Income tax exemption assessment guide

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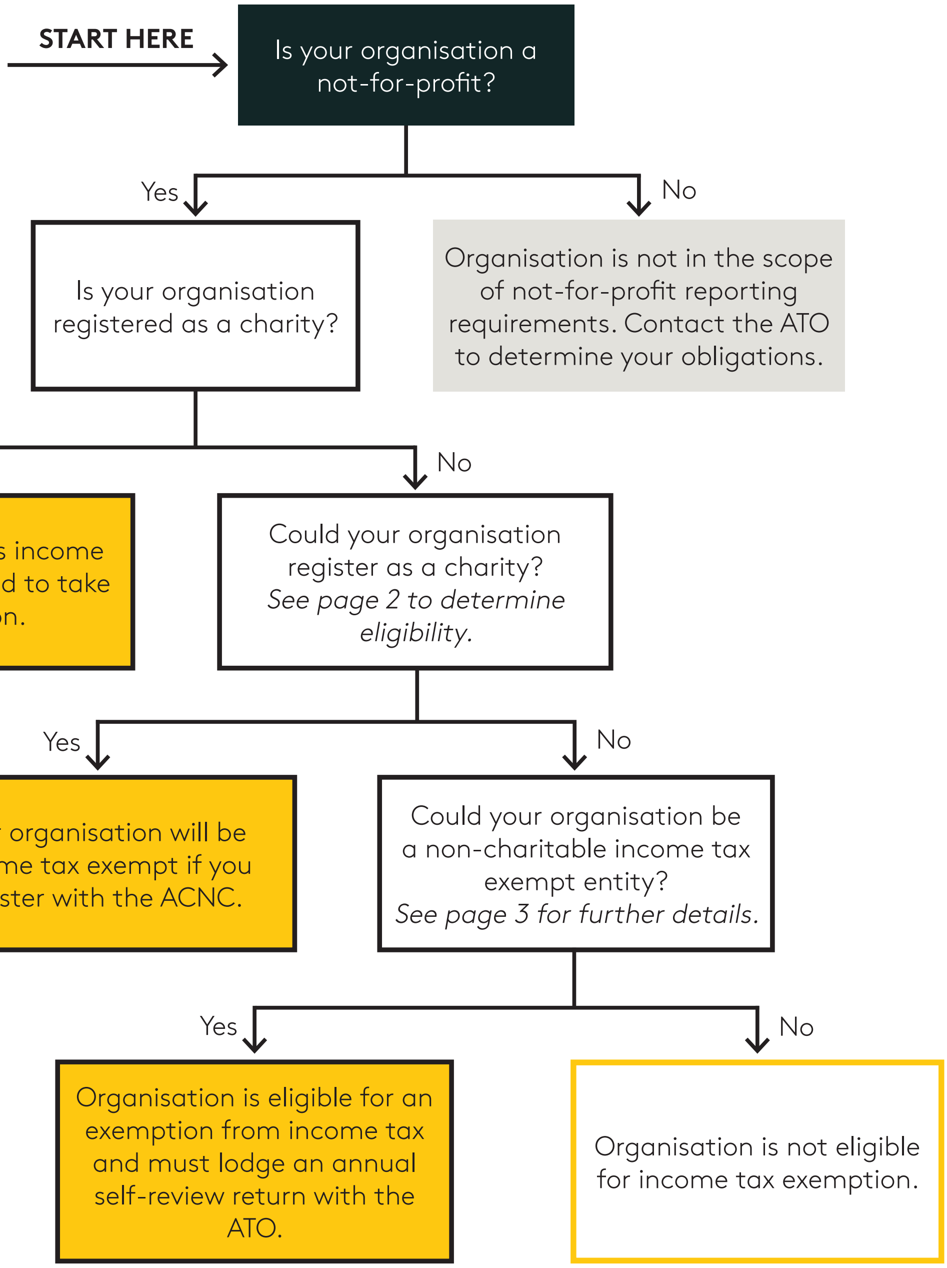
Use this guide to determine if your not-for-profit organisation meets the criteria for an income tax exemption and if you need to submit an annual self-review return with the ATO.

This flowchart is intended as general advice for organisations wanting to understand how income tax may apply to their not-for-profit organisation. This information is intended as a guide only and is not intended to constitute legal advice. You should seek legal advice regarding the application of the law to you or your organisation.

Contact Us
If you need further assistance or advice, please do not hesitate to contact our For Purpose law team on (03) 9843 2124.



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Registering as a Charity

Registration with the ACNC

Federal charity tax concessions are available to charities registered with the Australian Charities and Not-for-profits Commission (**ACNC**).

To register with the ACNC, organisations must meet the requirements of the *Charities Act 2013* (Cth) (**Charities Act**), which requires a charity to:

- be a not-for-profit (which includes ensuring that its assets and incomes are applied solely to further its purposes);
- have only charitable purposes that are for the public benefit;
- not have a disqualifying purpose; and
- not be an individual, political party or government entity.

All charities registered with the ACNC are eligible to receive basic charity tax concessions – income tax exemption, GST concessions and FBT rebate.

Is your purpose a "charitable" purpose?

Only organisations that have charitable purposes can register as charities with the ACNC and receive charitable tax concessions.

The Charities Act lists twelve charitable purposes:

- advancing health;
- advancing education;
- advancing social or public welfare;
- advancing religion;
- advancing culture;
- promoting reconciliation, mutual respect and tolerance between groups of individuals that are in Australia;
- promoting or protecting human rights;
- advancing the security or safety of Australia or the Australian public;
- preventing or relieving the suffering of animals;
- advancing the natural environment;
- promoting or opposing a change to any matter established by law, policy or practice in the Commonwealth, a state, a territory or another country (where that change furthers or opposes one or more of the purposes above); and
- other similar purposes 'beneficial to the general public'.

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Income tax exempt not-for-profits

Income tax exempt not-for-profits

Some not-for-profits (that is, not-for-profits that are not charities) can still access certain tax concessions, including income tax exemption. Sports groups, for example, generally cannot be ACNC registered charities (unless they also have a charitable purpose, such as a group that carries out sporting programs to advance education or social welfare), but may be exempt from paying income tax as self-assessing income tax exempt organisations.

Other not-for-profits may not be income tax exempt, but benefit from the mutuality principle (which provides that income received from the not-for-profit's own members is not assessable income).

The Australian Taxation Office (**ATO**) lists eight categories of income tax exempt entities that can self-assess eligibility for income tax exemption. A not-for-profit can self-assess income tax exemption if it is not a charity and meets the requirements of one of the following categories:

- Community service organisations
- Cultural organisations
- Educational organisations
- Health organisations
- Employment organisations
- Resource development organisations
- Scientific organisations
- Sporting organisations

If your organisation meets the criteria of an income tax exempt entity, you will now need to submit an online form with the ATO to remain income tax exempt using an individual MyGovID. For the 2023/24 financial year, the forms have been made available for lodgement until 31 March 2025. You can lodge the forms yourself or via the use of a registered tax agent. The return contains questions about eligibility and will ask you to consider whether your not-for-profit meets the eligibility requirements.

Following the first lodgement, you will be able to annually confirm or update information on a pre-populated self-review return. Your not-for-profit may become ineligible for an income tax exemption and face penalties if a self-review return is not lodged each year and you claim income tax exemption.

How we can help

We can help you to determine if your organisation is eligible for income tax exemption, support you to make any necessary changes to improve eligibility and apply for charity registration if appropriate

If you have a purpose to pursue, we're here to help. Please do not hesitate to contact our For Purpose law team on (03) 9843 2124.

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