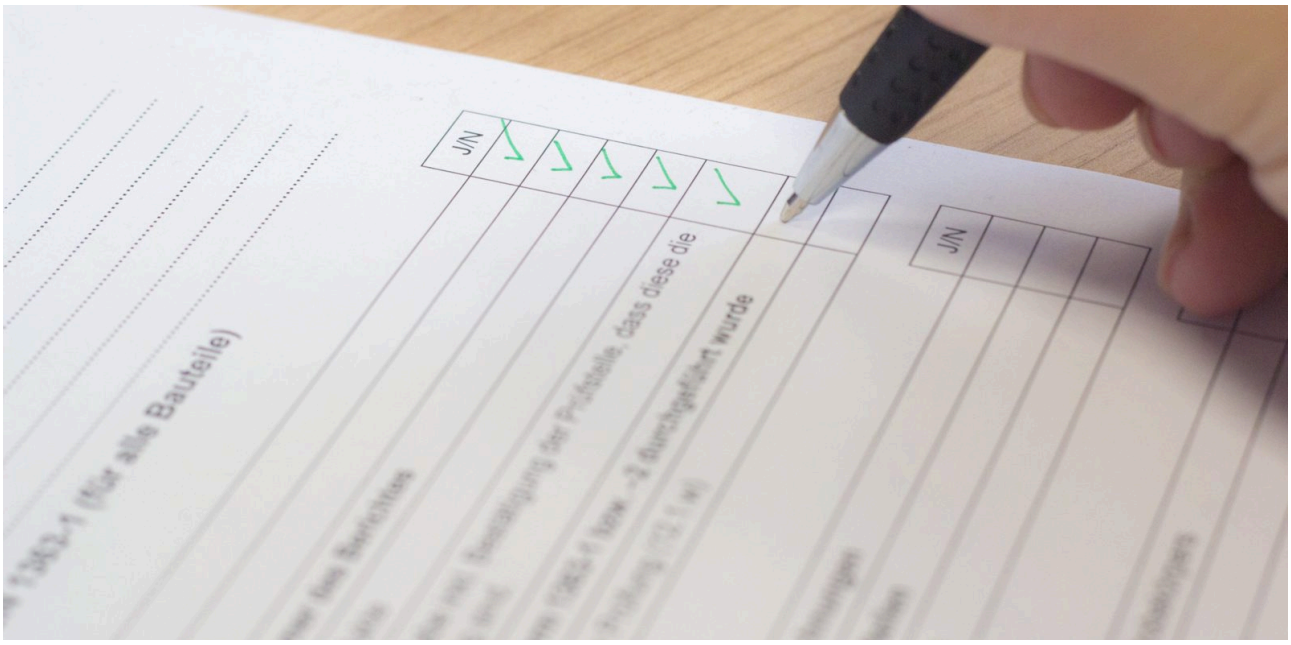
A deductible gift recipient is a charity the ATO has approved to receive donations that the giver can claim as a tax deduction. For example, a donation to a large disaster relief charity is deductible. A donation to a church usually is not. The main categories are:

1. **Public benevolent institutions.** Set up to directly relieve poverty, distress, sickness or misfortune, for example with food parcels or counselling. Indirect help through education or awareness is not enough.
2. **Funds for people in hardship.** Set up to give direct relief to people in very difficult situations. The requirements are strict.
3. **School building funds.** For buying, building or maintaining a school building.

BUSINESS SPONSORSHIP

When a business is thanked publicly

If a business gives to your foundation and is recognised for it, for example on your website or in a newsletter, the business may be able to claim the gift as an advertising or sponsorship expense, depending on the circumstances. Get advice on each case.



