Australian Government
Australian Taxation Office

Helping not-for-profits
Get it right



September 2026

EXTERNAL

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.

OVERVIEW ABN REGISTERED NOT-FOR-PROFIT (NFP) POPULATION

AROUND 220,300[1] **NFPs WITH ACTIVE ABN REGISTERED** as at Jul 2026

AROUND 142,600 (65%) SELF-ASSESSED INCOME TAX EXEMPT

NFPs that self-assess as eligible for income tax exemption:

- **cannot** be a charity
- must meet the requirements of one of eight exempt categories.

AROUND 59,700 (27%) ENDORSED TAX CONCESSION CHARITIES

To access concessions charities **must**:

- register as a charity with *the Australian Charities and Not-for-profit Commission* **and**
- be endorsed by the ATO.

AROUND 13,100 (6%) TAXABLE NOT-FOR-PROFITS

Taxable NFPs need to lodge a tax return, they include:

- social clubs
- certain professional associations
- clubs with main purpose of providing hospitality for members
- political parties.

31,500 **DEDUCTIBLE GIFT RECIPIENTS**

NFPs and government organisations endorsed as entitled to receive tax deductible donations. Around 2,300 of these are government organisations.

65,300 **GST REGISTERED**

NFPs with $150,000 turnover must register for GST.

40,100 **PAYGW REGISTERED**

NFPs register and report PAYGW where they make payments subject to withholding.



About **47,100** entities generated an estimated **$294.6 billion** in sales in 2024-25[1]



$4.3 billion donations from **4.6 million** Australian taxpayers[2]



In 2024-25 approx.:

- **2.2 million** employees[1]
- **$27.8 billion** PAYGW reported[1]
- **36,100** registered for Single Touch Payroll[1]



- **7,400** of all employers are registered for FBT
- **13,100** have an FBT exemption
- **30,500** have an FBT Rebate[1]



- **$2.14 billion in** franking credits refunded in 2024-25[2]



- **$117.9 billion** revenue received by charities from the government, (including grants)[3]
- **$14.8 billion** in donations and bequests[3]



- **40,000** NFP and GOV entities registered with myID to use online services *(as at 30 Jun 2026)*[1]

SOURCES

1. ATO data warehouse as at 1 July 2026, figures are approximate
2. *Taxation statistics 2023-24*
3. *Australian charities report 12th edition 2026*

LANDSCAPE REGULATORS AND ADMINISTRATORS OF NOT-FOR-PROFITS

Australian Government
Australian Taxation Office

- 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

Australian Charities and Not-for-profits Commission

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

Visit acnc.gov.au

NSW Fair Trading
Tasmanian Government
Queensland Government
Government of South Australia
Attorney-General's Department
Government of Western Australia
Department of Mines, Industry Regulation and Safety
Consumer and Business Services
NT.GOV.AU
ACT Government
Access Canberra
CONSUMER AFFAIRS VICTORIA

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

Find links to different state and territory authorities at **ato.gov.au**

ASIC
Australian Securities & Investments Commission

- 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

Australian Government
Office of the Registrar of Indigenous Corporations

- 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 registration, lodgment and payment obligations that not-for-profits have

INCOME TAX STATUS

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

- they have charitable purposes and register with the ACNC **and**
- they 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 as income tax exempt an NFP must fit into 1 of 8 categories, meet 1 of 3 additional tests, and meet special conditions.
- NFPs with **only charitable purposes will not qualify for income tax exemption** unless they are registered as a charity with the ACNC.
  - Choosing not to be a registered charity, does not make the NFP eligible to self-assess exemption. 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

- NFPs that self-assess income tax exemption and have an active ABN must lodge an NFP self-review return **every year**, with the ATO.
- By lodging the return, the NFP is notifying the ATO they are eligible to self-assess as income tax exempt for that income year.
- Reporting is required each **Tax Time**, with returns due between 1 July and 31 October for the previous income year period.
- NFPs can lodge their return via:
  - automated self-help phone service on 13 72 26
  - online services for business
  - a registered tax agent.

