



Does your not-for-profit need to pay income tax?

Explains when NFP organisations are exempt from income tax as only some types are exempt.

Income tax exempt organisations

To work out if your not-for-profit (NFP) is exempt from income tax, you need to look at its purposes and activities.

Eligible types of income tax exempt organisations

The tax law sets out the types of not-for-profit organisations that can be exempt from income tax exemption.

Self-assessing income tax exemption

Check if your not-for-profit (NFP) can self-assess its entitlement to income tax exemption.

Taxable NFP organisations

Taxable not-for-profits (NFPs) may have to lodge an income tax return or notify us that one is not necessary.

When to review your income tax exempt status



Information for not-for-profits (NFPs) on when to review their income tax exempt status.

QC 33591

Income tax exempt organisations

To work out if your not-for-profit (NFP) is exempt from income tax, you need to look at its purposes and activities.

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NFPs with only charitable purposes

Self-assessing eligibility to income tax exemption

NFPs with only charitable purposes

NFPs with only charitable purposes that meet the legal definition of a **charity**, must be registered with the Australian Charities and Not-for-profits Commission (ACNC) and be endorsed by the ATO to be income tax exempt.

To consider if your NFP has only charitable purposes and meets the legal definition of a charity, you can use the guidance at [acnc.gov.au/selfassessing](https://www.acnc.gov.au/selfassessing) .

Charitable NFPs that do not register as a charity or take the necessary steps to meet ACNC requirements, are not eligible to self-assess as income tax exempt. They are **taxable NFPs** and may be required to lodge an annual income tax return.

Self-assessing eligibility to income tax exemption

The other type of exempt entity is an organisation that meets the requirements to **self-assess as income tax exempt**.

If your NFP is not a [charity](#), it can self-assess its eligibility for income tax exemption. It does not need to be registered with the ACNC or be endorsed by us to be exempt.

From 1 July 2023, non-charitable NFPs with an active Australian business number (ABN) self-assessing as income tax exempt, need to lodge an **annual NFP self-review return**.

Steps to self-assess

1. Check the types of income tax exempt organisations.

Check the **types of income tax exempt organisations** that can self-assess to see if your NFP fits any of the entity categories listed. Entities that can self-assess their income tax status come from these broad groups:

- community service organisations
- cultural organisations
- educational organisations
- employment organisations
- health organisations
- resource development organisations
- scientific organisations
- sporting organisations.

2. Check your organisation meets all the requirements.

If you think your organisation fits within any of the types of exempt entities, check the **requirements for self-assessing organisations** to make sure your organisation meets all the requirements.

For many of the exempt entity types, your organisation must be 'not-for-profit' and meet the following conditions:

- pass one of 3 tests

- comply with all the substantive requirements in its governing rules
- apply its income and assets solely for the purpose for which it is established.

3. Complete the **annual NFP self-review return**.

From 1 July 2023, non-charitable NFPs with an active Australian business number (ABN) self-assessing as income tax exempt need to lodge an annual NFP self-review return.

The first NFP self-review return must be lodged is for the 2023–24. Following this, a new return must be lodged for each subsequent income year.

NFPs can use the questions in our **self-review guide** to review the organisation's tax status, and prepare their answers before lodging the NFP-self-review return.

4. Understand the outcome of the NFP self-review return.

Understand what the outcome from lodging the NFP self-return means for your organisation and what to do next:

Income tax exempt

When you submit your NFP self-review return and your organisation is income tax exempt:

- you will receive confirmation on the screen that it is income tax exempt. You can print this confirmation and keep it for your records
- your organisation does not need to pay income tax or lodge income tax returns – unless we specifically ask it to
- your organisation is required to lodge an NFP self-review return in the following income year
- you should carry out a **review of your tax status** annually, or when there are major changes to your organisation's structure or activities.

For more information, see **Reporting requirements to self-assess income tax exemption**.

Taxable NFP

When you submit your NFP self-review return, and your organisation is taxable:

- your organisation may have to lodge an income tax return or notify of a non-lodgment advice
- your organisation may have the benefit of special rules for working out its taxable income and have special rates of tax
- there is **transitional support** if you need more time to meet lodgment obligations.

For more information, see [Taxable NFP organisations](#).

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Eligible types of income tax exempt organisations

The tax law sets out the types of not-for-profit organisations that can be exempt from income tax exemption.

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[Charities and income tax exemption](#)

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[Reporting requirements to self-assess income tax exemption](#)

Charities and income tax exemption

Registered charities are a type of income tax exempt entity. NFPs with only charitable purposes that meet the legal definition of a charity must be registered with the ACNC and be **endorsed by the ATO** to be income tax exempt.

To consider if your NFP has only charitable purposes and meets the legal definition of a charity, you can use the guidance at acnc.gov.au/selfassessing .

NFPs with only charitable purposes that choose not to register with the ACNC, are not eligible to self-assess as income tax exempt, and will not be exempt from income tax. They are taxable and may be required to lodge an annual income tax return.

Self-assessing eligibility to income tax exemption

The other type of exempt entity is an organisation that meets the requirements to self-assess as income tax exempt.

There are 8 categories of income tax exempt entities that can self-assess eligibility for income tax exemption, outlined in Division 50 of the *Income Tax Assessment Act 1997* (ITAA 1997). An NFP 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

Reporting requirements to self-assess income tax exemption

From 1 July 2023, non-charitable NFPs with an active Australian business number (ABN) self-assessing as income tax exempt need to lodge an annual **NFP self-review return**.

The first NFP self-review return must be lodged for the 2023–24 income year. The NFP self-review return can be accessed and lodged

using Online services.

Following this, a new return must be lodged for each subsequent income year. If a return is not lodged, NFPs may become ineligible for an income tax exemption and penalties may apply.

Community service organisations



Community service organisations are established for community service purposes (except political or lobbying purposes).

Cultural organisations



Cultural organisations are established for the encouragement of art, literature or music, or for musical purposes.

Educational organisations



Educational organisations are public educational institutions.

Health organisations



Health organisations include certain types of hospitals and NFP private health insurers.

Employment organisations



Employment organisations are trade unions and employee or employer associations that are registered or recognised.

Resource development organisations



Resource development organisations are established to promote the development of aviation, tourism or certain resources.

Scientific organisations



A scientific organisation is a scientific institution, science association or scientific research fund.

Sporting organisations



Sporting organisations are established for the encouragement of a game, sport or animal racing.

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Community service organisations

Community service organisations are established for community service purposes (except political or lobbying purposes).

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Income tax exemption checklist – Community service organisations

Society, association or club

Main purpose


Income tax exemption checklist – Community service organisations

Your organisation will be exempt from income tax, and can self-assess its exemption, if it meets all of the following requirements:

- it is a not-for-profit (NFP) society, association or club

- it is established for [community service purposes](#) (except political or lobbying purposes)
- it is **not** a charity
- it meets one of the 3 following tests
 - physical presence in Australia test
 - deductible gift recipient (DGR) test
 - prescribed by law test
- it complies with all the substantive requirements in its **governing rules**
- it applies its **income and assets** solely for the purpose for which it is established.

If all of your organisation's purposes are charitable purposes for the public benefit and you do not have any independent non-charitable purposes, your organisation cannot self-assess as income tax exempt under this category. Your organisation will need to be registered as a charity with the Australian Charities and Not-for-profits Commission (ACNC) and receive our endorsement to access an income tax exemption.

For more information on what is a charitable purpose, see the [ACNC website](#) .

Society, association or club

A society, an association or a club is an entity made up of people who have come together to implement a common purpose.

An individual, or an incorporated body that has only one member, is not a society, association, or club. A fund which only holds money to support activities carried out by other entities is also not a society, association, or club.

The members of a society, association or club do not need to be natural persons. They can be an association of other entities.

Main purpose

The main purpose of the organisation must be community services. To work out your organisation's main purpose, look at your organisation's constituent documents, activities, use of funds and history. Any other purpose of the organisation must be incidental, ancillary or secondary to the community service purpose.