Why the old approach no longer works

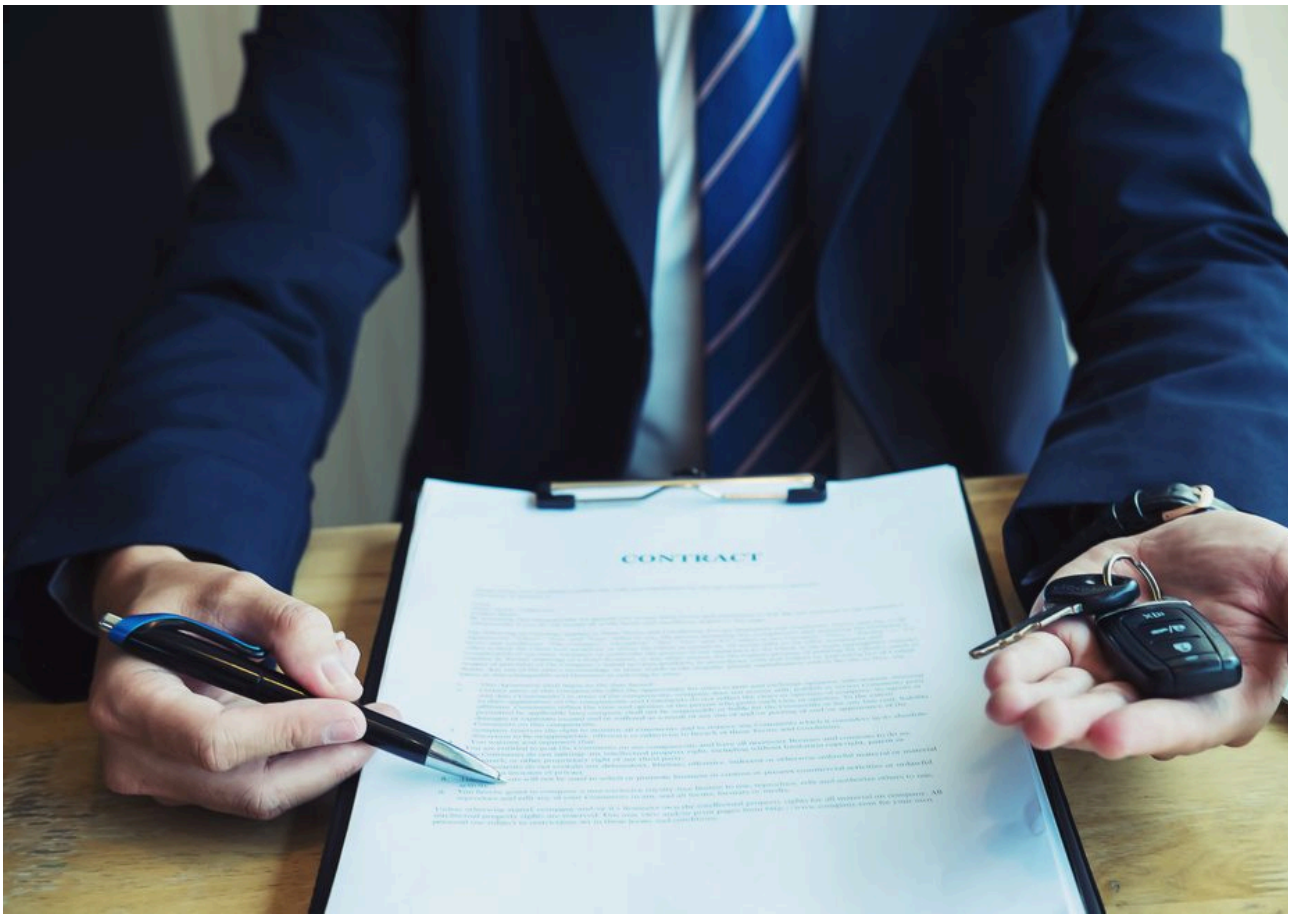
In the past, a family trust could make a foundation one of its beneficiaries and pay income to it tax free. Under the proposed changes, that is set to stop.

WHAT CHANGES

A 30% minimum tax on the trust first

- From 1 July 2028, the trustee of a discretionary trust is due to pay at least **30%** tax on the trust's taxable income.
- That means income would be taxed in the trust before it reaches the foundation, so a distribution would no longer be tax free.
- It is possible that the foundation may be able to get that tax back as a rebate, but this cannot be confirmed at this stage.

> ★ WHAT TO ASSUME
>
> Until the law is settled, presume a family trust can no longer pass income to a foundation tax free. The changes were announced in the May 2026 Federal Budget and are not yet law. We will update our members when the details are known.



SALARIES, BENEFITS AND GST

Money paid to the people involved

Assume the tax concessions of a foundation are limited to the donations that go into it and are used for its purposes. A foundation makes no difference to your personal tax.

