



Not for Profit (NFP) entities
Income tax reporting requirements

General advice

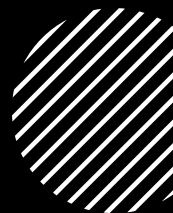
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NFP and ATO – current understanding of reporting requirements



A NFP is exempt from paying income tax – it is not for profit



No current reporting/lodging requirements for income tax



Most NFP have an ABN and ABR registration since 2000



Only interaction with ATO is for lodging BAS to remit GST

Required if turnover is above \$150,000

- No annual return or form dealing with Income Tax



So, what will change from 1st July 2024



All NFP with an ABN will be required to lodge a yearly return with the ATO online declaring income tax status



Rules around which NFP that are exempt from income tax have not changed – but have been updated from recent case law



Around 150,000 NFP will lodge for the first time this year

What is a NFP organisation

The ATO describes NFP organisations as those that do not operate for the profit or gain of their members, including charities and deductible gift recipients (DGR)

- In SA, the *Associations Incorporations Act 1985* regulates the incorporation of community associations
- Typically, incorporated bodies have clauses in their governing documents (Constitution) preventing the disbursement of assets to members on dissolution



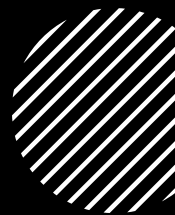


NFP and Income tax – new requirements for 2023/24 financial year

- A new yearly reporting requirement for all income tax exempt entities from 23/24 financial year
- Form submitted online through ATO Online services declaring exempt status
- NFP have until October 31st each year to lodge return
- Can have a registered tax agent lodge on their behalf



What is a tax exempt NFP according to ATO



Being an incorporated body is not enough to be tax exempt

If your NFP is registered with the ACNC (Australian and Not-for-profits Commission) you are exempt and no need to report

The NFP must comply with all substantive requirements of its governing rules

Applies its income and assets solely for purpose for which it was established and no distribution to members on dissolution

What is a tax exempt NFP according to ATO

- There are eight categories of NFP that can be tax exempt



Community
Service



Cultural



Educational



Employment



Health



Resource
Development



Scientific

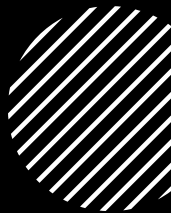


Sporting

- We will focus on two – Sporting and Community Service
- Remember being an incorporated body is not enough to be tax exempt



Community service organisations

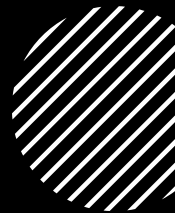


Traditional service and community services clubs fit into this category

These groups are for the benefit or welfare of the community as a whole or by segment – youth, age, poverty or social circumstances



Community service organisations



Community service organisations include:

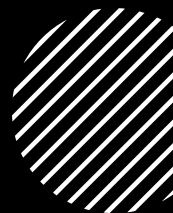
- Playgroup associations
- Traditional and community service clubs
- Pensioner or senior citizens associations

Community service organisations **don't** include:

- Clubs that promote public speaking or debating
- Clubs that provide a social forum for retired or semi-retired business people or expatriates of a particular country



Sporting organisations



On the surface, most sporting clubs locally are still tax exempt

NFP needs to be established for the purpose of encouragement of either a game, sport or animal racing

A game includes board/card games such as chess and bridge

A sport is wide ranging, but a set of defined rules setting out participation sets it apart from a leisure activity

Excluded sporting organisations

Body Building

Car owner clubs

Dancing as a social activity

Stamp and Coin Collecting

Breeding and showing of animals/pets

Model Railway groups



Our club is not exempt – what do we do



Firstly, **do not panic** – your NFP may still not have to pay tax



The Principle of Mutuality still may apply to your NFP



This principle is that you are only taxed on non-member profits – members income less expenses is exempt




As each case will be unique, please seek professional advice



Non-exempt club example


- Club is incorporated in SA, has ABN, and can not distribute income or assets to members at any time
- The group get together each month to socialise and discuss their thoughts on the latest books from Slovenia
- The clubs only income is membership fees from members
- Expenses relate to hall hire, biscuits and tea/coffee

As the income is all from members no liability for income tax




Our club is exempt – what to do next

1. Update your details with ATO/ABR using ATO NAT Form 2943
 - Need to attach signed AGM minutes to form as proof you hold the positions stated
2. Office bearers will need to download the myGovID app and set up their identity to either Standard or Strong
 - **Note that myGovID is a different app and process to myGov**



Our club is exempt – what to do next

3. The ATO will notify by mail when the new office bearers are approved
 - Normally 4 weeks – currently 2-3 months
4. At same time it would be good governance to update with Consumer and Business Services (CBS) the Public Officer for the NFP



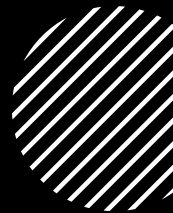
Our club is exempt – what to do next

5. Once you receive confirmation, link the NFP to your ATO account via the Relationship Access Manager (RAM)
 - a. At this stage you are able to invite a tax agent to also represent the NFP for future lodgements
6. After July 1st, go online to ATO and complete and lodge the form

For 2024 only – in July the NFP will receive via mail a unique phone number and code to lodge via phone – more details to come



What questions will the ATO ask about by NFP to complete the form



All answers are based on a financial year

Typically, it will be year ended 30th June



You will need to have read and understood the NFP constitution and financials to complete this form online

ATO NFP online form questions

1. Estimated gross revenue for year
 - a) Small (\$0-150,000), Medium (\$150,000 to \$3m) or Large (\$3m+)
2. Choose a category that best reflects the organisations purpose



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Sporting

ATO NFP online form questions

Does the organisation have clauses in the governing documents that prohibit distribution of income or assets to members

- Yes or No

Are all operations in Australia

- Yes or No

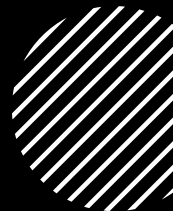
Does the organisation have any charitable purpose

- Yes or No

Based on your answers ATO will determine if your NFP is exempt or not



Key takeaways



Update your NFP details with the ATO through the form NAT 2493 'Change of Registration Details' as soon as possible



Review for NFP income tax status using the ATO checklists



Seek out assistance if needed



Most if not all local sporting clubs will be exempt and just need to lodge a declaration each year



Who to contact for extra information

Galpins Accountants,
Auditors and Business
Consultants

233 Commercial St West

Mount Gambier

08 87253068

Or ato.gov.au and search

QC 73664