Community service purposes are altruistic. This means the entity is established and operated for the wellbeing and benefit of others.

Community service organisations promote, provide or carry out activities, facilities or projects for the benefit or welfare of the community or any members of the community who have a particular need by reason of youth, age, infirmity or disablement, poverty or social or economic circumstances.

Where they don't meet the definition of a charity, community service organisations can include:

- associations of Justices of the Peace
- traditional service clubs (for example, Rotary and Lions)
- community service clubs
- pensioner or senior citizens associations
- industry ombudsman.

Example 1: Organisation focused on community service – established for community service purposes

The Hill Community Club (the Club) is a NFP association that has been set up to improve the welfare of the community and provide its members with networking opportunities.

The Club's main activities are to provide co-ordinated support to a broad range of community activities such as sporting fixtures, charity events, and emergency services. The Club's weekly meetings focus on the co-ordination of the community activities they undertake. The Club occasionally hosts social networking events and leadership development seminars for its members and other NFP organisations are regularly invited to attend.

The Club will qualify for the exemption because it does not have only charitable purposes. Its main purpose is to promote, provide or carry out activities, facilities or projects for the benefit or welfare of the community, and it has an independent non-charitable purpose to provide networking opportunities for members.

Organisations that seek to advance the common interests of their members are not altruistic and cannot be community service organisations. If an organisation's main purpose is lobbying or political, its income will not be exempt.

Organisations that are not community service organisations include:

- clubs that promote public speaking or debating
- clubs that provide a social forum for retired or semi-retired businesspeople, senior public servants and similar groups
- clubs that provide a social forum for expatriates of a particular country
- pensioner associations that conduct significant political or lobbying activities
- military service unit organisations
- social clubs for newcomers to a particular residential area.

Example 2: Social club for retired persons – not established for community service purposes

Intellectual Interest Club (the Club) is a NFP company limited by guarantee that was established to advance the intellectual and cultural interests of its members, who must be retired professionals.

The Club holds monthly dinners for members to discuss their intellectual and cultural interests and to build social connections. The Club also conducts regular wine tasting nights and organises holiday trips for its members.

The Club's main purpose is to provide a social forum for its members, who are retired professionals, to pursue their common

interests.

The Club has not been established for community service purposes, as it does not have an altruistic purpose to promote, provide or carry out activities, facilities or projects for the benefit or welfare of the community or any members of the community who have a particular need by reason of youth, age, infirmity or disablement, poverty or social or economic circumstances. It does not qualify for the exemption.

Example 3: Professional development of members – not established for community service purposes

Young Leaders Association (the Association) is a NFP association that was established to enhance the professional development and leadership skills of its members. It holds monthly leadership-themed professional development events and fortnightly networking events for its members.

The Association's main purpose is to advance the professional interests of its members. The Association has not been established for community service purposes, as it does not have an altruistic purpose to promote, provide or carry out activities, facilities or projects for the benefit or welfare of the community or any members of the community who have a particular need by reason of youth, age, infirmity or disablement, poverty or social or economic circumstances. It does not qualify for the exemption.

Example 4: Dinner club – not established for community service purposes

Culinary Club (the Club) is a NFP association that was established as a social forum for individuals who share a common interest in a particular type of cuisine. The Club holds monthly ticketed events for its members, during which they can

try out new eateries that specialise in the particular cuisine and build social connections with fellow members.

The Club's main purpose is to provide social activities for its members. The Association has not been established for community service purposes, as it does not have an altruistic purpose to promote, provide or carry out activities, facilities or projects for the benefit or welfare of the community or any members of the community who have a particular need by reason of youth, age, infirmity or disablement, poverty or social or economic circumstances. It does not qualify for the exemption.

Example 5: Services to members – discounted hostel – not established for community service purposes

Cosy Quarters Association (the Association) is a NFP association that was set up to provide hostel accommodation, generally for short term holiday stays, for its members. Membership is open to the public. Its members can book accommodation in the hostel for a fee which is lower than the current market rate for the area. The hostel's accommodation facilities cannot be booked by non-members.

The Association's main purpose is to provide short term holiday accommodation for its members. The Association has not been established for community service purposes, as it does not have an altruistic purpose to promote, provide or carry out activities, facilities or projects for the benefit or welfare of the community or any members of the community who have a particular need by reason of youth, age, infirmity or disablement, poverty or social or economic circumstances. It does not qualify for the exemption.

Example 6: Owners corporation/body corporate not established for community service

purposes

Fawnsdale Corporation (the Corporation) is an owners corporation that was set up to manage and maintain a block of units in an apartment building.

The Corporation administers by-laws regarding the use of the units, and regularly collects amounts levied on the owners of the units. These levies are used for the general maintenance and repair of the units.

The Corporation operates to provide services and benefits to the owners of the units. It has not been established for community service purposes, as it does not have an altruistic purpose to promote, provide or carry out activities, facilities or projects for the benefit or welfare of the community or any members of the community who have a particular need by reason of youth, age, infirmity or disablement, poverty or social or economic circumstances. It does not qualify for the exemption.

Example 7: Residents' committee – not established for community service purposes

Duke Residents' Committee (the Committee) was set up to represent the interests of residents of a local retirement village.

The Committee regularly consults with residents and the retirement village operator on residential complaints and the day-to-day running of the retirement village. From time to time, the Committee also organises social activities for village residents.

The Committee's main purpose is to provide a communication channel between the residents and the retirement village operator and to promote the interests of the residents. The Committee has not been established for community service purposes, as it does not have an altruistic purpose to promote, provide or carry out activities, facilities or projects for the benefit or welfare of the community or any members of the community who have a particular need by reason of youth, age, infirmity or

disablement, poverty or social or economic circumstances. It does not qualify for the exemption.

If your organisation does not meet all the requirements for exemption for this category, you should check the other exemption categories in [Eligible types of income tax exempt organisations](#).

QC 46312

Cultural organisations

Cultural organisations are established for the encouragement of art, literature or music, or for musical purposes.

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Income tax exemption checklist – Cultural organisations

Society, association or club

Main purpose


Income tax exemption checklist – Cultural organisations

Your organisation will be exempt from income tax, and can self-assess its exemption, if it meets all of the following requirements:

- it's a **not-for-profit (NFP)** society, association or club
- it's established for either of the following [purposes](#)
 - the encouragement of art, literature or music
 - musical purposes

- it's **not** a charity
- it meets one of the 3 following tests:
 - physical presence in Australia test
 - deductible gift recipient (DGR) test
 - prescribed by law test
- it complies with all the substantive requirements in its **governing rules**
- it applies its **income and assets** solely for the purpose for which it is established.

If all of your organisation's purposes are charitable purposes for the public benefit and you do not have any independent non-charitable purposes, your organisation cannot self-assess as income tax exempt under this category. Your organisation will need to be registered as a charity with the Australian Charities and Not-for-profits Commission (ACNC) and receive our endorsement to access an income tax exemption.

Most cultural organisations will have charitable purposes as the advancing culture is a charitable purpose under the *Charities Act 2013*. For more information on what is a charitable purpose, see the [ACNC website](#) .

Society, association or club

A society, association or club is an entity made up of people who have come together to implement a common purpose.

An individual, or an incorporated body that has only one member, is not a society, association or club. A fund which only holds money to support activities carried out by other entities is also not a society, association or club.

The members of a society, association or club do not need to be natural persons. They can be an association of other entities.

Main purpose

The main purpose of your organisation must be the encouragement of art, literature or music, or for musical purposes. To work out your

organisation's main purpose, look at your organisation's constituent documents, activities, use of funds and its history. Any other purpose of the organisation must be incidental, ancillary or secondary to the musical purposes or encouragement of art, literature or music.

For income tax exemption, art includes drama and ballet as well as painting, architecture and sculpture. It doesn't include exhibition of stamps by philatelic clubs and associations.

Literature includes a wide range of written or printed works. It includes works in different languages, on particular subjects or by particular authors.

