



Australian Government
Australian Taxation Office

Helping not-for-profits get it right

An overview of Australian settings

Council of ACT Motor Club Delegates on NFP Association tax compliance.
Saturday 2 August 2025

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July 2025





Australian Government
Australian Taxation Office

Our purpose is to collect tax so that government can deliver services for the Australian community

Our vision is an Australia where every taxpayer meets their obligations because:

- ✓ complying is easy
- ✓ help is tailored
- ✓ deliberate non-compliance has consequences

NOT-FOR-PROFIT CENTRE AND GOVERNMENT

- We are a point of contact for government and not-for-profit taxpayers and stakeholders.
- We work with taxpayers, intermediaries, peak bodies, scrutineers, government, other agencies and all relevant ATO business areas.

OUR ROLE

To confirm the integrity of NFP and Government tax administration by:

- Providing taxpayers with timely and tailored advice that assists them to understand and meet all their tax and super obligations.
- Assuring taxpayers are operating for purpose and accessing concessions appropriately, that justifies the trust placed in them by the Australian community.
- Supporting taxpayers to deliver important services for the Australian community, especially in times of need during disaster periods or critical instances.
- Influencing the shape of the tax and superannuation system.

AUSTRALIAN OVERVIEW NOT-FOR-PROFIT POPULATION



SOURCES

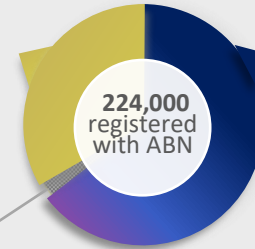
1. Productivity commission research report 2010
2. ATO data warehouse as at 19 Feb 2024, figures are approx.
3. Taxation statistics 2020-21,
4. Australian charities report 9th edition 2020-21
5. ATO Digital Identity Services as at Feb 24

REGISTERED NOT-FOR-PROFITS ²

Registered not-for-profits have an active ABN

57,700 (26%) ENDORSED TAX CONCESSION CHARITIES

To access charity concessions, charities must be registered with the Australian Charities and Not-for-profit Commission and endorsed by the ATO



155,300 (70%) SELF-ASSESSED INCOME TAX EXEMPT

Not-for-profits can self-assess exemption from income tax if they are not a charity and they meet the requirements of one of eight categories

28,700 (13%) DEDUCTIBLE GIFT RECIPIENTS

Not-for-profits and government organisations endorsed as entitled to receive tax deductible donations. Includes 2,200 government entities.

66,000 (29%) GST REGISTERED

Not-for-profits with \$150,000 turnover must register for GST.

40,600 (18%) PAYGW REGISTERED

Not-for-profits register and report PAYGW where they make payments subject to withholding.

9,300 (4%) TAXABLE NOT-FOR-PROFITS

Not-for-profits that lodge an income tax return include social clubs, certain professional associations, clubs whose main purpose is providing hospitality for members, and political parties



About **47,000** entities generated an estimated **\$232.5 billion** in sales in 2021-22 ²



\$4.4 billion donations from **4.2 million** Australian taxpayers ³



In 2021-22 approximately:
 ■ **2.0 million** employees ³
 ■ **\$24.1 billion** PAYGW reported ²
 ■ **35,000** registered for Single Touch Payroll ²



7,100 of all employers are registered for FBT
12,800 have an FBT exemption
31,300 have an FBT Rebate ²



■ **\$900 million** in franking credits refunded in 2021-22 ³



■ **\$97.2 billion** in revenue received by charities from the Government (including grants) ⁴
 ■ **\$13.4 billion** in donations and bequests ⁴



■ **52,000** NFP and GOV entities registered with myGovID to use online services (as at 20 Feb 2024) ⁵

LANDSCAPE REGULATORS AND ADMINISTRATORS OF NOT-FOR-PROFITS



- National administrator for taxation and superannuation
- Assesses not-for-profits and charities seeking access to Commonwealth tax exemptions and concessions - such as DGR endorsement and income tax and GST concessions

Visit ato.gov.au



- National regulator of charities
- Assesses entities seeking charity registration
- Around 59,000 not-for-profits are registered as charities

Visit acnc.gov.au



State and Territory authorities regulate incorporated associations and fundraising rules and licenses

Find [links](#) to different state and territory authorities at ato.gov.au



- Australian Securities and Investments Commission is the regulator of companies
- Some reporting obligations under the Corporations Act 2001 don't apply to companies and registered bodies registered with the ACNC

Visit asic.gov.au



- The Office of the Registrar of Indigenous Corporations (ORIC) supports and regulates corporations that are incorporated under the Corporations (Aboriginal and Torres Strait Islander) Act 2006 (CATSI Act).