Visit ato.gov.au/NFPtaxexempt

Taxable NFPs

- Taxable NFPs are required to lodge a Tax Return with the ATO each year.
- 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 **$416 or less** for the previous income year period, can submit a non-lodgment advice. The $416 threshold doesn't apply to other taxable NFP entities.

Visit ato.gov.au/taxableNFPs

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 eligibility to NFP status
  - check the organisation understands and prepares to meet 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/NFPGoodGovernance

NOT-FOR-PROFIT GST AND EMPLOYER OBLIGATIONS

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

GOODS AND SERVICES TAX (GST)

- 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 that are registered for GST must lodge Business Activity Statements (BAS), usually on a quarterly basis.
- This can be done using *Online services for Business* 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.

Visit ato.gov.au

EMPLOYER OBLIGATIONS

PAYG Withholding (PAYGW)

- 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)

- 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)

- NFPs liable for FBT on benefits provided to employees are required to:
  - register for FBT
  - lodge an annual FBT return
  - pay the resulting FBT liability.
- Examples of benefits provided may include:
  - 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.

Super payments today

Up to 30 June 2026

- NFPs must provide eligible employees with super contributions of at least the super guarantee (SG) rate by the **quarterly** cut-off date.
- Most employees are covered by the SG legislation. It covers those who are full time, part-time or casual. It also covers certain independent contractors.
- The SG rate remains at **12%** (since 1 July 2025).

Payday Super from July 2026

Payday Super introduced

- From 1 July 2026 an employer must pay super guarantee (SG) to an employees' super fund **at the same time** as paying their qualifying earnings (QE) - on payday

What you need to know

- It must be received by the super fund within 7 business days.
- A super guarantee charge applies when amounts aren't received by a super fund within 7 business days of payday.
- QEs **and** super liability must be reported through STP.
- *Small Business Superannuation Clearing House* will close to existing users from 1 July 2026.

Visit ato.gov.au/paydaysuper

NFP FOCUS AREAS WHAT ATTRACTS OUR ATTENTION

1. Not operating for purpose

Not-for-profit (NFP) entities not operating for purpose means they aren't meeting legislative requirements - to maintain their NFP status **or** to access income tax exemption and other concessions.

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

What attracts our attention?

- Ancillary funds not adhering to the Guidelines or their governing documents by distributing funds to non-DGR 1 entities, not meeting minimum annual distribution, or making loans that benefit the group rather than the fund.
- NFPs incorrectly self-assessing as income tax exempt. This includes NFPs who don't meet 1 of 8 eligibility categories choosing to 'assume' they are income tax exempt **or** misrepresent their purpose or activities to fit into a category.
- NFP entities not adhering to their purpose and therefore are ineligible for DGR status e.g. a school building fund being used to supplement school fees or fund school camps.
- Charities no longer meeting the special conditions for Tax Charity Concessions (TCC) endorsement.
  For example, sale of an asset at wind-up results in those funds being applied to non-charitable purposes, or benefits to members are in breach of NFP clauses in governing documents.

2. Not meeting obligations

While most NFPs are income tax exempt, they are not exempt from other taxes and must comply with Tax and Super obligations.

- Are entities accruing ATO debt because they are no longer viable? Are they engaging with the ATO?
- Are NFPs investing sufficient effort to understand and comply with their tax obligations?

What attracts our attention?

- Entities incorrectly register their ABN details or fail to update contact details e.g. when board position holders change, they are not updated in the ABR.
- Entities do not meet their payment, lodgment and reporting obligations.

EXAMPLES

- Super guarantee, PAYG withholding is not lodged or paid, accruing significant debt and risking staff entitlements.
- FBT is not reported correctly because entities misunderstand exemptions and rebates.
- NFPs incorrectly report GST when they enter commercial contracts and fail to correctly apply GST to transactions.
- Refund of franking credit (REFC) claims are incorrect because they don't meet the technical trust integrity rules or the wrong entity in the group makes the claim.
- Income tax obligations such as the NFP Self-Review Return, Income Tax return or Non-Lodgment Advice (NLA) are not correct or not lodged. It includes taxable NFPs not applying mutuality correctly **or** lodging a NLA without assessing if taxable income is over the $416 threshold.