Music includes the performance of vocal or instrumental works, and covers various styles (for example, classical, jazz, popular and liturgical).

Encouragement can include:

- training
- performing
- displaying
- providing information
- studying
- judging and critiquing.

Professional associations set up to advance the common interests of their members (for example, artists or performers) do not have the required purpose.

Example 1: cultural organisation to encourage literature

A NFP society is set up to give people access to the writings of a specific author. It lends books to members, runs a reading circle and helps people doing tertiary study on the author. The society also has an independent, non-charitable purpose of promoting social interaction or recreation. The society will qualify for the

exemption because it is established to encourage literature and does not have only charitable purposes.

Example 2: cultural organisation established for musical purposes

A NFP association is set up to perform Indian music written by contemporary Queensland composers. It liaises with composers, gets instruments and performs the music. The association only has charitable purposes.

The association won't qualify to self-assess as income tax exempt as it has only charitable purposes. It will be taxable unless it registers with the ACNC and is endorsed by us as income tax exempt.

If your organisation's main purpose is providing social and recreational facilities and activities it will not be exempt. This is the case even if your organisation also gives money to encourage the arts, literature or music.

Example 3: social knitting club (not encouraging art)

The Knitters' Club (the Club) is a NFP association. The Club regularly hosts 'knitting night' events for its members to bond over their shared interest in knitting. At these events, members are also encouraged to knit plain scarves to be donated to local charities.

The Club's main purpose is to bring members together to share their interest in knitting as a hobby or recreational pursuit, as

opposed to encouraging art. It does not qualify for the exemption.

Example 4: social book club (not for the encouragement of literature)

True Crime Club (the Club) is a NFP association. The Club holds a weekly true crime discussion group for its members. A large part of each event is set aside for social interaction and sharing food and drinks. The main purpose of the event is to enjoy the company of other members and share their interest in true crime.

The Club's main purpose is to enhance the social lives of its members, as opposed to encouraging literature. It does not qualify for the exemption.

If your organisation doesn't meet all the requirements for exemption for this category, you should check the other exemption categories in the [Types of income tax exempt organisations](#).

QC 46313

Educational organisations

Educational organisations are public educational institutions.

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[Income tax exemption checklist – Educational organisations](#)


[Public educational institution](#)

Income tax exemption checklist – Educational organisations

Your organisation will be exempt from income tax, and can self-assess its exemption, if it meets all of the following requirements:

- it is a [public educational institution](#)
- it is **not** a charity
- it meets one of the 3 following tests
 - physical presence in Australia test
 - deductible gift recipient (DGR) test
 - prescribed by law test
- it complies with all the substantive requirements in its governing rules
- it applies its income and assets solely for the purpose for which it is established.

If all of your organisation's purposes are charitable purposes for the public benefit and you do not have any independent non-charitable purposes, your organisation cannot self-assess as income tax exempt under this category. Your organisation will need to be registered as a charity with the Australian Charities and Not-for-profits Commission (ACNC) and receive our endorsement to access an income tax exemption.

Most educational organisations will have a charitable purposes as advancing education is a charitable purpose under the *Charities Act 2013*. For more information on what is a charitable purpose, see the [ACNC website](#) .

Public educational institution

A public educational institution is an institution that is available or open to the public or a section of the public and whose sole purpose is providing education. Any other purpose of the organisation must be incidental or ancillary to providing public education. Education in this context does not extend to merely providing information or lobbying.

Public educational institutions may include:

- universities or colleges managed by public bodies
- grammar schools
- primary and secondary schools run by churches or religious bodies
- not-for-profit (NFP) business colleges.

Organisations that are not public educational institutions include:

- colleges run for the profit of the private owners
- associations operated for their members' professional benefit
- promotional and lobbying bodies.

Many other organisations connected with education are not public educational institutions. Examples are:

- parents and friends committees
- scholarship providers.

If your organisation does not meet all the requirements for exemption for this category, you should check the other exemption categories in [Eligible types of income tax exempt organisations](#).

QC 46314

Health organisations

Health organisations include certain types of hospitals and NFP private health insurers.

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[Income tax exemption checklist – Health organisations](#)

[Hospital](#)


[Society or association](#)

Income tax exemption checklist – Health organisations

Your organisation can self-assess that it is exempt from income tax if it meets all of the following requirements of being either:

- a [hospital](#)
 - either a public hospital or a hospital that is carried on by a **not-for-profit** (NFP) society or association
 - **not** a charity
 - meets one of the **3 following tests**
 - physical presence in Australia test
 - deductible gift recipient (DGR) test
 - prescribed by law test
 - complies with all the substantive requirements in its **governing rules**
 - applies its **income and assets** solely for the purpose for which it is established; or
- a private health insurer within the meaning of the *Private Health Insurance (Prudential Supervision) Act 2015* that is not carried on for the profit or gain of its individual members.

If all of your organisation's purposes are charitable purposes for the public benefit and you do not have any independent non-charitable purposes, your organisation cannot self-assess as income tax exempt under this category. Your organisation will need to be registered as a charity with the Australian Charities and Not-for-profits Commission (ACNC) and receive our endorsement to access an income tax exemption.

For more information on what is a charitable purpose, see the [ACNC website](#) 

Hospital

A hospital is an institution in which patients receive continuous medical care and treatment for sickness, disease or injury. The provision of accommodation is integral to a hospital's care and treatment.

Clinics that mainly treat ambulatory patients who return to their homes after each visit are not hospitals. However, day surgeries that provide beds for patients to recover after surgery may be hospitals.

Homes to provide nursing care such as feeding, cleanliness and similar care are not hospitals. However, nursing homes for people suffering from illness are accepted as hospitals.

Hospices for the terminally ill will generally be hospitals. Minor outpatient and nursing care will not prevent an institution being a hospital.

NFP hospitals include those run by churches and religious orders.

Society or association

A society or association is an entity made up of people who have come together to implement a common purpose.

An individual, or an incorporated body that has only one member, is not a society or association. A fund which only holds money to support activities carried out by other entities is also not a society or association.

The members of a society or association do not need to be natural persons. They can be an association of other entities.

If your organisation does not meet all the requirements for exemption for this category, you should check the other exemption categories in [Eligible types of income tax exempt organisations](#).

QC 46316

Employment organisations

Employment organisations are trade unions and employee or employer associations that are registered or recognised.

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Income tax exemption checklist – Employment organisations

Trade union


Further conditions

Income tax exemption checklist – Employment organisations

Your organisation can self-assess that it is exempt from income tax if it meets **all** of the following requirements:

- it is one of the following types of organisations
 - a [trade union](#)
 - an employee association registered or recognised under the *Fair Work (Registered Organisations) Act 2009* or an Australian law relating to the settlement of industrial disputes
 - an employer association registered or recognised under the *Fair Work (Registered Organisations) Act 2009* or an Australian law relating to the settlement of industrial disputes
- it is **not** a charity
- it complies with all the substantive requirements in its **governing rules**
- it applies its **income and assets** solely for the purpose for which it is established
- it meets [further conditions](#) for exemption.

If all of your organisation's purposes are charitable purposes for the public benefit and you do not have any independent non-charitable purposes, your organisation cannot self-assess as income tax exempt under this category. Your organisation will need to be registered as a charity with the Australian Charities and Not-for-profits Commission (ACNC) and receive our endorsement to access an income tax exemption.

For more information on what is a charitable purpose, see the [ACNC website](#) .

Trade union

A trade union is an association that has been formed to deal with its members' employers and to protect and further its members' employment conditions.

An association that merely provides financial assistance to its members is not a trade union.

Further conditions

For an employment organisation that is not a charity to be exempt from income tax, it must meet both of the following conditions:

- be located in Australia
- pursue its objectives and incur its expenditure principally in Australia.

Principally means mainly or chiefly. Less than 50% is not considered principally.