Visit oric.gov.au

NOT-FOR-PROFIT INCOME TAX OBLIGATIONS

ATO registrations, lodgments and payments that different not-for-profits have

INCOME TAX STATUS

Not-for-profits (NFPs) are taxable unless:

- they have charitable purposes and register with the ACNC **and**
- are endorsed by the ATO to access Tax Charity Concessions (TCC) **OR**
- they meet the eligibility criteria to self-assess as income tax exempt.

Eligibility

- To be eligible to self-assess an NFP must fit into 1 of 8 categories, meet 1 of 3 additional tests, and meet special conditions.
- NFPs with **only** charitable purposes can't self-assess as income tax exempt.
- If an NFP doesn't meet the requirements of a registered charity **or** is ineligible to self-assess as income tax exempt, they are taxable.

Visit ato.gov.au/NFPincometax

INCOME TAX REPORTING OBLIGATIONS

Charities

- Charities registered with the ACNC must meet all their tax and superannuation obligations **in addition** to their ongoing obligations to the ACNC.
- ACNC requires the submission of an *Annual Information Statement (AIS)*, along with some financial information.
- The type of financial information reporting is dependent upon the entity size and status.

Visit acnc.gov.au

Self-assessed income tax exempt

- Self-assessed income tax exempt NFPs with an ABN are required to lodge an annual NFP self-review return with the ATO, confirming they meet eligibility requirements.
- Each year's return notifies the ATO the NFP remains eligible to self-assess as income tax exempt.
- Reporting is at **tax time**, with returns due between 1 July and 31 October for the previous income year period.
- NFPs can lodge via online services for business or online services for agents.

Visit ato.gov.au/NFPtaxexempt

Taxable NFPs

- Taxable NFPs are required to lodge an annual Income Tax Return with the ATO.
- Entities can determine their taxable income by having regard to the mutuality principle.
- The mutuality principle states that you cannot earn income from yourself – so member generated income isn't taxable.
- Taxable NFP companies with a taxable income **less than \$416** for the previous income year period, can submit a non-lodgment advice. The \$416 threshold doesn't apply to other taxable NFP entities.

! ANNUAL REVIEW

- NFPs should review their organisation's purpose and activities annually, and whenever they make changes to their [governing rules](#), structure or activities.
- Use our checklists and worksheets to:
 - review the organisation's status as an NFP
 - check how well the organisation understands its tax and superannuation obligations
 - check the NFP is still eligible for deductible gift recipient (DGR) endorsement or income tax exemption.

Visit ato.gov.au and search for QC65220

NOT-FOR-PROFIT GST AND EMPLOYER OBLIGATIONS

ATO registrations, lodgments and payments that different not-for-profits have

GOODS & SERVICES TAX (GST)	EMPLOYER OBLIGATIONS				! PAYDAY SUPER
<ul style="list-style-type: none"> NFPs are required to register for GST if their turnover is \$150,000 or more. NFPs under the \$150,000 threshold can choose to register. NFPs registered for GST must lodge Business Activity Statements (BAS), usually on a quarterly basis. This can be done using <i>Online services for Business</i> or through a tax or BAS agent. NFPs are required to report and pay GST amounts and claim any GST credits they may be entitled to via the BAS. 	PAYG Withholding (PAYGW) <ul style="list-style-type: none"> NFPs with employees have the same PAYGW obligations as for-profit businesses. NFPs must register when they are required to withhold tax from payments to others - including employees, directors and office holders. 	Single Touch Payroll (STP) <ul style="list-style-type: none"> All NFPs should now be using STP to report salaries and wages, PAYGW and superannuation. The end-of-year finalisation process using STP has replaced lodging a payment summary annual report. 	Fringe Benefits Tax (FBT) <ul style="list-style-type: none"> NFPs liable for FBT on benefits provided to employees are required to: <ul style="list-style-type: none"> register for FBT lodge an annual FBT return pay the resulting FBT liability. Examples of benefits provided may include: <ul style="list-style-type: none"> use of a car meal allowance direct payments of employees' personal expenses (rent, mortgage, utility bills). NFPs may need to pay FBT instalments each quarter. 	Superannuation <ul style="list-style-type: none"> NFPs must provide eligible employees with super contributions of at least the super guarantee rate by the quarterly cut-off date. Most employees are covered by the super guarantee legislation. It covers those who are full time, part-time or casual. It also covers certain independent contractors. The super guarantee rate is 11.5% for the 2024-25 financial year and will rise to 12% from 1 July 2025. 	<ul style="list-style-type: none"> In May 2023 the Australian Government announced that from 1 July 2026, employers will be required to pay their employees' super guarantee (SG) at the same time as their salary and wages. While the measure is not yet law, Treasury and the ATO will engage with industry and stakeholders on these changes. It's anticipated that from the start of the measure, employers will be liable for the super guarantee charge (SGC) unless contributions are received by their employees' superannuation fund within 7 days of payday.

Visit ato.gov.au

KEY FOCUS WHAT ATTRACTS OUR ATTENTION

1. OPERATING FOR PURPOSE

- Are entities applying income and assets solely for purpose?
- Are entities operating in accordance with their governing documents?