SALARIES AND BENEFITS

Generally taxable

Any salary, payment or benefit the foundation pays to you or anyone else involved is generally taxable to the person who receives it. If the foundation pays expenses for someone instead of a salary, fringe benefits tax usually applies. Some charities can claim a fringe benefits tax rebate, but it is capped.

In the past, church pastors and some charity employees had special concessions. In theory they are still there, but get very careful advice before relying on any of them.

GST

Concessions, and GST credits on costs

A charity endorsed as income tax exempt can also be endorsed for GST concessions. It only has to register for GST once its turnover reaches $150,000 a year. If it is registered, it can claim back the GST on its expenses. For example, if it buys a laptop for $2,200, it can claim back the $200 GST in its quarterly BAS.

STATE TAXES

Land tax and stamp duty

Charities are exempt from land tax and stamp duty in many cases, and these taxes apply only in limited circumstances. The rules vary by state.



05

SECTION FIVE

Choosing the Structure

Six legal structures, and the two we recommend.



Structure	What it suits	Do we set it up?
Charitable trust	Most foundations. Simple, Commonwealth rules only	Yes, our usual choice
Public company limited by guarantee	Large foundations seeking public donations	Yes
Incorporated association	Small, local groups in one state	No, see a lawyer
Unincorporated association	Very small local groups	No, see a lawyer
Co-operative	Member-owned groups	No
Indigenous corporation	Aboriginal and Torres Strait Islander organisations	No

WHY NOT AN ASSOCIATION?

They suit small, state-based groups

Associations are regulated by the state, and can only operate in the state where they are set up unless they register with ASIC. They suit small community groups with no plans to grow, and they add state government compliance. If one suits you, we suggest you see an independent lawyer.



THE TWO WE USE

Charitable trust or public company?

OUR USUAL CHOICE

Charitable trust

The structure we use most often, for ourselves and for clients. It is regulated by Commonwealth rules only, with no state compliance.

Strengths

- ✓ Simpler to understand
- ✓ Less compliance: only the ATO and the ACNC
- ✓ Flexible trust deed, so special clauses can be included

Weaknesses

- ✗ Not a separate legal entity, so trustees may be at risk if it is sued and has no assets (insurance helps)
- ✗ Less common for big-name charities

FOR GOING BIG

Public company limited by guarantee

For foundations with big plans, that want large public donations and a high level of respectability and protection for directors.

Strengths

- ✓ Proven structure for large charities, with audited accounts that build credibility
- ✓ A separate entity, so directors' personal assets are protected
- ✓ No state compliance

Weaknesses

- ✗ More compliance, including audited financial statements
- ✗ More expensive to run
- ✗ Far more work than a charitable trust

★ THE BEST OF BOTH

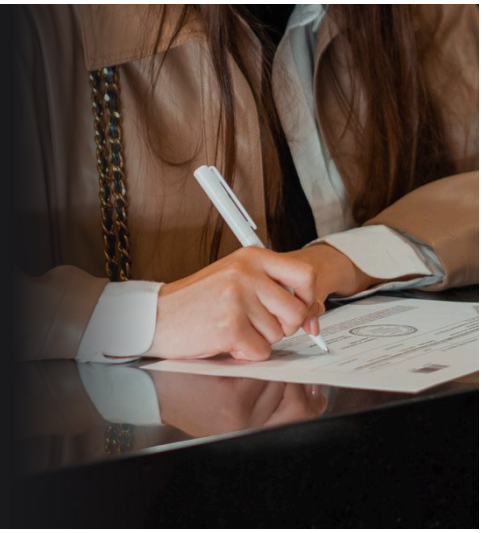
A charitable trust can have a public company limited by guarantee as its trustee. Compliance goes up, but the trustees are better protected. This is popular with independent trustees.