The pursuit of objectives in Australia can include things done offshore if they are only a means of pursuing those objectives. For example, sending employees to an offshore conference to aid their efficiency for the Australian objectives will be pursuing objectives in Australia.

You will also meet these conditions if your organisation exists, operates, pursues its objectives and incurs its expenditure solely and entirely in Australia.

If your organisation does not meet all the requirements for exemption for this category, you should check the other exemption categories in [Eligible types of income tax exempt organisations](#).

QC 46336

Resource development organisations

Resource development organisations are established to promote the development of aviation, tourism or certain

resources.

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Income tax exemption checklist – Resource development organisations

Society or association

Main purpose


Income tax exemption checklist – Resource development organisations

Your organisation can self-assess its income tax exemption if it meets all of the following requirements:

- it's a not-for-profit (NFP) society or association
- it's **not** a charity
- it's established for the [purposes](#) of promoting the development of one of the following
 - aviation
 - tourism
 - agricultural resources of Australia
 - aquacultural resources of Australia
 - fishing resources of Australia
 - horticultural resources of Australia
 - industrial resources of Australia
 - manufacturing resources of Australia
 - pastoral resources of Australia
 - viticultural resources of Australia

- Australian information and communications technology resources.

If all of your organisation's purposes are charitable purposes for the public benefit and you do not have any independent non-charitable purposes, your organisation cannot self-assess as income tax exempt under this category. Your organisation will need to be registered as a charity with the Australian Charities and Not-for-profits Commission (ACNC) and receive our endorsement to access an income tax exemption.

For more information on what is a charitable purpose, see the [ACNC website](#) .

Society or association

A society or association is an entity made up of people who have come together to implement a common purpose.

An individual, or an incorporated body that has only one member, is not a society or association. A fund which only holds money to support activities carried out by other entities is also not a society or association.

The members of a society or association do not need to be natural persons. They can be an association of other entities.

Main purpose

Aviation, tourism and the various resources have their ordinary meaning. Industrial resources include building, mining, quarrying, shipping and transport, but don't include business and commercial resources (such as insurance, and services, such as surveying). Pastoral resources include infrastructure, facilities, plant and equipment, personnel, knowledge, expertise and skills relating to the raising of stock on rural properties.

Promoting development can be by various means, including:


- research
- providing facilities
- training

- improving marketing methods
- facilitating cooperation and similar activities.

Example 1: promoting the development of tourism

4WD Adventure Club (the Club) is a NFP association that was formed to encourage tourists to safely and confidently explore Australia's outback using four-wheel drive (4WD) vehicles.

The Club's main activities are running a tourist information booth and providing brochures and information to tourists about local attractions that are safely accessible for 4WD vehicles. The Club also runs free weekly guided 4WD tours to local tourist attractions and 'outback first-aid' seminars for tourists. The Club's activities that are unrelated to tourism, such as the Club's monthly 4WD trip for members, are minor in extent and importance.

The Club's main purpose is promoting the development of tourism. It will qualify for the exemption if it is not [eligible to register as a charity with the ACNC](#) .

The main purpose of the society or association must be promoting the development of the relevant resources. To work out your organisation's main purpose you should look at its constituent documents, activities, use of funds and history. Any other purpose of the organisation must be incidental, ancillary or secondary to promoting development of the relevant resources.

If the organisation's main purpose is merely to provide services to its members, it won't be exempt. This is the case even if the services result in better use of resources by those members.

Example 2: not resource development

A NFP association is set up by a group of horticulture businesses. Its purpose is to buy supplies for the members in bulk and undertake joint marketing of their businesses.

The association is not promoting the development of horticultural resources.

Example 3: not promoting the development of tourism- services to members

Caravan and Camping Club (the Club) is a NFP association that was formed to encourage the pastime of caravanning and assist members to safely enjoy caravanning and camping.

The Club provides information on caravanning and camping best practices and local caravanning and camping facilities to its members through weekly newsletters. It also organises recreational 'caravan and camp' trips and offers access to discounted comprehensive insurance policies for its members.

The Club's main purpose is to provide services and information to its members. It doesn't qualify for the exemption.

If your organisation doesn't meet all the requirements for exemption for this category, you should check the other exemption categories in the [Types of income tax exempt organisations](#).

QC 46338

Scientific organisations

A scientific organisation is a scientific institution, science association or scientific research fund.

Last updated 3 July 2025

On this page

Income tax exemption checklist – Scientific organisations

Scientific institutions

Scientific associations

Scientific research funds

Further conditions


Income tax exemption checklist – Scientific organisations

Your organisation can self-assess for income tax exemption if it meets all of the following requirements:

- it is one of the following [types of organisations](#)
 - a scientific institution
 - a **not-for-profit** (NFP) society, association or club established for the encouragement of science
 - a fund established to enable scientific research to be conducted by or with a public university or public hospital
- it's **not** a charity
- it complies with all the substantive requirements in its **governing rules**
- it applies its **income and assets** solely for the purpose for which it is established
- it meets [further conditions](#) for exemption.

For these purposes, science has its ordinary meaning. It is not limited to the physical sciences and includes the human and applied sciences.

If all of your organisation's purposes are charitable purposes for the public benefit and you do not have any independent non-charitable purposes, your organisation cannot self-assess as income tax exempt under this category. Your organisation will need to be registered as a charity with the Australian Charities and Not-for-profits Commission (ACNC) and receive our endorsement to access an income tax exemption.

For more information on what is a charitable purpose, see the [ACNC website](#) .

Scientific institutions

Scientific institutions are set up and operated primarily to advance science. Common ways of advancing science include research, exploration and teaching. Disseminating information will often be involved.

Scientific institutions don't include:

- organisations run for the profit of their individual owners or members
- professional associations primarily run for the professional or business interests of their members.

Example 1: scientific institution

An institution is set up to hold conferences and meetings to share knowledge and exchange ideas on an aspect of engineering. Any professional advantage the engineer members gain is only through the institution's advancement of science. The institution's main purpose is to extend the area of knowledge in this field of engineering.

The institution is a scientific institution and will qualify for the exemption if it does not have only charitable purposes and it meets the other conditions.

Example 2: research entity which makes its results freely available (scientific institution)

Clean Energy Research Collective (the Association) is an NFP association that was established to carry out research into clean energy sources. The Association's members have an interest in clean energy sources. Additionally, there are entities that make financial contributions to the Association to enable it to do its research activities. As part of the funding arrangement the

financial contributors receive some benefits commensurate with their contributions.

The Association has complete control over the research findings and makes them freely available to the public on its website.

While the Association does provide some benefits to its research contributors, its main purpose is to advance science. This is indicated by how its research findings are made freely available to the community. It will qualify for the exemption if it does not have only charitable purposes and it meets the other conditions.

Example 3: research entity providing services to members (not a scientific institution)

Grain Research Association (the Association) was set up to carry out research to improve the yield of a certain grain crop. The Association's members are entities that have an interest in the development of the grain crop.

Members make financial contributions to the Association to enable it to do its research activities. In return, members receive exclusive access to the intellectual property produced by the Association and can commercialise it in their own businesses. The Association's research findings are not made available to the public.

The Association's main purpose is to provide services to its members. The Association is not a scientific institution because it hasn't been established with the main purpose of advancing science, as indicated by how its research findings are not made publicly available. It doesn't qualify for the exemption.

Example 4: professional association promoting professional interests of members (not a scientific institution)

Astronomers Alliance (the Alliance) is a NFP association. Its rules state that it has been established to protect the astronomy profession and advance the interests of its members.

The Alliance regularly holds webinars, seminars and podcasts on observational and computational astronomy techniques which are exclusively available to its members. The Alliance also holds member-exclusive networking events, to help its members broaden their professional networks. The Alliance does not conduct any research of its own and does not maintain a scientific journal.

The Alliance's main purpose is to promote the professional interests of its members, as opposed to advancing science. It does not qualify for the exemption.

Institution

An institution is an establishment, organisation or association, instituted for the promotion of an object, especially one of public or general utility. It is a body called into existence to translate a defined purpose into a living and active principle.