DGR ENTITLEMENT

- Are deductible gift recipients (DGR) meeting their purpose and activity requirements?
- In entity groups with a mix of DGR and non-DGRs, do donations reach the correct entity?

REFUND OF FRANKING CREDITS

- Are charities claiming correct amounts?
- Do they meet all technical eligibility requirements?
- download the claim form at ato.gov.au

MEETING TAX AND SUPER OBLIGATIONS

- Are FBT concessions and calculations correct?
- Are NFP entities meeting their obligations for PAYGW, Single Touch Payroll and Super?

WIND-UP

- Are surplus funds and assets distributed according to the NFPs governing rules, upon wind-up?

MUTUALITY

- Is the principle of mutuality being applied correctly and are members correctly classified?
- Are tax returns being lodged as required?

INTERNATIONAL TRANSACTIONS

- Are funds being sent overseas for non-charitable purposes?
- Are there indicators of Terrorism financing or money laundering in NFP sector?

2. PRIVATE AND PUBLIC ANCILLARY FUNDS



- Are ancillary funds established to facilitate philanthropic giving or for other purposes?
- Are ancillary funds meeting the requirements of the guidelines?
- Are external auditors confirming compliance with the guidelines as part of their annual audit of accounts?

Key aspects

- Minimum annual distributions of 5% (Private funds) and 4% (Public funds)?
- Maintaining a diverse investment strategy that has regard to the risk of holding certain assets and meeting strict annual distribution requirements
- Loans/valuations are accurately recorded and in line with guidelines?

3. SELF-ASSESSING INCOME TAX EXEMPTION



Not-for-profits correctly access and use the significant concessions available to the sector.

Key aspects

- Are self-assessing entities regularly reviewing their entitlement to self-assess as income tax exempt (e.g. purpose must align to 1 of 8 categories)?
- Are self-assessing entities meeting their other taxation obligations, such as:
 - GST registration, lodgment and payment
 - Super and PAYGW payments

NEW REPORTING REQUIREMENTS RISKS IN FOCUS

The lodgment requirement on ABN registered self-assessing income tax exempt entities commenced on 1 July 2024 (for the 2023-24 year) and will result in new risk behaviours, including:

- Non-lodgment of self-review return
- Late lodgment of self-review return
- Entities not eligible to self-assess:
 - Entity has charitable purposes and should be endorsed by ACNC and the ATO to access Income Tax exemption
 - Entity has no entitlement to Income Tax exemption and should be lodging an annual tax return or Non-lodgment advice

4. EMERGING RISKS



STRUCTURING AND A LACK OF TRANSPARENCY

- Are structures that contain 'for-profit' entities operating at arms-length and for the ultimate benefit of the NFP?
- Are structures appropriate for operations, or being put in place to impede transparency or exploit tax concessions?
 - Misuse of Basic Religious Charity Trust structures to avoid financial reporting and obscure activities
 - Misuse of religious charity structure to access uncapped fringe benefits for individuals
 - Misuse of Public Benevolent Institution (PBI) structure to access FBT concessions for employees
 - Creation of 'Private' NFP foundations to stream untaxed income – see [Taxpayer Alert - TA 2016/5](#)

GST REPORTING BY NFP ENTITIES

- Are NFP entities meeting requirements to be registered for GST, and correctly classifying/reporting GST supplies?
- Are commercial activities being treated correctly in GST?

COMMERCIAL ACTIVITIES BY NFP ENTITIES

- Are assets and income being applied solely for the purpose for which the NFP was established, or to provide private benefits to individuals?
- At wind-up, are assets being distributed in accordance with the entity's governing documents?

RISING DEBT LEVELS

- Do NFP entities with significant debt have appropriate payment arrangements in place? Are entities viable?

IMPROVING ASSURANCE

What not-for-profits can do to achieve higher assurance



Keeping good records

- Evidence how and why the entity treated tax and superannuation matters in a certain manner
- Document how the entity self-assessed as eligible for income tax exemption
- Setup an annual review process to evidence ongoing eligibility to income tax exemption
- Notate details of activities that encourage sport as the main purpose (i.e. for a sporting club)
- Monitor continued eligibility and record the factors for determining entitlement to concessions (e.g. for claiming franking credit refunds)
- Keep BAS calculation worksheets or any other workings of calculations. For example, how current and projected turnover is calculated in order to determine the requirement to register (and remain registered) for GST
- Maintain valid tax invoices to support any GST credit claims made on the BAS
- Check calculations are accurate and amounts have been transferred correctly from system records to the BAS



Risks communicated to market

- Self-review DGR entitlement by checking that the entity continues to operate for purpose and meets the principal activity test
- Review ancillary fund guidelines to ensure all requirements are met
- Record how the taxable value of fringe benefits to employees was calculated and applies to the appropriate concessions claimed



