

Changes to an incorporated association's rules

Legal information for Tasmanian incorporated associations

This fact sheet covers:

- is our organisation an incorporated association?
 - what are rules and are they the same as a 'constitution' or 'articles'?
 - why would we need to change our rules?
 - what is the legal process for making changes to our rules?
 - what information should be included in the notice of a meeting where rules are proposed to be changed?
 - what issues should we look out for before we change our rules? and
 - how do we lodge and get approval of changes to the rules?
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This fact sheet assists Tasmanian (TAS) incorporated associations to understand some of the issues that arise when making changes to their rules or constitution.

Is our organisation an incorporated association?

You can usually tell from an organisation's name whether it is an incorporated association, a Company Limited by Guarantee or a co-operative. All incorporated associations are required to have 'Incorporated' or 'Inc' at the end of their names (for example, "ABC Org Inc.").

CAUTION

This fact sheet is for incorporated associations in TAS. You can check online if your organisation is registered with TAS Consumer Affairs and Fair Trading [here](#).

For information on updating the constitution of other types of organisations, see the [Constitution page](#) of the Information Hub.



What are rules?

Every incorporated association needs to have a set of rules that describes the organisation's basic structure and processes and outlines the rules that it operates by. In this fact sheet, we use the term 'rules'; however, other terms, such as 'constitution' and 'articles' can generally be used interchangeably. Your organisation may use any of these terms.

The rules of the incorporated association will be collected in a written document, which will usually specify:

- the aims or purposes of the organisation
- how the members of the organisation are admitted
- the rights and obligations of members
- how the office-bearers and members of the governing body are elected or appointed
- how general meetings of members and meetings of the governing body are convened and conducted
- how the organisation is, in broad terms, to be governed, and
- what will happen to the organisation's assets if it is wound up.

An incorporated association registered under the *Associations Incorporation Act 1964* (Tas) (**the Act**) is required by the Act to have rules. The *Associations Incorporation (Model Rules) Regulations 2007* (**the Regulations**) contains a template set of rules that may be adopted by an association and will apply to an association unless inconsistent or excluded by rules drafted by the association. An association does not have to use the model rules.

FURTHER READING

The model rules for incorporated associations are set out in [Schedule 1 to the Associations Incorporation \(Model Rules\) Regulations 2007](#). You can read more about how to vary or modify the model rules in [section 16 of the Associations Incorporation Act 1964](#).



Why would we need to change our rules?

It is important that your rules accurately reflect how your organisation is governed and are up-to-date with any changes to the law. It is not helpful to have rules that no one looks at or follows or that few can understand or that are out of date and inconsistent with the law. You may also need to change your rules to implement a new structure, meet requirements of a new licence or funding arrangement, or to alter the way in which the organisation operates.

TIP

As well as updating rules when major reforms occur, an organisation's rules should be reviewed at least once every three years and if required, amended to ensure they are up to date and meet the requirements of the organisation. Is it time for you to review your organisation's rules?



What is the legal process for making changes to our rules?

Generally, incorporated associations can only change their rules by passing a 'special resolution' of members. It is important that the statutory (legal) requirements for a special resolution are complied with, otherwise the resolution will not be valid and the changes will not take effect (discussed below).

As well as complying with statutory requirements, you also need to comply with any extra requirements in your own rules. For example, the rules of a locally-based organisation may require the approval of the national body before changes to the local organisation's rules are effective, or the constitution may require a longer notice period when changes to rules are proposed.

Requirements for a special resolution

There are a number of statutory requirements applicable to the special resolutions of incorporated associations. In order for a special resolution to be valid and be capable of changing the rules of the organisation, the incorporated association must comply with the following requirements:

- a special resolution can only be passed at a general meeting of members. This can either be the annual general meeting (**AGM**) or a special general meeting. A special resolution cannot be passed at a committee or board meeting, or by a resolution without meeting
- notice of the general meeting must be given to all members in accordance with the associations rules
- the notice must state the text of the proposed special resolution and provide adequate explanation (see below)
- the notice must specify the intention to propose the resolution as a special resolution, and
- the special resolution will only be passed if at least 75% of those members eligible to vote and that in fact vote on the resolution, vote in favour. To be eligible to vote on a special resolution a voter must be 'present in person'. As such, no proxy votes are allowed for the passing of a special resolution. It excludes those members who abstain from voting, though the abstaining members can still be counted for the purpose of assessing whether a quorum is present at a meeting.

Notifying members that the proposed resolution is to be a special resolution

It is a requirement that a notice of a special resolution advises the organisation's members that a special resolution is proposed. There are no requirements for the wording to be used, however, we recommend using wording along the following lines:

- “It is intended that the following resolution be proposed as a special resolution,” or
- “The following resolution will be proposed as a special resolution.”

CAUTION

Remember that any special resolution must also meet any requirements specified in the rules of your incorporated association. For example, the rules of your incorporated association may place other requirements on the passing of a special resolution, or may require a higher majority than the 75% prescribed by the legislation.



Providing adequate notice and explanation of proposed changes

Meeting notices should be clear and provide adequate explanation of the decision that may be made, so that when a member scans the notice, they can understand clearly whether the matters to be addressed are ones that concern them.

In setting out the terms of the proposed special resolution, it is important that sufficient detail is provided to members. Where the proposed special resolution is to make changes to rules of the incorporated association a notice should:

- clearly set out the proposed changes
- explain the effect of the changes, and
- explain the reasons for the proposed changes.

An explanatory document or table can be a good way to explain the proposed changes and their effect to members. It is not essential to provide members with a full copy of the proposed new rules if the proposed changes have been made clear in the notice. However, it is good practice to provide members with an opportunity to review the exact wording of proposed changes by providing an email address or contact number through which members can request a copy. If there aren't too many changes, it can be helpful to show the changes tracked against the current version of the rules.