An institution does not need to take any particular legal structure. It may be constituted in different ways including as a corporation, unincorporated association or trust.

Whether an institution exists will depend on the circumstances. It involves more than mere incorporation and does not mean a 'mere fund' or 'mere trust' whose only activities are to manage funds and make distributions. Relevant factors include an entity's activities, size, permanence, and recognition.

A structure with a small and exclusive membership that is controlled and operated by family members and friends and undertakes limited activities is not an institution.

Scientific associations

The main purpose of the not-for-profit society, association or club must be the encouragement of science. Recreational or hobby clubs do not qualify. The main purpose must not be promoting the professional or business interests of members.

Example 5: scientific association

A group of frog enthusiasts sets up a NFP society to observe frogs in the district and record changes in their types, numbers and habits.

The society is established for the encouragement of science and will qualify for the exemption if it does not have only charitable purposes and it meets the other conditions.

Example 6: not a scientific association

A NFP organisation is set up to advance the profession of surveying, raise professional standards and represent the profession to government and industry.

The organisation is not a scientific association.

Society, association or club

A society, association or club is an entity made up of people who have come together to implement a common purpose.

An individual, or an incorporated body that has only one member, is not a society, association or club. A fund which only holds money to support activities carried out by other entities is also not a society, association or club.

The members of a society, association or club do not need to be natural persons. They can be an association of other entities.

Scientific research funds

The organisation must only be a fund with sufficient links with public universities or public hospitals. The fund itself doesn't conduct the scientific research. The research is conducted by the university or hospital, or by other bodies in conjunction with the university or

hospital. The fund may enable the research by various means, including providing money or facilities.

Example 7: scientific research fund

A fund's sole object is to provide money to a public university for it to carry out medical research. The fund's investment income is given to the university under an agreement requiring it to be used only for medical research.

The fund will qualify for the exemption if it does not have only charitable purposes and it meets the other conditions.

Further conditions

Scientific institutions and scientific associations

For a scientific institution or scientific association that is not a charity to be exempt from income tax, it must pass one of the following:

- physical presence in Australia test
- deductible gift recipient (DGR) test
- prescribed by law test.

If your organisation exists, operates and incurs its expenditure solely and entirely in Australia, you meet the physical presence in Australia test. You don't need to read anything further about the 3 tests.

If your organisation doesn't exist, operate and incur its expenditure solely and entirely in Australia, see the **Explanation of the three tests** to work out if you meet any of them.

Scientific research funds

For a scientific research fund that is not a charity to be exempt from income tax, the fund must be applied for the purposes for which it was established. If it is being applied for other purposes it won't be exempt.

The scientific research fund must also meet at least one of two conditions.

One condition is that the fund is a DGR. DGRs are entitled to receive income tax deductible gifts.

If the fund is not a DGR it must meet the second condition, being all of the following:

- established to enable the scientific research to be conducted principally in Australia by, or in conjunction with, the public university or public hospital
- located in Australia
- incur its expenditure principally in Australia.

In working out if expenditure is principally incurred in Australia, the fund can disregard any distributions it makes of amounts it received as gifts or government grants.

If your organisation doesn't meet all the requirements for exemption for this category, you should check the other exemption categories in the [Types of income tax exempt organisations](#).

QC 46343

Sporting organisations

Sporting organisations are established for the encouragement of a game, sport or animal racing.

Last updated 3 July 2025

On this page

[Income tax exemption checklist – sporting organisations](#)

[Society, association or club](#)

[Main purpose](#)

[Game or sport](#)

[Animal racing](#)


Income tax exemption checklist – sporting organisations

Your organisation will be exempt from income tax, and can self-assess its exemption, if it meets all of the following requirements:

- it's a **not-for-profit** (NFP) society, association or club
- it's established for the [purpose](#) of encouragement of either of the following
 - a game or sport
 - animal racing
- it's **not** a charity
- it meets one of the **3 following tests**
 - physical presence in Australia test
 - deductible gift recipient (DGR) test
 - prescribed by law test
- it complies with all the substantive requirements in its **governing rules**
- it applies its **income and assets** solely for the purpose for which it is established.

Taxation Ruling TR 2022/2 *Income tax: the games and sports exemption* provides detailed guidance for organisations seeking additional information to determine whether they are entitled to self-assess as income tax exempt.

If all of your organisation's purposes are charitable purposes for the public benefit and you do not have any independent non-charitable purposes, your organisation cannot self-assess as income tax exempt under this category. Your organisation will need to be registered as a charity with the Australian Charities and Not-for-profits Commission (ACNC) and receive our endorsement to access an income tax exemption.

For more information on what is a charitable purpose, see the [ACNC website](#) .

Society, association or club

A society, association or club is an entity made up of people who have come together to implement a common purpose.

An individual, or an incorporated body that has only one member, is not a society, association or club. A fund which only holds money to support activities carried out by other entities is also not a society, association or club.

The members of a society, association or club do not need to be natural persons. They can be an association of other entities.

Main purpose

The main purpose of the society, association or club must be encouragement of a game or sport, or animal racing. To work out your organisation's main purpose, look at its:

- constituent documents
- activities
- use of funds
- history.

Any other purpose of the organisation must be incidental, ancillary or secondary to encouragement of a game or sport, or animal racing.

For example, if your organisation's main purpose is providing social and recreational facilities and activities, it won't be exempt. This is the case even if your organisation also gives money to encourage games, sports or animal racing.

Example 1: not for the encouragement of a game or sport

An NFP club's main operations are providing dining, gaming and leisure facilities at its clubhouse. It gives a minor yearly grant to

an associated rowing club but is not involved in rowing itself.

The club doesn't qualify for the exemption.

Example 2: car appreciation club (not encouraging a game or sport)

Classic Car Club (the Club) is an NFP association that holds events for enthusiasts of a particular make of car. The Club's events are focused on providing attendees with information on how to maintain their cars and opportunities to build networks with each other.

The Club's main purpose is to promote a common interest in a particular make of car, as opposed to encouraging a game or sport.

The Club doesn't qualify for the exemption.

Example 3: recreational fishing activities (not encouraging a game or sport)

The One That Got Away Club (the Club) provides services and amenities for people who like to fish in the bay near the clubhouse and in surrounding watercourses. The services provided include weather and boating information, guest speakers and a bar and canteen which open daily. Members-only competitions are held once a month.

While a fishing competition can be a sport, the Club's main purpose is to provide services and amenities for members to do recreational fishing. The Club was not formed for the main purpose of encouraging a game or sport.

The Club doesn't qualify for the exemption.

Example 4: club with sporting facilities occasionally conducting sporting activities for members (not encouraging a game or sport)

Our Community Club (the Club) is an NFP association which was initially established for networking purposes, but now also provides dining, entertainment, gym and sporting facilities for its members. Occasionally, the Club organises member-only sporting competitions using its sporting facilities.

Whilst the Club occasionally organises sporting competitions for its members, the Club's main purpose is to provide a broad variety of services and facilities to its members and encourage social and networking activities among its members.

The Club doesn't qualify for the exemption.

Example 5: services to members with incidental sporting activities – ski lodge (not encouraging a game or sport)

Super Ski Club (the Club) is an NFP association which owns and operates a ski lodge. It was originally established to provide accommodation for its members to regularly participate in recreational skiing and snowboarding. When the Club's lodging facilities are not fully used by its members, they are made available to the public on a commercial basis.

The Club is affiliated with an association (the Association) which regularly holds snow sports competitions. The Club allows the Association to use its lodging facilities for meetings and equipment storage on an inconsistent basis. The Club also makes its lodging facilities available at discounted rates to individuals competing in the Association's competitions, provided they are not already reserved by its members. The Club doesn't enter any teams into any sporting competitions itself.

The Club's main purpose is the provision of accommodation to its members. The substantial and prioritised member usage of the Club's lodging facilities, inconsistent support provided to the Association and lack of direct involvement in any sporting competitions indicates that the encouragement of a game or sport is not the Club's main purpose.