Significant transactions with a tax or superannuation impact

- Payments between related entities are applied for purpose and do not result in private benefit
- Ensure government grants are applied for purpose and any GST obligations are clearly understood by all parties
- Prevent errors that will have a large consequential impact on tax and super outcomes by adhering to governance standards (i.e. for FBT and GST transactions)
- Setup arrangements to protect the entity from terrorism finance and money laundering
- For non-routine or complex GST transactions that are less familiar e.g. property, international or product classification transactions, seek assistance early from the ATO or a Tax or BAS advisor



Accounting and tax results

- The distribution of funds by an entity meets the special conditions for income tax exemption (i.e. assets and income are applied solely for purpose)
- Surplus funds and assets, at time of wind-up, are distributed according to governing rules and charitable assets remain within the charitable domain
- Apply the principle of mutuality and ensure members are classified correctly
- Record the determining factors for decisions (i.e. how uncertain tax positions are accounted for)

PUBLIC ADVICE AND GUIDANCE

The ATO offers a range of public advice and guidance to help NFP administrators manage their organisation's tax and super affairs

HELP FOR EVERY STAGE OF YOUR NFP

ato.gov.au has information to support your organisation across its entire lifespan – including if you are:

- getting started as a new NFP
- engaging new workers, including volunteers
- receiving gifts and fundraising
- running your organisation
- making changes to your organisation
- ending your organisation.



Visit **ato.gov.au** and search for **QC 50726** for a range of information and tools

IMPORTANT INFORMATION SUPPORTING NEW MEASURES

NFP self-review return

- Guidance on the new reporting requirements for self assessed income tax exempt NFPs is at: **ato.gov.au/NFPtaxexempt**
- Sporting clubs can visit our pages for information by searching **QC 73736**. Links on this page will take you to our tax ruling *TR 2022/2 Income tax: the games and sports exemption* for detailed information and examples.

DGR registers reform

- For guidance about *transitional provisions* following the transfer of administrative responsibility of 4 DGR categories, from other government departments to the ATO, visit **ato.gov.au** and search for **QC 73735**

SO WHAT'S IN PROGRESS?

We continuously review and improve our dedicated NFP content on **ato.gov.au** and our public guidance.

Things we are working on include:

- Update of web guidance for self-assessing income tax exempt NFPs to include more examples of eligible and ineligible organisations.
- We've published our update of *Taxation Ruling TR 2013/2 Income tax: school or college building funds* and relevant website guidance to reflect the decision of the Federal Court.
- Development of guidance for taxable NFPs to help classify mutual and non-mutual receipts.

ESSENTIAL GUIDANCE LINKS

1. Use our [step by step overview](#) to update your ABN details, connect to ATO online services for business and lodge the NFP self-review return.
2. Review your tax status and keep ABN details updated using our [NFP tax, super and registry responsibilities checklist](#)
3. Undertake regular reviews of your DGR endorsement using our [worksheets](#)
4. Refer to our [NFP self-review return question guide](#) to determine eligibility for income tax exemption.
5. Use our [mutuality guide](#) to find out if you can apply the mutuality principle, when calculating taxable income.
6. If you're a taxable NFP company with taxable income of \$416 or less, complete the [non-lodgment advice](#) form.
7. Report misuse of NFP organisations confidentially using our [Tip Off Form](#)

NOT-FOR-PROFITS ARE INCOME TAX EXEMPT OR TAXABLE

1. Income tax exemption for not-for-profits (NFPs) is not an automatic entitlement
2. Not all NFPs qualify for an income tax exemption
 - Income tax exempt entities are often altruistic in nature with their purposes benefiting the broader community, rather than primarily the interests of their members

WHEN CAN A NOT-FOR-PROFIT QUALIFY FOR INCOME TAX EXEMPTION?

- ✓ It is established and operating on a not-for-profit basis **and**
- ✓ It has purposes that meet requirements of exempt entities outlined in tax law

Only charitable purposes

Pathway one



Eligible to self-assess

Pathway two



IF A NOT-FOR-PROFIT DOES **NOT** QUALIFY FOR INCOME TAX EXEMPTION

- ✓ They need to pay tax on taxable income

Taxable not-for-profit



ELIGIBILITY TO BE INCOME TAX EXEMPT IT'S ABOUT PURPOSE!