3. Fraud and Evasion

NFP income tax exempt vehicles are attractive to fraudsters who deliberately establish their own NFPs, or misuse vulnerable NFPs to gain a tax advantage or financial benefit.

The benefit can be to the broader group, an individual in the NFP or related parties.

- Are certain NFPs more vulnerable to fraud?
- Are structures put in place to exploit tax concessions?

What attracts our attention?

- Individuals extract tax benefits by transferring their taxable income, such as a capital gain, through 'donations' to non-arm's length NFP entities, then extract that same income as a related party loan or exempt fringe benefit.
- NFP entities deliberately falsify registration details to access tax benefits, by claiming to be self-assessed income tax exempt **or** a Public Benevolent Institution (PBI) - when knowingly they're not eligible.
- Individuals use NFP entities to commit other frauds against the tax system by applying for GST refunds and other tax credits without substantiation.
- Entities operate in the shadow economy by creating 'private' NFP foundations to stream untaxed income to private beneficiaries. Or they operate 'for-profit' but register and report as NFP to avoid compliance oversight.
- NFPs deliberately facilitate terrorism financing by transferring funds to terrorism organisations and mischaracterising payments as aid.

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 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 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

- Ensure 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

- Distribution of funds meets special conditions set out 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)

COMMON QUESTIONS AND ANSWERS

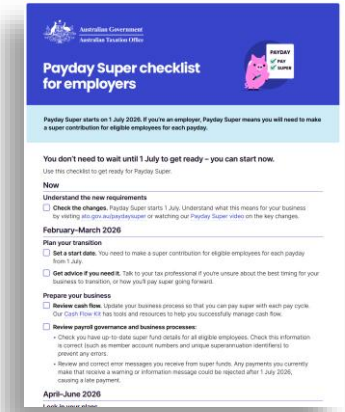
How do we best prepare for Payday Super before 1 July 2026?

- ✓ As an employer, Payday Super means you'll need to make a super contribution for eligible employees each payday.
- ✓ Before this date, you only needed to pay quarterly.

TO PREPARE

1. Employers can download the **Payday Super checklist** for employers from our website. Use it to find out the steps to take at key stages for a smooth transition, including:
   - understanding the new requirements
   - planning the transition
   - preparing the business, and
   - switching to paying super each payday from 1 July.
2. Review our **Practical Compliance Guideline** to understand our compliance approach for the first year of Payday Super, including how we approach superannuation guarantee (SG) shortfalls for a QE day.

   We recognise employers who try to do the right thing and resolve any issues quickly, should not be the focus of ATO compliance action.





Visit

- **ato.gov.au/paydaysuper**
- **ato.gov.au/PDScompliance**

Can we collect for natural disasters or other appeals?

Not all NFPs and charities are DGRs. Only organisations that are have deductible gift recipient (DGR) status can receive tax-deductible donations.

If your NFP does not have DGR status, you can still collect for an established DGR but your donors **cannot** claim a tax deduction.

Crowdfunding campaigns can also be a popular way to raise money for charitable causes. However, many crowdfunding sites are not run by DGRs, and donations to these types of campaigns and platforms aren't deductible.

Before asking for a donation, it is best practice to:

- ✓ Check your NFP has DGR status **abr.gov.au**
- ✓ Advise donors of your DGR status
- ✓ State in your receipts your organisation's name, ABN and that the donation is a gift.



PUBLIC ADVICE AND GUIDANCE

We offer 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 NFP across its entire lifespan – including if you are:

- getting started
- 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

WHAT'S NEW ON ATO.GOV.AU?

NFP self-review return

- Updated guidance for self-assessed income tax exempt reporting at **ato.gov.au/NFPtaxexempt**
- What happens if you lodge the NFP self-review return late? **QC 104036**
- How to lodge at **QC 81985**

DGR status for community charities

- Guidance on eligibility criteria and how to apply for DGR endorsement, is at **ato.gov.au/DGR**

New DGR Schedules

To streamline our assessment and reduce requests for information, DGR schedules are now also required for these categories:

- Community sheds
- Necessitous circumstances
- Public libraries
- School Building Fund

Search for QC 73221

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:

- Tax Determination TD 2025/D3 *Income Tax: when does a private or public ancillary fund 'provide' a 'benefit'?*
- Refresh and rewrite of TD 93/190 to clarify the types of organisations that have community service purposes.
- Guidance to help smaller taxable NFPs navigate mutuality, when working out their taxable income.
- Updating web guidance examples, developing a **community charity return**, and providing **Community Charity DGR endorsement schedules**.
- Developing a practical compliance guideline to outline our approach to the operation of an *'ACNC type of entity'*.