TIP

If you are making lots of changes, it can be easier to put the “new” rules to a vote rather than a suite of amendments - this only requires one resolution to be voted on.

However, if some of the changes are controversial (and may not be passed by the membership) it can be better to include the controversial changes into separate resolutions. You should be very careful if you are separating out changes, as it is usual for the rules of an association to interrelate. As such, if your meeting results in some changed rules, but not all that were proposed, your rules may be incomplete, inconsistent or unworkable.

If you are putting one resolution to your members to adopt new rules, you still need to set out what all the changes are and the effect of the changes.



What issues should we look out for before we change our rules?

Statutory requirements

Organisations should check that the rules as amended comply with the Act. An incorporated association must lodge its rules with Consumer Affairs and Fair Trading (**CAFT**). If the rules of your organisation are not consistent with, or do not exclude or modify the model rules, the model rules will apply to your organisation to the extent possible as well as the rules that are lodged. If your organisation does not want model rules to be deemed to apply, your rules should explicitly address this issue.

TIP

It's a good idea to prepare a list or table, cross-referencing each of the items in Schedule 3 of the Regulation with your organisation's new or amended rules. Write the applicable rule numbers against each of the matters required to be included. That way you can see if anything has accidentally been left out.



Rights and liabilities of members

Any changes to the rules that affect the existing rights of members or that may increase their potential financial liability need to be approached with particular care. In such cases, unless the changes are completely uncontroversial, it will be prudent to seek legal advice.

Transitional arrangements

Be careful when changing your rules (especially if you replace all of the rules) that the members under the old rules remain members under the new rules. Problems can arise when the categories of membership or the eligibility for membership change.

Similarly, you may need to make it clear that, despite the changes to the rules of an association, the office holders of the governing body (e.g. management committee or board) under the old rules

continue in office under the new rules. Alternatively, there may need to be an extraordinary election for the new governing body, or the office holders may need to be specified in the new rules, with effect from a given date. If unsure, seek legal advice.

Tax status

If your organisation has been endorsed by the Australian Taxation Office as a Deductible Gift Recipient (**DGR**) or is exempt from income tax, whether as a Tax Concession Charity (**TCC**) or otherwise, you also need to make sure that any changes to the rules of an association will not jeopardise your tax status. In particular, any changes to the purposes of an incorporated association should be approached with care. If unsure, seek legal advice.

RELATED RESOURCES

For more information on DGR and TCC, please see the [Tax page](#) on the Information Hub.

Funding agreements

If you receive funding from an outside body (for example, a government department or philanthropic trust), check that the proposed changes do not conflict with anything in the relevant funding agreement or terms and conditions of the grant.

Your organisation may also be required under the funding agreement or grant terms and conditions to provide a copy of the new rules to the funding body.

How do we lodge and get approval of changes to the new or amended rules?

For incorporated associations, a special resolution to change the rules of the association will only take effect once it has been approved by the CAFT. To do this, a form must be lodged with CAFT within one month of the vote. The form will specify how many copies of the special resolution are needed by CAFT, as well as the associated fees, signatories and any other requirements.

CAFT will review the changes after the vote and will approve the changes (or reject them). CAFT will check that all of the matters required by the Act have been addressed.

RELATED RESOURCES

See the [CAFT website](#) for more information on matters required to be addressed in the rules of an association.

Bodies also registered as charities

If your organisation is also registered as a charity with the ACNC, you must notify the ACNC of any changes made to your governing document. This obligation is in addition to the obligations your charity may have to other regulators. Most organisations registered with the ACNC are required to provide ACNC a copy of their rules, which can be publically accessed on the ACNC register.

NOTE



There is a time-limit for providing a copy of your rules to the ACNC. The time limit depends on the size of the charity.

- For a small charity (having annual revenue less than \$250, 000), the time limit is 60 days
- For medium charities (having annual revenue of \$250, 000 or more, but less than \$1 Million) and large charities (having annual revenue of \$1 Million or more), the time limit is 28 days.

Updated copies

All types of organisations should make sure copies of the consolidated updated rules (that is, the rules with all amendments made) are provided to committee members/directors so that they can familiarise themselves with them. Copies of the rules must also be provided to any member who requests one. Any member is legally entitled to a copy of the rules of an association.

Resources

Related Not-for-profit Law Resources

- ✔ Getting Started - www.nfplaw.org.au/gettingstarted

Not-for-profit Law's Getting Started page of the Information Hub has information on incorporating and choosing a legal structure.

- ✔ Running the Organisation - www.nfplaw.org.au/runningtheorg

Not-for-profit Law's Running the Organisation page has information on governance, meetings and record keeping and features the popular Secretary's Guide.

- ✔ People Involved - www.nfplaw.org.au/people

Not-for-profit Law's People Involved page has information on members, clients, employees and volunteers.

Legislation

- ✔ [Associations Incorporation Act 1964 \(Tas\)](#)

This legislation regulates incorporated associations in Tasmania.

- ✔ [Associations Incorporation \(Model Rules\) Regulations 2007](#)

Consumer Affairs and Fair Trading (CAFT) resources

- ✔ [Database of Tasmanian incorporated associations](#)

This is a CAFT database where you can search to find Tasmanian incorporated associations and co-operatives.

- ✔ [CAFT's incorporated associations information](#)

This section of CAFT's website has information about incorporated associations. Click on the forms and fees link for the forms for changing your incorporated association's constitution or rules.

Commonwealth Government Resources

- ✔ Business.gov.au - ABN Lookup

ABN Lookup provides access to publicly available information provided by businesses when they register for an Australian Business Number.

A Not-for-profit Law Information Hub resource. Access more resources at www.nfplaw.org.au

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