ONLY CHARITABLE PURPOSES

PATHWAY ONE



ONLY ELIGIBLE TO INCOME TAX EXEMPTION IF:

- ✓ REGISTERED WITH THE ACNC **AND**
- ✓ ENDORSED AS INCOME TAX EXEMPT BY THE ATO

REQUIREMENTS, TESTS AND CONDITIONS

- An active ABN
- Established and operating on a not-for-profit basis
- **Only charitable purposes** that are **for the public benefit** – all non-charitable purposes must be ancillary or incidental
- Complies with the **ACNC Governance Standards** – and **ACNC External Conduct Standards** if operating overseas
- Does not have any disqualifying purposes
- Is not an individual, political party or government entity
- Reports annually to the **Australian Charities and Not-for-profits Commission** (ACNC) on an Annual Information Statement
- **Other ATO endorsement conditions** – for example – it has a physical presence *In Australia* and complies with substantive requirements in its governing documents



Go to acnc.gov.au/selfassessing



Can we **choose not to register as a charity?**

- Yes, charity registration is voluntary
- However the NFP will not be eligible to be income tax exempt, and will be a **taxable NFP**
- As a taxable NFP, they may be able to apply the mutuality principle



Recorded webinar

Watch *What to do if your NFP is charitable* at ato.gov.au/ATOtV under the not-for-profit channel

ELIGIBILITY TO BE INCOME TAX EXEMPT IT'S ABOUT PURPOSE!

ELIGIBLE TO SELF-ASSESS PATHWAY TWO



EXISTING TAX LAW SETS-OUT **SPECIFIC CRITERIA** FOR EIGHT TYPES OF INCOME TAX EXEMPT ENTITIES ELIGIBLE TO SELF-ASSESS

REQUIREMENTS, TESTS AND CONDITIONS

- Established and operating on a not-for-profit basis
- Operates for **public benefit**
- Does **not** meet the **legal meaning of a charity**. This is also known as an ACNC type of entity, and includes organisations that have only charitable purposes for the public benefit
- Has **purposes that fall within one of the eight types** of income tax exempt entity outlined in tax law
- Other conditions and tests** – for example – it has a physical presence *In Australia* and complies with *substantive requirements in its governing documents*



COMMUNITY SERVICE



SPORTING



CULTURAL



EDUCATIONAL



HEALTH



EMPLOYMENT



SCIENTIFIC



RESOURCE DEVELOPMENT



Is it *mandatory* to lodge an annual self-review return?

Yes. **From the 2023-24** income year, non-charitable NFPs with an active ABN status are required to lodge an annual NFP self-review return to **notify us of eligibility** to income tax exemption.

- Division 50 of ITAA 1997 sets-out **specific criteria** for eight types of income tax exempt entities eligible to self-assess.
- The first lodgment was due for the 2023-24 income year, as part of Tax Time.
- The requirement to lodge was established by registration of the *Taxation Laws (Requirement to Lodge a Return) Instrument 2024 – in May 2024*.

Visit ato.gov.au/NFPtaxexempt



Recorded webinars

Watch the *New reporting requirements for NFPs* at ato.gov.au/ATOtv under the NFP channel

COMPLETING THE NFP SELF-REVIEW RETURN

Lodged by non-charitable NFPs self-assessing as income tax exempt

Focus is on making it **simple, quick** and **automated** using the existing online and secure platform - *Online Services*



Sections to complete



1 Organisation details

- Authorised contact and address details
- Estimated annual gross revenue range:
 - Small* \$0 - \$150K
 - Medium* \$150K - \$3m
 - Large* >\$3m



2 Income tax exemption self-assessment

- Around five questions testing eligibility
- Primarily yes/no style questions
- Links to guidance to assist completion



3 Summary and declaration

- Save and print

Due date



- Due each year by **31 October**, as part of annual Tax Time.
- To help NFPs get it right, we provided additional time to *lodge the first 2023-24 NFP self-review return up to 31 March 2025*

How to get ready



Watch the *How to lodge your NFP self-review return online* at ato.gov.au/ATOtv under the NFP channel

- Check the NFP's ABN registration and contact details are up to date
- Review the NFP's main purpose and its governing documents
- Set up a myGovID with either a Standard or Strong identity strength
- Complete an early review using our question guide at ato.gov.au/NFPselfreviewguide

A practical compliance approach

Transitional arrangements are available if you need more time to meet obligations, including:

- education and support, over a penalty first approach for 2023-24
- lodgment deferrals
- payment plans for organisations that identify they're a taxable NFP for 2023-24
- remission of general interest charges and other penalties that may apply.

We are focusing resources on lodgment of the 2023-24 income year onwards.

If you make a mistake, and it wasn't intentional or driven by evasion or fraud, you can expect the ATO to support you to meet obligations going forward.

Missed the due date?

- You don't need to request an extension.
- Lodge before 30 June 2025, to avoid a review.
- Visit ato.gov.au/NFPSRRlatelodgment

TAXABLE NFPS WHO ARE THEY?