The Club doesn't qualify for the exemption.

Game or sport

The terms 'game' and 'sport' are not defined and take their ordinary meaning. Games and sports extend to athletic games or sports (such as football and swimming) and non-athletic games (such as chess and bridge).

They **don't** extend to:


- stamp-collecting
- keeping and showing pets
- making model railways
- maintaining vintage cars
- various social and recreational pursuits.

Encouragement of a game or sport extends to less direct means such as:

- research or testing
- developing referees
- providing sporting facilities.

Example 6: for the encouragement of a game or sport

An NFP association's purpose is to provide a sports ground for use by the local hockey, soccer and cricket clubs.

The association will qualify for the exemption if it is not [eligible to register as a charity with the ACNC](#)  and it also meets the other requirements.

Example 7: rallying and track racing club (encouraging a game or sport)

Riverstone Rally Club (the Club) is an NFP association that holds rallying and track racing activities. It is managed by a committee of members that actively participate in competitive rallying and track racing.

The Club owns and maintains a local motorsport circuit, which is available for public usage. It regularly hosts rallying and track racing contests on its circuit and participates in state and national-level competitions.

The Club's main purpose is to encourage a game or sport. It will qualify for the exemption.

Example 8: ski club (encouraging a game or sport)

Aussie Alps Ski Club (the Club) is an NFP association. The Club's governing document states it has been set up to promote snow sports. The Club's management committee consists of former snow sports athletes.

The Club owns and operates a snow sports lodge and training and conditioning facility, which are available to the public (at commercial rates) and to a development snow sports squad selected by a national snow sports body (at no cost).

The Club also regularly hosts skiing competitions. The Club consistently uses most of its profits to cover the training, accommodation and travel fees of skiing athletes representing Australia in the Olympics.


The Club's main purpose is to encourage a game or sport. It will qualify for the exemption.

Animal racing

The income tax exemption includes horse racing, trotting and greyhound racing, and the racing of other animals.

If your organisation doesn't meet all the requirements for exemption for this category, you should check the other exemption categories in [Eligible types of income tax exempt organisations](#).

Early self-review worksheet for sporting organisations with multiple purposes

Sporting organisations with multiple purposes can use the [Working out your club's income tax status worksheet \(PDF, 220KB\)](#)  when conducting an early self-review of their income tax status. The worksheet includes a schedule to help sporting organisations with multiple purposes weigh up their features and work out their main purpose.

Once completed, the worksheet should be kept for your records. It does **not** need to be sent to the ATO.

It is important to note that non-charitable NFPs with an active ABN, including sporting organisations, must lodge an annual **NFP self-review return** to notify their eligibility to self-assess income tax exemption.

The worksheet is **not** a substitute for the lodgment of the NFP self-review return. However, if your sporting organisation has multiple purposes, the worksheet may help your sporting organisation work out its main purpose, so that it may accurately complete its NFP self-review return.

QC 46347

Self-assessing income tax exemption

Check if your not-for-profit (NFP) can self-assess its entitlement to income tax exemption.

Last updated 16 July 2024

NFPs with only charitable purposes that meet the legal definition of a charity must be registered with the Australian Charities and Not-for-profits Commission (ACNC) and be **endorsed by the ATO** to be income tax exempt.

If your NFP is not a **charity**, it may be eligible to self-assess its entitlement to income tax exemption. Non-charitable NFPs do not need to be registered with the ACNC or be endorsed by us to be exempt.

There are **8 categories of income tax exempt entities** that can self-assess eligibility for income tax exemption, outlined in Division 50 of the *Income Tax Assessment Act 1997* (ITAA 1997). NFPs self-assessing eligibility for income tax exemption must meet certain requirements to be exempt.

For many of the exempt entity types, your organisation must be NFP and also meet the following conditions:

- pass one of **3 tests**

- comply with all the substantive requirements in its **governing rules condition**
- apply its **income and assets condition** solely for the purpose it was established for.

Reporting requirements to self-assess

From 1 July 2023, non-charitable NFPs with an active Australian business number (ABN) self-assessing as income tax exempt need to lodge an annual NFP self-review return.

The first NFP self-review return must be lodged for the 2023–24 income year. NFPs can use the questions in our **self-review guide** to review the organisation's tax status, and prepare their answers before lodging the NFP-self-review return.

The NFP self-review return can be lodged using ATO online services, see **When the first NFP self-review return is due** for more information on accessing and lodging the return.

For more information, see **Reporting requirements to self-assess income tax exemption**.

Explanation of the three tests



Some organisations must pass one of three tests to be exempt from income tax.

Governing rules condition



Your organisation will meet the governing rules condition if it complies with all the substantive requirements in its governing rules.

Income and assets condition



~~Your organisation will meet the income and assets condition if it~~

QC 46348

Explanation of the three tests

Some organisations must pass one of three tests to be exempt from income tax.

Last updated 5 December 2023

On this page

Physical presence in Australia test

Deductible gift recipient test

Prescribed by law test

Some not-for-profit (NFP) organisations must pass one of three tests to be exempt from income tax. The tests are the:

- physical presence in Australia test
- deductible gift recipient (DGR) test
- prescribed by law test.

If your organisation exists, operates and incurs its expenditure solely and entirely in Australia, you meet the physical presence in Australia test. You do not need to read anything further about the three tests.

If your organisation does not exist, operate and incur its expenditure solely and entirely in Australia, read on to work out if you meet any of them.

Physical presence in Australia test

Your organisation will meet this test if it meets both of the following requirements:

- your organisation has a physical presence in Australia

- to the extent your organisation has a physical presence in Australia, it pursues its objectives and incurs its expenditure principally in Australia.

See also:

If your organisation does not meet these requirements, it could still meet the test – see [Disregarded amounts](#).

Physical presence

An organisation has a physical presence in Australia if it is wholly in Australia, or it has a division, branch or sub-division in Australia.

It does not have a physical presence in Australia if it is present in Australia only through an agent, or it merely owns investment property in Australia.

Objectives and expenditure principally in Australia

If your organisation has a physical presence in Australia only, it must pursue its objectives and incur its expenditure principally in Australia.

Principally means mainly or chiefly. Less than 50% of expenditure is not considered principally.

The pursuit of objectives in Australia can include things done offshore if they are only a means of pursuing those objectives. For example, sending employees to an offshore conference to aid their efficiency for the Australian objectives will be pursuing objectives in Australia.

Example – Physical presence in Australia test

A community service association is physically present only in Australia, but it also sends materials to organisations overseas. As long as these activities and expenditure are not major, it will meet the physical presence in Australia test.

If your organisation has a physical presence in Australia as well as another country, you need to work out the extent to which your organisation is physically present in Australia. It is only to that extent that your organisation's purposes and expenditure must be principally in Australia.

Therefore, even if your organisation, when viewed as a whole, does not principally have its purposes and expenditure in Australia, it can still meet the physical presence in Australia test.

Example 1 – Physical presence test

A sports club operates two centres, one in Australia and one in Papua New Guinea. Each centre operates separately, with general administration being done in Papua New Guinea.

If the Australian activities and expenditure are mainly for the Australian centre, it will meet the physical presence in Australia test.

Example 2 – Physical presence test

BNM Welfare is a community service organisation. It runs four centres, one in Australia and three in Malaysia. All funding comes from Australia and a similar amount is spent on each centre.

To the extent BNM Welfare has a physical presence in Australia, it is not principally pursuing its objectives and incurring its expenditure in Australia. It could only meet the physical presence in Australia test through the distribution of disregarded amounts.

Disregarded amounts

An organisation may still meet the physical presence in Australia test even if it does not pursue its purposes and incur its expenditure principally in Australia, to the extent it has a physical presence in Australia. This will depend on its distribution of disregarded amounts.

Disregarded amounts are amounts that the organisation receives as:

- gifts, including testamentary gifts (that is, gifts made under a will)
- proceeds from raffles, dinners, auctions, jumble sales and similar fundraising activities
- government grants.