1. Use our step by step overview to update ABN details, connect to ATO online services 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. Regularly review DGR endorsement using our worksheets
4. Use 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



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

ONLY CHARITABLE PURPOSES
PATHWAY ONE

Australian Charities and Not-for-profits Commission

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

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

ELIGIBLE TO SELF-ASSESS
PATHWAY TWO



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 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.
- Lodgment is due each year on **31 October** as part of Tax Time.
- The requirement to lodge is established by registration of the *Taxation Laws (Requirement to Lodge a Return) Instrument*

Visit ato.gov.au/NFPtaxexempt



Recorded webinars

Watch the Not-for-profit reporting – *How to lodge your NFP self-review return* 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
Due **each year** by **31 October**, as part of Tax Time

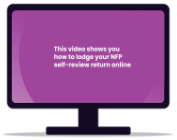
Sections to complete

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

3 Summary and declaration
- Save and print

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 governing documents
- Complete an early review using our question guide at **ato.gov.au/NFPselfreviewguide**
- Lodge via automated self-help phone service on **13 72 26**
- To access pre-filled digital returns set up Online services. Follow our *Update, Connect and Lodge* guide at **ato.gov.au/lodgeselfreview**

What if you lodge the NFP SRR late?



Lodge as soon as possible to avoid late lodgment penalties.

If you've taken steps to lodge, don't contact us to request an extension.

Demonstrate you've taken steps to meet lodgment by:

- attempting to lodge the return online or using the self-help phone service **on 13 72 26**
- engaging a registered tax agent to lodge the return on your behalf
- setting up myID to access Online services for business
- updating your NFP's ABN registration details using the *Australian Business Register* **or** *Change of registration details form*

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 Non-lodgement advice.

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. Lodgment of their tax return for 2024-25 income year was due **15 May 2026**.
- 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

LODGE A TAX RETURN

- Download and then complete a paper form
- Engage a registered tax agent to lodge on your behalf

NOTIFY USING A NON-LODGMENT ADVICE

- Log into *Online services for business* and use the secure mail function
- A registered tax agent can provide a non-lodgment advice using Online Service for Agents
- Download, complete and post a *NFP company non-lodgment advice*
- Phone us on **131 142**

A non-lodgment advice should **not** be used to notify the ATO that you are income tax exempt - as this will remove your income tax exempt status

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

CONFIM YOUR IDENTITY
IF YOU NEED TO CALL

Due to privacy reasons, you must be an authorised contact already listed on ATO records.

If you call, we'll ask you questions to confirm your identity and authorisation to access the account.

MUTUALITY PRINCIPLE 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
- 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:
  Taxable income = assessable income – 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.

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

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.

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 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 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:

  Taxable income = assessable income – 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) INTEGRITY

CHECK ELIGIBILITY **BEFORE** APPLYING FOR DGR ENDORSEMENT

Not all charities are eligible for DGR endorsement

There are 54 categories, each with different requirements and the ATO is responsible for determining eligibility.

If you apply for DGR endorsement using the ACNC application form, the ACNC will pass your information to the ATO for assessment.

To avoid assessment 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.

REVIEW YOUR NFP's DGR STATUS REGULARLY

Endorsed DGRs must tell us if they stop being entitled to endorsement

You need to review things that can affect your organisation's DGR entitlement, including:

- 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 YOUR DGR MET THE DEADLINE TO REGISTER AS A CHARITY

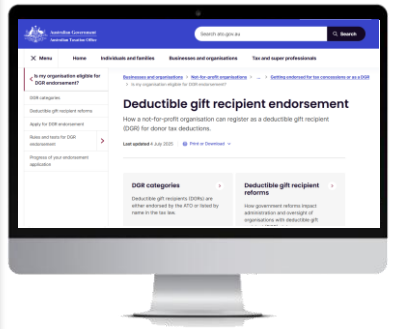
*Legislation requires **non-government** deductible gift recipients (DGRs) to be a registered charity from 14 December 2021*

To help DGRs transition and meet the charity registration requirement, eligible DGRs could apply for a 3-year extension in limited circumstances.