TAXABLE NFPS

- Not all NFPs are exempt from income tax
- The tax law tells us the types of NFP organisations that can be exempt from income tax
- If a NFP does not qualify for income tax exemption, they need to determine their taxable income
- They may need to lodge an income tax return or notify us of a return not necessary.
- They are not required to include mutual receipts from members when calculating taxable income - known as the mutuality principle

EXAMPLES INCLUDE

- Clubs that promote an interest in vintage cars
- Chambers of commerce / Professional associations
- Political parties
- Social groups and clubs whose main purpose is to provide hospitality services to members
- Clubs that promote public speaking or debating

Check what type of taxable NFP your organisation is

- ✓ Work out if you need to lodge an income tax return **or**
- ✓ If you can notify us of a 'non-lodgment advice' also known as a 'return not necessary'



TAXABLE NFP COMPANIES

- NFP companies have special arrangements for lodging tax returns and special rates of income tax.
- An organisation is treated as an NFP Company where it:
 - Is not carried on for profit or gain of their individual members **and**
 - The NFP's governing documents **prohibit** the distribution of assets, such as money or property, to members of the organisation.
- They need to work out their taxable income:
 - If **above \$416** they will need to lodge an income tax return.
 - If **\$416 or less**, they should notify us of a *Return not necessary*.

OTHER TAXABLE COMPANIES

- Clubs, societies or associations with **governing documents** that **don't specifically prohibit** distributions to members, must lodge an income tax return regardless of taxable income.
- There is no tax-free threshold. They have the same rates of tax applied as other companies.

TAXABLE TRUSTS AND PARTNERSHIPS



- Taxable trusts and partnerships are required to lodge a return every year regardless of net income.
- There is no tax-free threshold

TAXABLE NFPS WHAT AND WHEN TO LODGE?

DUE DATE

- Income tax returns are generally due by 31 October each year.
- Taxable NFPs have access to a concessional due date of lodgment. They need to lodge their tax return for the 2023-24 income year by **15 May 2025**.
- If an NFP has an approved substituted accounting period (SAP) for income tax, they will have a different due date.
[Search for QC34569 on ato.gov.au](#)

HOW TO LODGE OR NOTIFY



HOW TO LODGE A FULL INCOME TAX RETURN

- Download and then complete a paper form
- You can also engage a registered tax agent to lodge on your behalf



HOW TO PROVIDE A NON-LODGMET ADVICE

- Log into Online services for business and notify using the secure mail function
- A registered tax agent can provide a non-lodgment advice using Online Service for Agents
- Download, complete and post the [NFP company non-lodgment advice form](#)
- Phone us on **131142**.



Visit ato.gov.au/taxableNFPs and follow the links to download a paper *income tax return* or *NFP company non-lodgment advice* form



CONFIRMING YOUR IDENTITY WHEN YOU CALL

Due to privacy reasons, you must be an authorised contact already listed on ATO records. If you call we'll ask you some questions to confirm your identity and authorisation to access the account.

MUTUALITY PRINCIPLE - KEY CONCEPTS



WHAT IS MUTUALITY?

Mutuality is a legal principle, that recognises that an organisation cannot derive income from itself

WHAT DOES IT MEAN?

- Receipts derived from **mutual dealings** with members are **not assessable income** - these are called mutual receipts)
- Expenses incurred to get mutual receipts are not deductible.

In practical terms, if your organisation can apply the mutuality principle, it may **decrease your taxable income**.



WHY DO WE NEED TO IDENTIFY MEMBERS?

Mutuality **accurately** apportion revenue and expenses for mixed dealings, the organisation must identify if an individual is a member or a non-member

WHO ARE MEMBERS?

For the purposes of mutuality, we accept that a person is a member of an organisation where the person has done **all** of the following:

- applied for membership - which may entail being nominated and paying the appropriate nomination fee
- been accepted by the organisation - for example, by the board of directors.
- paid the appropriate membership subscription or contribution.



Search ato.gov.au
for **QC33593**

CHARACTERISTICS OF WHO CAN APPLY MUTUALITY

- The organisation is carried on for the **collective benefit of all of its members**
- Members of the organisation share a common purpose
- **Different classes of memberships** can exist with varying subscription rates, rights and entitlements to facilities
- There is a **common fund** established for the common purpose, and all members contribute to it
- Contributions to the common fund are **applied for the collective benefit** of all members, in line with the common purpose
- The **members have ownership and control** of the common fund
- The contributors to the common fund must be entitled to participate in any surplus of the common fund*

** If an organisation's constituent document prevents it from making any distribution to its members, and this is the only thing that prevents an amount of its income from being a mutual receipt, the organisation is not prevented from accessing mutuality for income tax purposes.*

HOW TO APPLY MUTUALITY

FOUR STEPS TO CALCULATING TAXABLE INCOME

- 1** Classify the organisation's revenue as either:
 - non-assessable
 - assessable
 - apportionable
- 2** Classify the organisation's expenses as either:
 - non-deductible
 - deductible
 - apportionable
- 3** Separate apportionable revenue and expenses into:
 - non-assessable and assessable
 - non-deductible and deductible
- 4** Calculate your taxable income
 - Total the assessable income - from steps 1 and 3
 - Total the deductible expenses - from steps 2 and 3
 - Calculate the taxable income as follows:
 $\text{Taxable income} = \text{assessable income} - \text{deductions}$

