

# Changes to an incorporated association's rules

Legal information for incorporated associations in the Northern Territory

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## 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 issues should we look out for before we change our rules?
  - ▶ how do we lodge and get approval of changes to the rules?
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This fact sheet assists incorporated associations in the Northern Territory (NT) 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.'). An incorporated association should be registered with Licensing NT.



### Caution

This fact sheet is for incorporated associations in the NT. For information on updating the constitution of other types of organisations, see Not-for-profit Law's [Constitution webpage](#).

## What are rules?

Every incorporated association must 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 organisation are 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 and how they resign or are removed
- 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 Act 2003* (NT) (**the Act**) is required to have rules that include a statement of purposes and address specified matters. Incorporated associations' rules must address all the matters required. These matters are set out in section 21 of the Act.

There are model rules in the Schedule to the *Associations (Model Constitution) Regulations 2004* (NT) which an incorporated association can choose to use as its own rules.



### Related resource

Read section 21 of the [Associations Act 2003](#) (NT).

The model rules for an association can be downloaded from the [NT Government webpage](#) on incorporated associations.

## Why would we need to change our rules?

It's important that your rules accurately reflect how your organisation is governed and are up-to-date with any changes to the law. It's 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's 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 need to comply with any additional 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. 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 can't be passed at a committee or board meeting, or by a resolution without meeting



- at least 21 days' notice of the general meeting must be given to all members
- the notice must state the text of the proposed special resolution
- the notice must specify the intention to propose the resolution as a special resolution and provide adequate explanation (see below), 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. This includes members who are not actually present themselves but whose 'proxies' (see below) cast votes on their behalf. It excludes those members who abstain from voting (for example, members who do not attend the meeting, or who attend but abstain from voting at the meeting) – 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

A notice of a special resolution must advise 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.



#### Proxies

A proxy is a person authorised to vote on a member's behalf if they can't attend a meeting.

The appointment of a proxy is usually required to be in writing using a specified form. Organisations may have rules about when proxy forms need to be received (for example, at least 48 hours before the relevant meeting). Proxy voting may be excluded by the rules of an incorporated association.

**Note:** a 'representative' is different from a proxy. A representative is the person who a company or organisational member nominates to attend and exercise that company's or organisation's voting rights at a meeting of members.

### Providing proper notice and explanation of proposed changes

The law requires that members receive full and fair notice of matters that will be addressed at a meeting. 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. This allows a member to decide whether or not to attend the meeting to which the notice relates.

Where changes to rules are concerned, full and fair notice means:

- the proposed changes need to be clear
- an explanation of the effect of the changes should be provided, and
- an explanation of the reasons for the proposed changes should be provided

An explanatory document or table can be a good way to explain the proposed changes and their effect to members.

It's 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 separate the controversial changes out into separate resolutions.

However, as it is usual for rules of an organisation to interrelate, be careful if you are separating out changes. Changing some rules and not others can result in a conflicting and sometimes unworkable constitution. If you are putting one resolution to your members to adopt a new constitution, you still need to set out what the changes are and the effect of the changes.

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

### Statutory requirements

When amending their rules, or creating a new set of rules, organisations should check that the rules as amended comply with section 21 of the *Associations Act 2003* (NT), otherwise the Commissioner may reject the amendments and a new members resolution will have to be passed.



### Tip

It's a good idea to prepare a list or table, cross-referencing each of the items in section 21 of the *Associations Act 2003* (NT) 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's a good idea to seek legal advice.



### Related Not-for-profit Law resource

For more information about members' rights, see Not-for-profit law's [Members webpage](#).



## 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 (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 with various cashy tax concessions such as Deductible Gift Recipient (**DGR**) status 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 or the winding up clause should be approached with care. If unsure, seek legal advice.



### Related Not-for-profit Law resource

For more information on DGR and TCC, see Not-for-profit Law's [Tax webpage](#).

## Registered charities

If your organisation is also registered as a charity with the Australian Charities and Not-for-profits Commission (**ACNC**), any changes to the charitable purposes in its constitution must be approved by the ACNC before a special resolution is passed. These types of changes should be approached with care as this may impact your organisation's charity sub-type, which may then impact the organisation's tax status. If unsure, seek legal advice.

## 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 by the funding agreement or grant terms and conditions to send 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 Licensing NT. To do this, a number of documents must be filed with Licensing NT within one month of the vote. The documents to be provided to the Commissioner are:

- notice of the alteration
- a copy of each instrument evidencing the alteration, and
- a statutory declaration made by the public officer of the organisation declaring:
  - that the copy is a true copy of the instrument of which it purports to be a copy, and
  - that the alteration is authorised, and was made in the manner provided, by the constitution of the association

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



There may be further newspaper publishing requirements involved when an alteration is made to the Constitution and it is recommended that you carefully check the Act or seek legal advice to ensure compliance with any such requirements.



### Related resource

A statutory declaration form for amending a constitution can be downloaded from this [NT Government webpage](#).

## Registered 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', which means changes to your rules. 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 publicly 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 of \$250,000 or less), the time limit is 60 days
- For medium charities (having annual revenue of more than \$250,000, but less than \$1 million) and large charities (having annual revenue of \$1 million or more), the time limit is 28 days.

## Updated copies

Organisations should make sure copies of the consolidated updated rules (that is, the rules with all amendments made) are provided to committee members or 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

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## Related Not-for-profit Law Resources

▶ [Getting Started](#)

This webpage has information on incorporating and choosing a legal structure

▶ [Running the Organisation](#)

This webpage has information on governance, meetings and record keeping

▶ [People Involved](#)

This webpage has information on members, clients, employees and volunteers

## Legislation

▶ [Associations Act 2003 \(NT\)](#)

▶ [Associations Regulations 2004 \(NT\)](#)

▶ [Associations \(Model Constitution\) Regulations 2004 \(NT\)](#)

## Northern Territory Government resources

▶ [NT Government's incorporated associations information](#)

This NT Government webpage contains information on registering an association, reporting requirements, appointing office bearers and relevant fees.

▶ [Incorporated associations – Constitution](#)

This NT Government webpage provides information about the requirements of a constitution for an incorporated association, including a model constitution template and a statutory declaration form for amending a constitution

## Australian Charities and Not-for-profits Commission (ACNC) resources

▶ [Updating your charity's details](#)

This section of the ACNC's website has information on how to update a charity's details, including making amendments to its constitution

## 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