If the ATO approved the extension, an organisation had up to **14 December 2025** to register as a charity with the ACNC.

We reviewed DGRs that had not registered as a charity by this date, and notified them we would commence revocation of their endorsement from March 2026.

Check the transitional arrangements at **ato.gov.au/NFP** and search for **QC52594**



Visit ato.gov.au/DGR

NEW DGR CLASS FOR COMMUNITY CHARITIES

WHAT IS A COMMUNITY CHARITY?

From July 2024, a community charity may apply to be endorsed as a deductible gift recipient (DGR).

They can:

- either be a community charity trust or a community charity corporation
- provide money, property and benefits to a DGR **and** undertake DGR activities themselves across multiple DGR categories.

WHO IS ELIGIBLE FOR DGR?

To be endorsed as a DGR, a community charity must have an active ABN **and** satisfy all eligibility criteria - including:

- specified by name in a ministerial declaration
- being registered as a charity with the ACNC
- carrying out specified allowed purposes
- having governing documents that meet certain legal requirements
- ensuring required NFP personnel submit an *Agreement to comply with Community Charity Guidelines 2025*.

5 STEPS TO ENDORSEMENT

Check your entity meets all eligibility criteria **before** applying for DGR endorsement.

Follow the **5 steps** in our web-guidance to become DGR endorsed

You will need to:

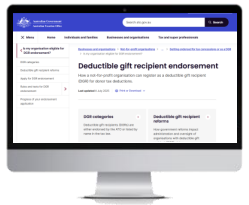
1. Check your entity has an active ABN
2. Check governing documents meet legal requirements
3. Submit a proposal to be listed in ministerial declaration, via The Treasury
4. Apply to be registered as a charity with the ACNC
5. Apply to be DGR endorsed

Budget 2026-27

The Government proposed a change to eligibility requirements.

This is **not yet law**. If enacted, organisations will no longer be required to be listed in a Ministerial Declaration to become eligible for DGR endorsement.

This will remove a step in the process and is intended to reduce red-tape.



For endorsement:

- **First visit ato.gov.au/NFP** and search for **QC52593**
- Follow the **5 steps** to become DGR endorsed

NEW MEASURE REFORMS

Working with the Treasury and ACNC to implement measures and develop new public advice and guidance

SUPPORTING PHILANTHROPIC GIVING

In the *2024–25 Mid-Year Economic Fiscal Outlook*, the government announced it will implement reforms to double philanthropic giving by 2030.

If legislated, the proposed changes achieve a few recommendations of the Productivity Commission's *Future foundations for giving Inquiry report*

WHAT WILL CHANGE?

1. Remove the $2 threshold for tax-deductible donations - delivered when law started on 1 July 2026
2. Rename 'Ancillary funds' to 'Giving funds'
3. Introduce a mechanism to enable ancillary funds to smooth their distributions over 3-years
4. Reset and align minimum annual distribution rates of public and private ancillary funds to 6% of net assets
   - The new rate will apply from the first financial year following ancillary fund guideline amendments
   - Existing giving funds will not need to meet the new distribution rate for 2 years.

Changes 2 to 4 are not yet law.
When do these reforms take effect?

All proposed reforms do no come into effect until they're passed through Federal Parliament and receive Royal Assent. Until this occurs taxpayers should follow existing law.