CLASSIFYING REVENUE

The following receipts are **non-assessable income** for tax purposes

- **mutual receipts**
- receipts classified under income tax law as non-assessable income, including exempt income and non-assessable, non-exempt income

Mutual receipts examples

- member subscriptions and levies
- fees from members using the organisation's facilities - e.g. gyms, pools and squash courts
- drinks and food sold to members
- amounts members pay to attend dinners, parties, dances or social functions
- **Donations received**

Assessable income includes **receipts from trading** with non-members and income from sources outside the organisation

Assessable income examples

- dividends and other income from investments - e.g. interest from term deposits and rent
- sponsorships and certain grants
- proceeds from fundraising - e.g. sale of lamingtons and cakes
- food and drink sales to **non-members**
- fees received for hiring out the organisation's hall or equipment
- amounts **non-members** pay to attend dinners or social functions

Apportionable revenue is revenue that comprises **both assessable and non-assessable** income.

This revenue needs to be separated using a practical and suitable method. Be sure to record it.

Apportionable revenue examples

- **member and non-member sales** - e.g. meals sold at the bistro or drinks at the bar
- Hire fees from **members and non-members**
- Amounts **members and non-members** pay to attend a talk or presentation
- **member and non-member proceeds** from a raffle
- **gaming income** from members and non-members

Search ato.gov.au for **QC 23099**

HOW TO APPLY MUTUALITY

FOUR STEPS TO CALCULATING TAXABLE INCOME

- 1 **Classify the organisation's revenue as either:**
 - non-assessable
 - **assessable**
 - apportionable
- 2 **Classify the organisation's expenses as either:**
 - non-deductible
 - deductible
 - apportionable
- 3 **Separate apportionable revenue and expenses into:**
 - non-assessable and **assessable**
 - non-deductible and **deductible**
- 4 **Calculate your taxable income**
 - Total the assessable income - from steps 1 and 3
 - Total the deductible expenses - from steps 2 and 3
 - Calculate the taxable income as follows:

$$\text{Taxable income} = \text{assessable income} - \text{deductions}$$

CLASSIFYING EXPENSES

The following receipts are **non-deductible** for tax purposes

- **expenses used to get mutual receipts**
- expenses classified under income tax law as non-deductible

Expenses incurred for mutual receipts may include:

- collecting membership subscriptions
- increasing membership
- member loyalty schemes
- **running member-only facilities** - e.g. - gyms and pools
- food and beverages sold to members
- running **member-only functions** - e.g. dinners, parties presentations and workshops.

Generally **deductible expenses** are those incurred in earning an organisation's assessable income

Deductible expenses may include:

- costs of running a function solely for **non-members**
- costs of running a purely commercial trading activity - including **employee wages**
- fees for earning bank interest, dividends or investment income
- costs of fundraising drives to the public - e.g. buying promotional buttons sold to the public
- expenses related to gaming income

Apportionable expenses are those incurred in earning **both assessable income and non-assessable income**.

These expenses need to be separated using a practical and suitable method. Be sure to record it.

Apportionable expense examples

- printing, postage and stationery
- utilities - e.g. phone and electricity
- bank charges
- insurance
- audit fees and accounting fees
- directors' fees and employee wages
- honoraria paid to volunteers who help the organisation with activities that relate to members and non-members
- costs of meals and beverages sold to **members and non-members**

Search ato.gov.au for **QC 23099**

DEDUCTIBLE GIFT RECIPIENT (DGR) REFORMS AND INTEGRITY

DGR REGISTERS REFORM

From 1 January 2024, legislative amendments transferred administrative responsibility of 4 DGR categories from other government departments to the ATO.

These changes mean the ATO administers all 52 general DGR categories, enabling consistency of administration, reduced red tape, and a simplified application process for NFPs seeking DGR status.

- From 1 January 2024, the ATO commenced assessing eligibility for:
- Environmental organisations
- Harm prevention charities
- Cultural organisations
- Developing country relief fund or organisation.

Organisations already endorsed in one of the 4 register DGR categories prior to 1 January 2024, remain endorsed if they continue to meet eligibility criteria.

DGR FOR COMMUNITY CHARITIES

Enabling legislation [Treasury Laws Amendment \(Support for Small Business and Charities and Other Measures\) Bill 2023](#) came into effect on 29 June 2024.

It established a new class of DGR for community charities:

- 2 new general DGR category in the *Income Tax Assessment Act 1997* for community charity funds
- a compliance regime in the *Taxation Administration Act 1953* - supported by the [Taxation Administration \(Community Charity\) Guidelines 2025](#) made on 21 February 2025.

The Assistant Minister also named the first 4 community charity trusts in the [Taxation Administration \(Community Charity Trusts and Corporations\) Declaration 2025](#) on 19 March 2025.