06

SECTION SIX

Fitting It With Your Other Structures

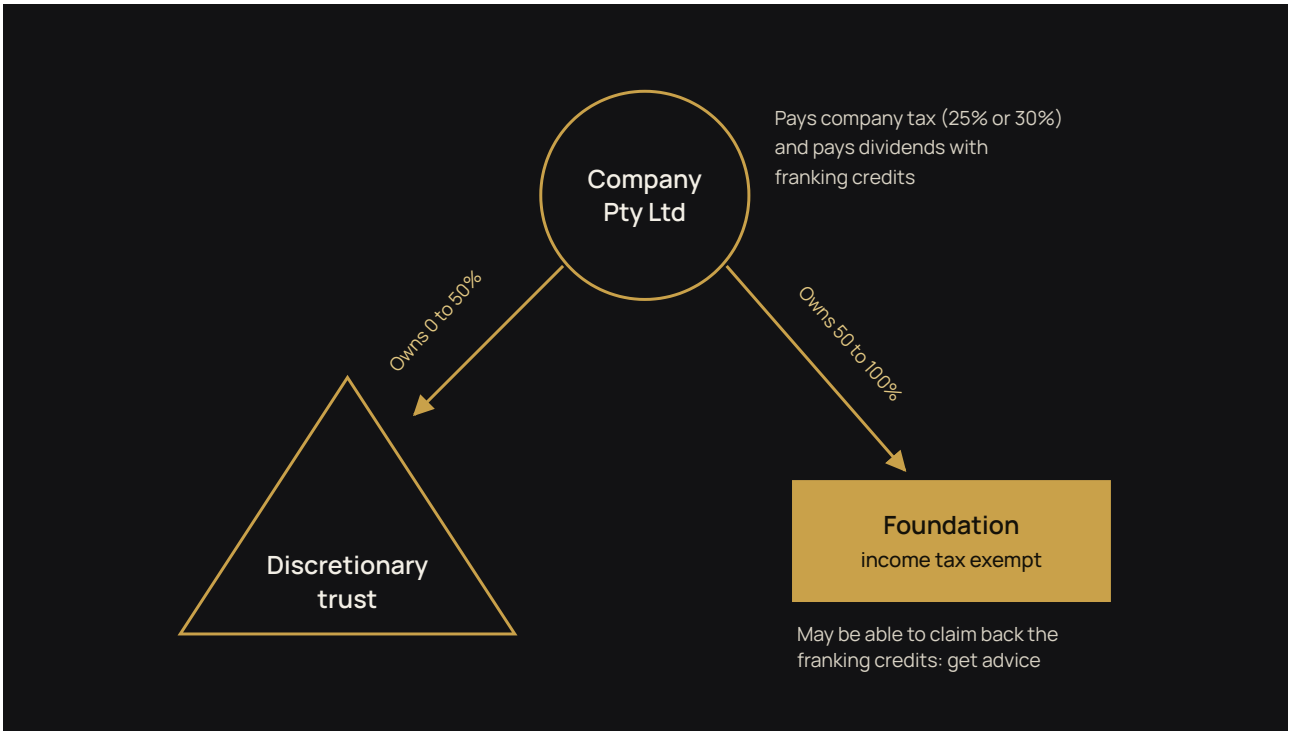
How a foundation can sit alongside your companies and trusts.



These are the three ways we have seen foundations used with other structures. Each one now needs careful advice, because the rules are changing.