Upon enactment into law, we will update public guidance to support:

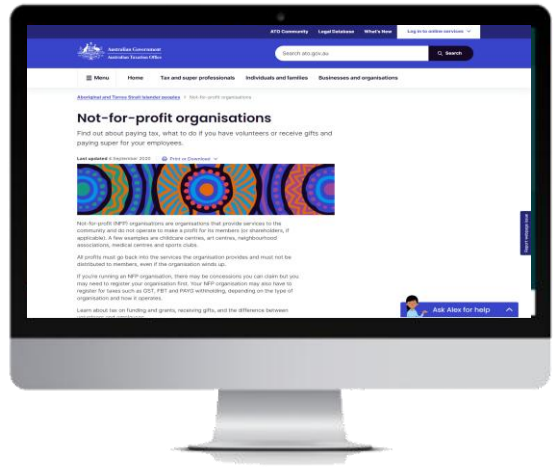
- taxpayers who want claim donations made to eligible deductible gift recipients (DGRs)
- ancillary funds meet adjusted annual distribution rate requirements
- ancillary funds meet requirements for smoothing their distributions over 3-years



Visit ato.gov.au/NFP and search for **QC105139**
Subscribe at **ato.gov.au/NFPnews** for the latest news

SUPPORT FOR INDIGENOUS NOT-FOR-PROFITS

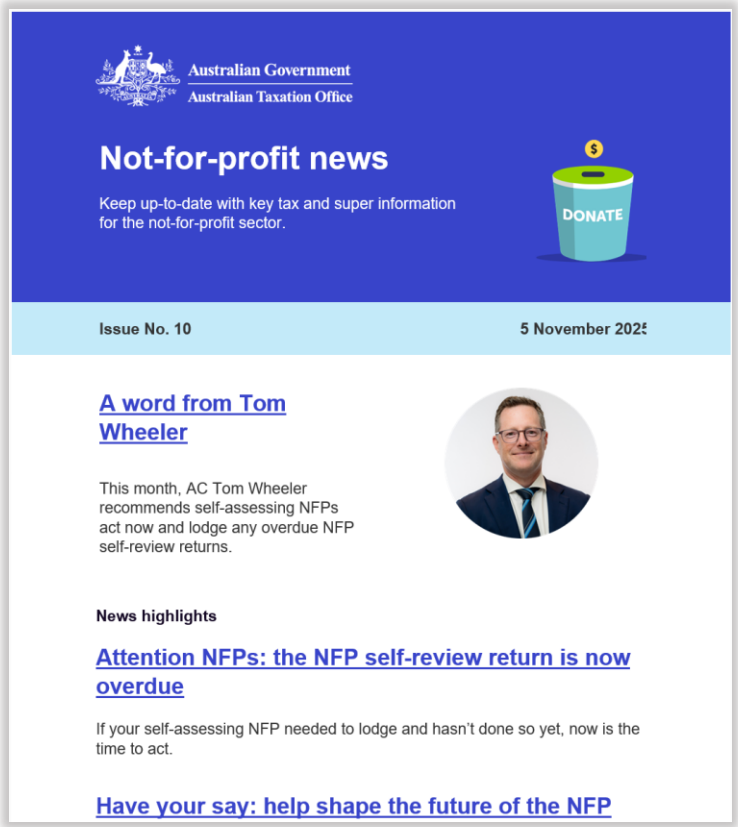
- ATO provides a dedicated team to support all NFP organisations – contact **1300 130 248**
- NFPs eligible for Deductible Gift Recipient (DGR) endorsement from the ATO can receive tax deductible gifts – our experienced NFP staff can assist Indigenous organisations to determine eligibility
- NFPs registered 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/

Visit ato.gov.au/NFP and search for **QC39610**

SEEK SUPPORT AND STAY INFORMED



Australian Government
Australian Taxation Office

Not-for-profit news

Keep up-to-date with key tax and super information for the not-for-profit sector.

DONATE

Issue No. 10 5 November 2025

A word from Tom Wheeler

This month, AC Tom Wheeler recommends self-assessing NFPs act now and lodge any overdue NFP self-review returns.

News highlights

Attention NFPs: the NFP self-review return is now overdue

If your self-assessing NFP needed to lodge and hasn't done so yet, now is the time to act.

Have your say: help shape the future of the NFP

Visit the ATO website



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

Subscribe to NFP News

Subscribe at **ato.gov.au/nfpnews**

- Updates on tax and super news for NFPs
- Notification of upcoming webinars on NFP self-review return, taxable NFPs and charity matters.

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 **govtaxescalations@ato.gov.au**

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