Distributions of these amounts are disregarded when working out where the organisation pursues its objectives and incurs its expenditure.

We assume any offshore distributions are made first from any disregarded amounts that can be distributed offshore. The assumption does not apply if a disregarded amount cannot be distributed offshore. For example, government grants made only for use in Australia, or gifts of land physically in Australia, are not assumed to be distributed offshore.

The effect of this assumption is that offshore distributions can be made, up to the total of these amounts, without affecting your entitlement to income tax exemption.

Example – Disregarded amounts

An Australian musical association also provides funding to a school in the Philippines for the purchase of musical instruments. The association hopes to promote and nurture musical education there. The distribution does not exceed its disregarded amounts.

Because the disregarded amounts are assumed to pay for the Philippine activities, the association can still meet the physical presence in Australia test.

Does your organisation meet the physical presence in Australia test?

- If **yes**, your organisation has passed one of the three tests. Read the **Governing rules condition**.
- If **no**, read on.

Deductible gift recipient test

The deductible gift recipient test requires your organisation to be a deductible gift recipient (DGR). DGRs are entities donors can make income tax deductible gifts to. The income tax law determines which organisations and types of organisations can be DGRs.

To be a DGR, you must either:

- be listed by name in the income tax law – includes organisations such as Amnesty International Australia and Landcare Australia
- meet the requirements of a general DGR category set out in the income tax law – includes registered PBIs, public universities, public

hospitals, school building funds, public libraries, registered cultural and environmental organisations, and ancillary funds.

DGRs that are not listed by name in the income tax law need to be endorsed by us.

Several general DGR categories require your organisation, if it is a charity, to be registered with the Australian Charities and Not-for-profits Commission (ACNC).

See also:

Endorsement requirements

Your organisation will meet the DGR test if it either:

- has been endorsed as a DGR in its own right and not merely for a fund or institution that it operates
- is listed by name in the income tax law as a DGR.

Your organisation will not meet the DGR test if it is endorsed as a DGR only for a fund or institution that it operates.

Example – DGR test

A community service organisation is endorsed as a DGR for a necessitous circumstances fund it operates. Gifts made to its necessitous circumstances fund could be tax deductible.

The community service organisation would not meet the DGR test because it is a DGR only for the necessitous circumstances fund.

Does your organisation meet the DGR test?

- If **yes**, your organisation has passed one of the three tests. Read the **Governing rules condition**.
- If **no**, read on.

Prescribed by law test

Your organisation will meet this test if it is prescribed by name in the income tax regulations and it is located outside Australia and is exempt from income tax in its country of residence.

The government decides which organisations will be prescribed by name in the income tax regulations. You can send applications for prescription to us and we will forward them to the government for consideration.

If your organisation is not listed by name in the income tax regulations for exemption purposes, it does not meet this test.

Does your organisation meet the prescribed by law test?

- If **yes**, your organisation has passed one of the three tests. Read the **Governing rules condition**.
- If **no**, read on.

Conclusion

If your organisation has not passed one of the three tests, your organisation is not income tax exempt. To understand the outcomes of this, see Table: Self-assessment outcome 'Not-exempt' in **Self-assessment**.

If you are unsure if your organisation meets the requirements, see Table: Self-assessment outcome 'Unsure' in **Self-assessment**.

QC 46351

Governing rules condition

Your organisation will meet the governing rules condition if it complies with all the substantive requirements in its governing rules.

Last updated 20 July 2015

You do not need to read this section if your not-for-profit (NFP) organisation is not required to meet this condition.

See the **Requirements for self-assessing entities** to work out if your organisation must meet this condition.

Your organisation will meet this condition if it complies with all the substantive requirements in its governing rules.

This means that an organisation must operate only in a manner consistent with the rules of core importance to its operation, including those related to its object and purpose and those relating to its NFP status.

Minor procedural irregularities, such as an absence of a quorum at a meeting or missing a required lodgment date, will not prevent an organisation from meeting this condition for income tax exemption.

Does your organisation meet this condition? If your organisation is new, does it intend to meet this condition?

- If **yes**, your organisation meets the Governing rules condition, see the **Income and assets condition**.
- If **no**, or if you are unsure if your organisation meets the requirements, see **Self-assessment**.

QC 46353

Income and assets condition

Your organisation will meet the income and assets condition if it applies its income and assets solely for the purpose for which it is established.

Last updated 31 January 2019

You do not need to read this section if your not-for-profit (NFP) organisation is not required to meet this condition.

See the **Requirements for self-assessing entities** to work out if your organisation must meet this condition.

Your organisation will meet this condition if it applies its income and assets solely for the purpose for which it is established. If your organisation is new, it will meet this condition if it intends to apply its income and assets solely for the purpose for which it is established.

Your organisation cannot self-assess that it is exempt from income tax if it is required to meet this condition and does not.

See **self-assessment** to determine your organisation's next step.

Taxable NFP organisations

Taxable not-for-profits (NFPs) may have to lodge an income tax return or notify us that one is not necessary.

Last updated 8 July 2025

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[Taxable or exempt organisations](#)

[Income tax for taxable NFPs](#)

[Mutuality principle](#)

[Lodgment due dates](#)

[How to lodge your NFP's income tax return](#)

[Notify of a non-lodgment advice](#)

[Capital gains tax](#)

[Pay as you go instalments](#)

[Consolidations](#)

Taxable or exempt organisations

Not all NFP organisations are exempt from income tax. NFPs can be either exempt or taxable.

To be **exempt from income tax**, an NFP must either meet the requirements to self-assess as income tax exempt, or be a registered charity that is endorsed by us as income tax exempt.

NFP organisations that seek to advance the common interest of their members and don't benefit the broader community won't generally meet the requirements for income tax exemption.

Examples of taxable NFPs include:

- social clubs and fraternal organisations
- some business and professional associations
- clubs whose main purpose is providing hospitality services for members
- political parties.

Income tax for taxable NFPs

Some NFP organisations are taxable and may have to lodge income tax returns and pay income tax. If you are a taxable NFP, find out if you can apply the [mutuality principle](#) when calculating your taxable income.

To work out if you need to lodge an income tax return or if you should notify us of a 'non-lodgment advice' also known as a 'return not necessary', check if your organisation is:

- a [taxable NFP company](#), including incorporated and unincorporated associations
- a [taxable trust or partnership](#)
- an [other taxable company](#), including incorporated and unincorporated associations.

Incorporated associations and unincorporated associations are treated as a company for income tax purposes under tax law.

Taxable NFP companies

NFP companies are organisations, incorporated and unincorporated, that operate for its purpose and not for the profit or gain (direct or indirect) of its individual members. Their **governing documents** must prohibit them from making any distributions to their members, whether in money, property or otherwise.

Taxable NFP companies have special arrangements for lodging tax returns and special rates of income tax. An NFP company with taxable income of:

- **\$416 or less** can notify us of a [non-lodgment advice](#) – you don't need to lodge a company tax return unless we specifically request

you to

- **more than \$416** must lodge a company tax return for that year.

Income tax rates for the 2023–24 income year

Your reporting requirements and specific rates depend on if your NFP company is a base rate entity.

NFP company that is a base rate entity

Taxable income range	Rate of tax	How to report
\$0–\$416	Nil	Submit a non-lodgment advice , also known as a return not necessary, to avoid receiving a reminder to lodge letter.
\$417–\$762	55% for every dollar over \$416	Lodge a company tax return . For help with lodging, see Not-for-profit guide to the company tax return .
\$763 and above	25% on the whole amount of your taxable income	Lodge a company tax return . For help with lodging, see Not-for-profit guide to the company tax return .

NFP company that is not a base rate entity

Taxable income range	Rate of tax	How to report
\$0–\$416	Nil	Submit a non-lodgment advice , also known as a

		return not necessary, to avoid receiving a reminder to lodge letter.
\$417–\$915	55% for every dollar over \$416	Lodge a company tax return . For help with lodging, see Not-for-profit guide to the company tax return .
\$916 and above	30% on the whole amount of taxable income	Lodge a company tax return . For help with lodging, see Not-for-profit guide to the company tax return .