We continue to work with Treasury and the ACNC to develop new public advice and guidance to support new applicants.

REVIEW DGR STATUS REGULARLY

Endorsed DGRs must tell us if they stop being entitled to endorsement. Things that can affect your organisation's entitlement include:

- changes to purpose and operations
- the 'in Australia' requirement
- the gift or deductible contribution receipts the organisation issues.

All DGRs, including those specifically listed in tax law, should review DGR entitlement:

- on an annual basis
- when there is a major change in your organisation's structure or operations.

You're required by tax law to keep records that explain all transactions and other activities you're involved in that relate to your status as a DGR.

CHECK ELIGIBILITY BEFORE APPLYING FOR DGR ENDORSEMENT

Not all charities are eligible for DGR endorsement. There are 52 categories, each with different requirements and the ATO is responsible for determining eligibility.

If you are applying for DGR endorsement via the ACNC application form, the ACNC will pass your information to the ATO for assessment. To avoid processing delays make sure you:

- Check your eligibility against the requirements for your DGR category at **ato.gov.au/dgrtable** before you apply
- Complete a DGR schedule, if required, and attach to your application.

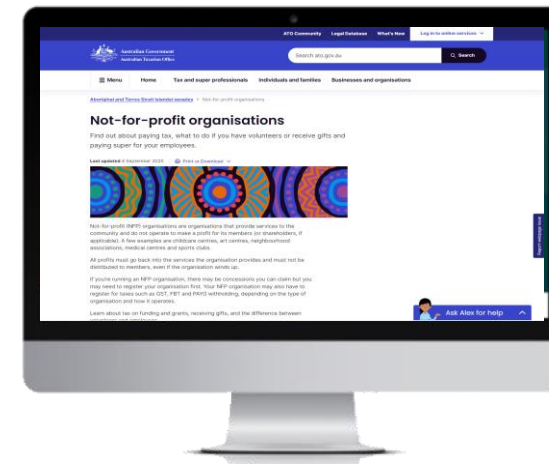
Call us on **1300 130 248** if you need help to work out if your organisation is eligible before you apply.

Visit ato.gov.au/non-profit and search for **QC 54421**

SUPPORT FOR INDIGENOUS NOT-FOR-PROFITS

KEY MESSAGES

- ATO provides a dedicated team to support all NFP organisations – contact **1300 130 248**
- NFPs eligible for Deductible Gift Recipient (DGR) endorsement from the ATO can receive tax deductible gifts – our experienced NFP staff can assist Indigenous organisations to determine eligibility
- NFPs registered as a charity with the ACNC are eligible for tax charity concession endorsement by the ATO – this includes income tax exemptions and GST concessions
- Organisations with employees must meet their pay as you go withholding and superannuation obligations
- NFPs that provide non-cash benefits to employees may need to register for fringe benefits tax (FBT) if they have to lodge a return and pay FBT
- NFPs experiencing financial difficulties can contact us to talk about support options to meet tax and super obligations.



Visit ato.gov.au/General/Aboriginal-and-Torres-Strait-Islander-people/Not-for-profit-organisations/

SEEK SUPPORT AND STAY INFORMED

Visit the ATO website



Go to:

- ato.gov.au/NFPtaxexempt
- ato.gov.au/NFPnotifyofchanges
- ato.gov.au/ATOtv under the not-for-profit channel

NFP self-review return guide



Complete an early self-review using the new return guide at ato.gov.au/NFPselfreviewguide

Visit the ACNC website



Go to:

- acnc.gov.au/for-charities/start-charity

NFP advice service

Our dedicated advice service for not-for-profits operates from 8.00am to 6.00pm, Monday to Friday

Phone 1300 130 248

Email atoendorsements@ato.gov.au

Government

Government

Phone 13 28 66 from 8.00am to 6.00pm, Monday to Friday

Email PWGovernment@ato.gov.au

Assistant Commissioner

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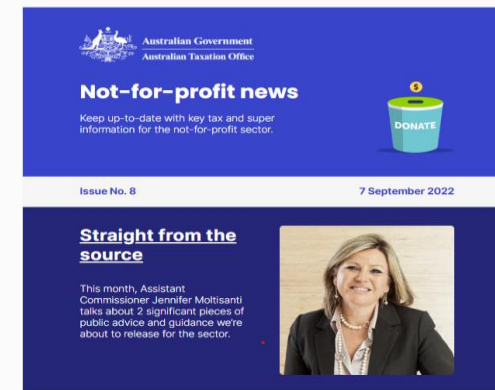


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- receive monthly updates on the latest tax and superannuation news for NFPs
- be notified of upcoming webinars on NFP self-review return completion, MyGovID and RAM, taxable NFPs and charity registration.



News highlights

[Directors of clubs and NFP organisations need a director ID](#)

You must apply for a director identification number as soon as possible if you're elected an NFP club or association director at an annual general meeting.