A COMPANY AND A FOUNDATION

The foundation owns a share of the company

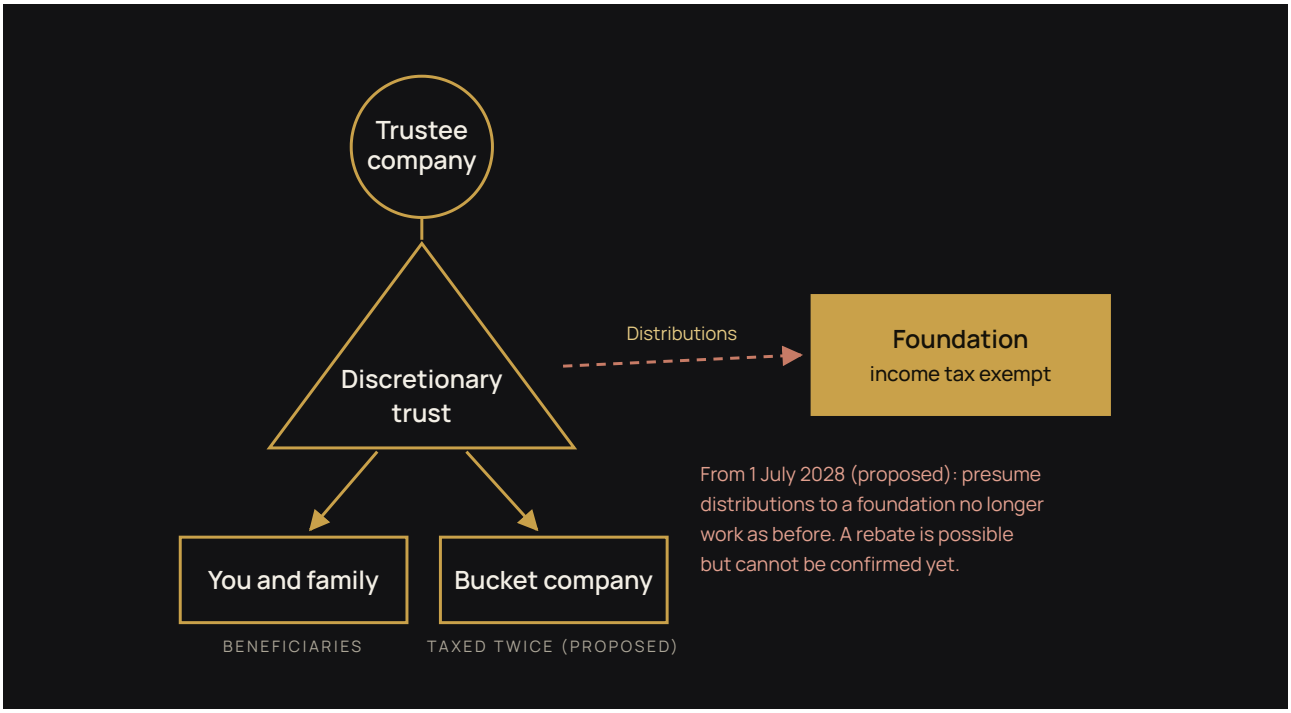


The company runs the business or holds the investments and pays company tax. The foundation owns 50 to 100% of the shares, and your discretionary trust owns the rest. Dividends paid to the foundation are used for its charitable purposes.

A FAMILY TRUST AND A FOUNDATION

The old approach, and why to be careful

A family trust used to pay income to its beneficiaries, a bucket company and a foundation. Under the proposed changes, both the bucket company and the foundation routes are affected.



★ IMPORTANT

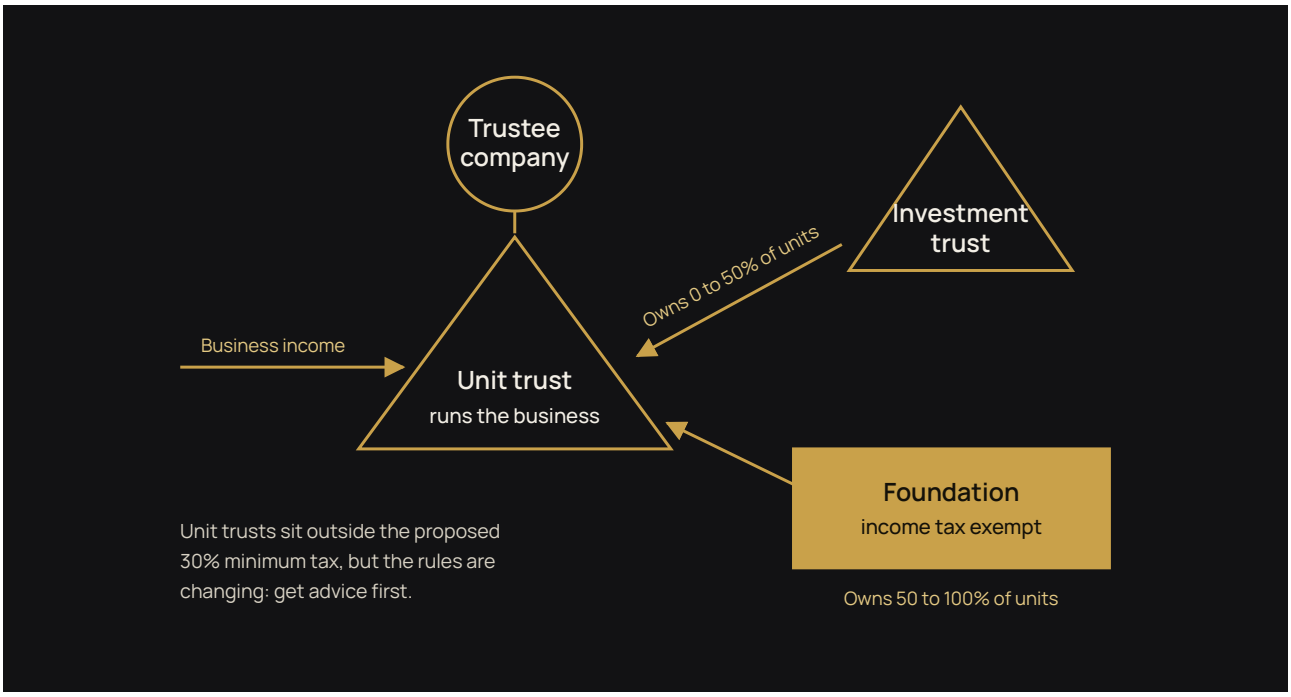
The 30% minimum tax on discretionary trusts was announced in the May 2026 Federal Budget, due to start on 1 July 2028, and is not yet law. Presume this approach will no longer work as it did, and get advice before relying on it.