Example 1: income tax payable by NFP company with \$900 taxable income

An NFP company has taxable income of \$900 in the 2023–24 financial year.

Base rate entity:

- For an NFP company that is a base rate entity the income tax payable is **\$225**. This is calculated by multiplying the whole \$900 of taxable income by 0.25.

Not a base rate entity:

- For an NFP company that is **not** a base rate entity the income tax payable is **\$266.20**, which is calculated by taking 2 steps:
 - Step 1 – determine the amount of taxable income above \$416, by subtracting \$416 from \$900 – this leaves \$484 in taxable income.
 - Step 2 – multiply \$484 taxable income by 0.55.

Example 2: income tax payable by NFP company with \$2,000 taxable income

An NFP company has taxable income of \$2,000 in the 2023–24 financial year.

Base rate entity:

- For an NFP company that is a base rate entity, the income tax payable is **\$500** and is calculated by multiplying the whole \$2,000 of taxable income by 0.25.

Non base rate entity:

- For an NFP company that is **not** a base rate entity, the income tax payable is **\$600** and is calculated by multiplying the whole \$2,000 of taxable income by 0.30.

Taxable trusts and partnerships

Taxable trusts and partnerships must lodge a return every year regardless of net income.

For help completing your tax return, see [Income tax return for partnerships and trusts](#).

Other taxable companies

Clubs, societies, and associations whose constituent documents don't prohibit them from making distributions to their members are treated as other taxable companies.

Incorporated associations and unincorporated associations are treated as a company for income tax purposes under tax law.

Other taxable companies must lodge a tax return each year, regardless of their taxable income. There is no tax-free threshold and they have the same **rates of tax** as other companies.

For the 2023–24 income year, the rate of tax is:

- 25% if the company is a base rate entity
- 30% if the company **isn't** a base rate entity.

The taxable income of a club, society or association is calculated in the same way as a company for tax purposes.

Income tax rates for the 2023–24 income year – other taxable companies

Income category	Rate of tax
Base rate entity	25%
Not a base rate entity	30%

For help completing your tax return, see **Not-for-profit guide to the company tax return**.

Mutuality principle

To work out your NFP's taxable income, you must know how amounts received from members are treated. Under the **mutuality principle**:

- 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.

Lodgment due dates

If you have a standard tax year of 1 July to 30 June, you must lodge your NFP's annual income tax return or non-lodgment advice by 15 May in the next year after the reporting period has ended.

If your NFP has an ATO-approved **substituted accounting period (SAP)**, which is an income year that is not the standard 30 June income year, check the following SAP lodgment due dates as it's determined by your approved balance date.

If your organisation has an **ATO approved substituted accounting period (SAP)** for income tax, your income tax return due date is determined by your balance date.

Table: SAP due dates for each income year

SAP code	Approved balance date	Concessional income tax return due date
A	31 December balancer	30 June
B	31 January balancer	30 June
C	29 February balancer	30 June
D	31 March balancer	30 June
E	30 April balancer	30 June
F	31 May balancer	30 June
G	31 July balancer	30 June
H	31 August balancer	30 June
I	30 September balancer	31 July
J	31 October balancer	31 August
K	30 November balancer	30 September

We are focused on NFPs correctly lodging their NFP self-review return or income tax return. If we identify deliberate past tax evasion or fraudulent behaviours we may take compliance action.

How to lodge your NFP's income tax return

You can lodge your NFP's income tax return:

- online using **standard business reporting (SBR) enabled software**. You must use SBR enabled software to lodge online, as the return can't be lodged directly in Online services for business.

- with a registered tax agent
- by paper.

For more information on how to lodge, see the **Not-for-profit guide to the Company tax return 2024**.

Update your details

Before you lodge your tax return, check your NFP's details are up to date. You must notify us of changes to your NFP within 28 days if your organisation's details change.

Notify of a non-lodgment advice

Who can use a non-lodgment advice

If you are:

- a [taxable NFP company](#), you can let us know if you aren't required to lodge an income tax return (for example, if your rate of tax is nil because your taxable income was \$416 or below) – this is a 'non-lodgment advice' or 'return not necessary'
- any [other taxable NFP](#), including [partnerships and trusts](#), you must lodge an income tax return, regardless of your taxable income.

How to notify us

As an NFP company, you can give us non-lodgment advice for an income year by either:


- [phoning us](#)
- [using a form](#)
- [registered tax agent](#)

To make the request, you must be listed as an authorised contact on ATO records to act on behalf of the organisation. If you need to update your authorised contacts, see **Notify us of changes to your not-for-profit**.

Phoning us

Speak with a customer service representative using our Lodge and Pay enquiry phone number. Due to privacy reasons, you must be an authorised contact already listed on ATO records. We'll ask you to confirm your identity and authorisation to access the account.

Using a form

You can download and complete the [NFP company non-lodgment advice](#) .

Registered tax agent

A registered tax agent can submit the non-lodgment advice on your behalf using Online services for agents.

Capital gains tax

Capital gains tax (CGT) applies to NFP clubs, societies and associations that are treated as companies for income tax purposes, in the same way as it does for other companies that pay income tax.

Pay as you go instalments

Pay as you go (PAYG) instalments is a system for paying amounts towards the expected tax liability on your business and investment income for the financial year.

Consolidations

Wholly-owned corporate groups may have the option of consolidating for income tax. Consolidation is optional but can't be reversed. The consolidated group operates as a single entity for income tax purposes, lodging a single tax return and paying a single set of PAYG instalments.

When a group consolidates, it is a 'one in, all in' situation, where all of the head company's eligible wholly-owned subsidiary members become part of the group.

There are specific rules about the types of entities that can be a head company or a subsidiary member of a consolidated group.

When to review your income tax exempt status

Information for not-for-profits (NFPs) on when to review their income tax exempt status.

Last updated 20 June 2024

On this page

When you should review

When we review

When you should review

We recommend NFPs conduct a review of their income tax exempt status annually and whenever there is a major change to the structure or activities of the organisation.

Annual review for NFPs self-assessing as income tax exempt

From 1 July 2023, NFPs with an active Australian business number (ABN) must lodge an annual NFP self-review return to confirm their eligibility to self-assess as income tax exempt.

The first NFP self-review return must be lodged for the 2023–24 income year and each subsequent income year.

NFPs that self-assess as income tax exempt can use the questions in our [self-review guide](#) to review the organisation's tax status, and prepare your answers before the NFP-self-review return is available on 1 July.

When lodging through Online services, you have the option to print a copy of the questions and your answers to share with your board, committee or tax agent.

For more information, see [Reporting requirements to self-assess income tax exemption](#).

Reviewing entitlement to tax concession charity endorsement

NFPs reregistered as a charity with the Australian Charities and Not-for-profits Commission (ACNC) and income tax exempt as an endorsed tax concession charity (TCC) by us, are not required to lodge a NFP self-review return.

Charitable NFPs, endorsed as a tax concession charity (TCC), are required to self-review entitlement to endorsement as a TCC annually, and whenever there is a change in the charity's structure, purposes or operations.

For more information, see [Review your TCC endorsement](#).

When we review

We review both income tax exempt and taxable NFPs. The reviews help establish whether your organisation is correctly assessing its income tax status.

We may request that you provide information and documents that are relevant to your assessment of your NFPs income tax status. While you must comply with this request, you will be given at least 28 days to provide the required information and documents. We will provide written notice of the result of the review.

If your NFP has not lodged income tax returns for the period under review and our review shows that it is not income tax exempt, we may require that income tax returns be lodged.

If your NFP has lodged returns and there are inaccuracies in income, deductions or entitlements, we may amend your assessment.

If your NFP is dissatisfied with the review, you can lodge an objection.

QC 46359

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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