

Related party financial benefits

For a corporation to give a financial benefit to a related party it needs approval from its members.

Member approval is given through passing a resolution at a general meeting or annual general meeting.

Remember: Members hold the power to decide whether or not to give a financial benefit to a related party.

Step 1

Prepare proposed documents for members

The corporation has to prepare the documents it intends to give to members for seeking their approval to give a financial benefit to a related party.

Proposed documents for members

- ☒ notice of the meeting, including:
 - the place, date and time
 - the proposed resolution (to approve giving a financial benefit to that related party)
 - an explanatory statement
- ☒ any documents that may help the members decide on their vote.

Step 2

Lodge the proposed documents with the Registrar for comment

The corporation needs to lodge the proposed documents with the Registrar at least 14 days before it intends to give notice to members.



Wait for comment

From the time the documents are lodged, the Registrar has up to 14 days to give the corporation written comments.

Step 3

Give notice of the meeting to members

At least 21 days' notice must be given for a general meeting. Check your rule book.

The corporation cannot change any of the documents – the proposed resolution, explanatory statement or other documents. These must have the same information as the documents lodged with the Registrar.

Give to members:

- ☒ notice of the meeting, including:
 - the place, date and time
 - the proposed resolution
 - an explanatory statement
 - ☒ any documents that may help members decide on their vote,
- PLUS**
- ☒ any comments from the Registrar.

Step 4

Members decide

At the general meeting, the chairperson asks the members to vote on the proposed resolution.

Any members who are a related party, or an associate of a related party, cannot vote.

Make sure the minutes of the meeting record the result – how many votes were in favour of the resolution and how many were against it, as well as who was ineligible to vote as they were a related party or an associate of a related party.

For the resolution to pass, more than half of the members' votes must agree to it.

More info

See oric.gov.au and search:

'related party financial benefits'
'notice of a meeting'
'voting'

More than half of the votes agree

☒ resolution passed

Step 5

Notify the Registrar

The corporation has 28 days to lodge a notice with the Registrar advising of the members' approval.

Step 6

Give the benefit

The benefit must be given within 15 months of the members' approval. If 15 months passes, you need to ask for approval again.

Step 7

Report to members

Each financial year, provide members with information about all financial benefits that were given to related parties.

Fewer than half of the votes agree

☒ resolution not passed

Step 5

Do not give the benefit

The corporation cannot give the financial benefit to the related party.