A UNIT TRUST AND A FOUNDATION

The foundation owns units in a business

A unit trust runs the business. The foundation owns 50 to 100% of the units, and an investment trust owns the rest.



★ GET PROPER ADVICE FIRST

Unit trusts sit outside the proposed minimum tax, but the way things are going, any structure like this needs careful, specialist advice before it is set up. For most families, a holding company owned by a discretionary trust is the usual base.



07

SECTION SEVEN

Getting It Set Up

Who we set up foundations for, and what is involved.



PUBLIC FOUNDATIONS ONLY

For people who genuinely want to give back

We only set up public foundations, for people who are genuine about giving back to the world in some form. We know how powerful foundations are, and we believe their benefits are a reward for those who give.

A good fit if you

- ✓ want to support causes you care about, in a lasting way
- ✓ want to involve your family and leave a legacy
- ✓ have significant wealth or business income
- ✓ are happy to run it properly, year after year

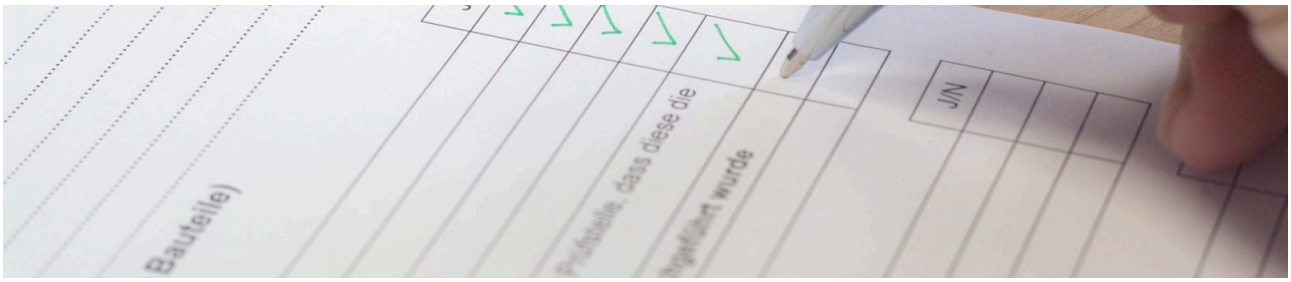
Not for you if

- ✗ your main goal is to cut your personal tax
- ✗ you want a "private foundation": we do not set these up, because we do not believe they stand up if examined

YOUR INVESTMENT

Custom quoted, generally from $25,000 to $50,000

Every foundation is different, so we quote after your planning meeting, and you have your quote before you commit.



THE PROCESS

How it works

Who does it: YOU GWC

1	Book a free discovery call to see whether a foundation suits you.	YOU
2	A planning meeting on your purpose, your other structures and your goals, then your quote.	GWC
3	Your mission, objects and activities, and a trust deed or constitution, prepared with a lawyer.	GWC
4	Choose your trustees or directors, including at least three independent people.	YOU
5	We apply to the ACNC and the ATO and handle their questions until your foundation is approved.	GWC
6	Follow-up meetings, working with your accountant, so you start running it properly.	GWC

NEXT STEPS

Build a legacy beyond your lifetime

- **Become a free member at www.globalwealthclub.com.** You will find free videos and resources on foundations, structures and what the Budget changes mean for you, and you will be notified of free podcasts, masterclasses, events and updates on the topic.
- Any questions? Email clients@globalwealthclub.com and we will be in touch to discuss.
- Let us know if you would like a proposal with your quote.

Yours in freedom,

The Global Wealth Club

APPENDIX

Frequently Asked Questions

Straight answers to the questions clients ask most.

Is a foundation automatically tax exempt?

No. It has to be set up for charitable purposes, run properly, and approved by the ACNC and the ATO. Tax-deductible donation status is a separate, stricter test that only some charities qualify for.

Can my family be involved?

Yes. Family can be involved, but you also need at least three independent trustees or directors.

Can a foundation earn income?

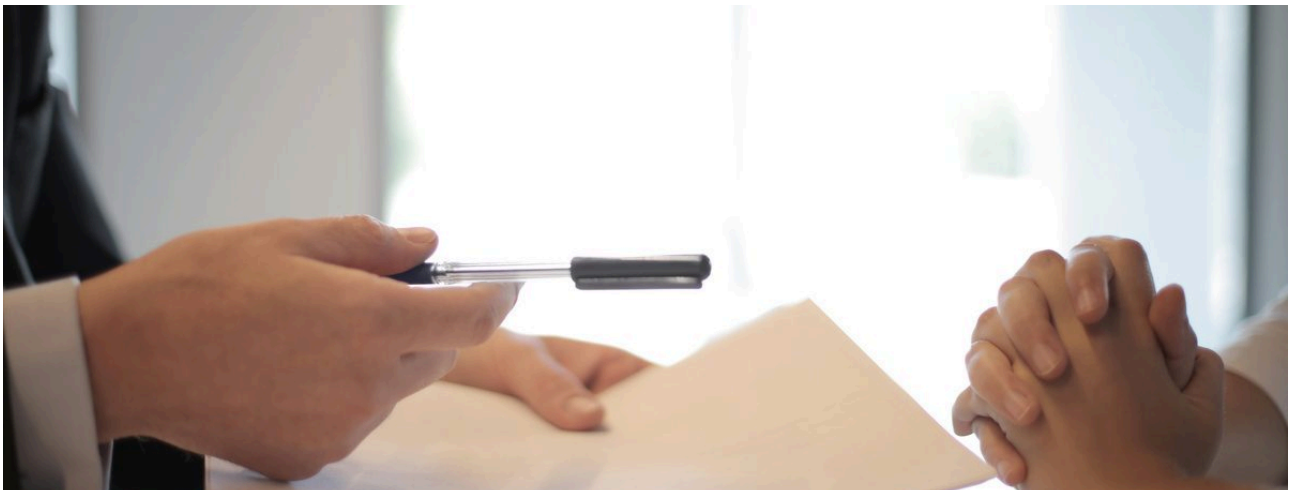
Yes. A foundation can earn income, including from business activities, provided the money is used for its charitable purposes.

Can I take money out of the foundation for myself?

Its funds are for its charitable purposes. Any payments to people involved, such as a salary, are generally taxable and must be proper.

Can my family trust still pay income to my foundation?

Presume not, from 1 July 2028. The proposed 30% minimum tax on discretionary trusts means income would be taxed in the trust first. A rebate for the foundation is possible but cannot be confirmed. The changes are not yet law.



Does a foundation lower my personal tax?

Assume not. The tax concessions are on the donations that go into the foundation and are used for its purposes. A foundation makes no difference to your personal tax.

Do you set up private foundations?

No. We only set up public foundations, for people who genuinely want to give back.

Will my accountant be involved?

Yes. We work with your accountant, so your foundation fits with your other structures and is run properly from the start.

What happens if I want to close it?

Its money and assets must go to another charity with similar purposes. They cannot come back to you or your family.



General information only, not personal tax, legal or financial advice. Laws change, and the Budget measures described are not yet law. This guide is current as at November 2026. Figures are examples only and vary by situation. Confirm with a qualified adviser before acting.