

Guide to company tax return for non-profit organisations 2010

To help you complete the company tax return for **1 July 2009 – 30 June 2010**

Explains some common errors and their consequences for
taxable non-profit clubs, societies and associations



Use this guide if you are involved in the administration of a taxable non-profit organisation.



Read in conjunction with the *Company tax return instructions 2010* and the guide *Mutuality and taxable income*.



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OUR COMMITMENT TO YOU

We are committed to providing you with advice and guidance you can rely on, so we make every effort to ensure that our publications are correct.

If you follow our guidance in this publication and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we must still apply the law correctly. If that means you owe us money, we must ask you to pay it but we will not charge you a penalty. Also, if you acted reasonably and in good faith we will not charge you interest.

If you make an honest mistake in trying to follow our advice and guidance in this publication and you owe us money as a result, we will not charge you a penalty. However, we will ask you to pay the money, and we may also charge you interest.

If correcting the mistake means we owe you money, we will pay it to you. We will also pay you any interest you are entitled to.

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If you feel that this publication does not fully cover your circumstances, or you are unsure how it applies to you, you can seek further assistance from us.

We regularly revise our publications to take account of any changes to the law, so make sure that you have the latest information. If you are unsure, you can check for a more recent version on our website at www.ato.gov.au or contact us.

This publication was current at **June 2010**.

HOW SELF-ASSESSMENT AFFECTS YOU

Self-assessment means the Australian Taxation Office (ATO) uses the information you give on your tax return and any related schedules and forms to work out your refund or tax liability. We do not take any responsibility for checking the accuracy of the details you provide, although our system automatically checks the arithmetic. Although we do not check the accuracy of your tax return at the time of processing, at a later date we may examine the details more thoroughly by reviewing specific parts, or by conducting an audit of your tax affairs. We also have a number of audit programs that are designed to continually check for missing, inaccurate or incomplete information.

What are your responsibilities?

It is your responsibility to lodge a tax return that is signed, complete and correct. Even if someone else – including a tax agent – helps you to prepare your tax return and any related schedules, you are still legally responsible for the accuracy of your information.

What if you lodge an incorrect tax return?

If you become aware that your tax return is incorrect, you must contact us straight away.

Initiatives to complement self-assessment

There are a number of systems and entitlements that complement self-assessment, including:

- the private ruling system (see below)
- the amendment system (if you find you have left something out of your tax return) your entitlement to interest on early payment or overpayment of a tax debt.

Do you need to ask for a private ruling?

If you are uncertain about how a tax law applies to your personal tax affairs, you can ask for a private ruling. To do this, complete a *Private ruling application form* (not for tax professionals) (NAT 13742), or contact us. Lodge your tax return by the due date, even if you are waiting for the response to your application. You may need to request an amendment to your tax return once you have received the private ruling. We publish all private rulings on our website. (Before we publish we edit the text to remove information that would identify you.)

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ABOUT THIS GUIDE

This guide has been prepared for non-profit clubs, societies and associations that are taxable, that is, non-profit organisations that are not exempt from income tax.



It helps these organisations complete the *Company tax return 2010* (NAT 0656).


In this guide we discuss some common errors made by non-profit organisations when completing the return and the consequences of these errors.

We also provide guidance on how to complete related labels on the return correctly, including a worked example that uses the figures from case study 2 in our guide *Mutuality and taxable income*.

-  Read this guide in conjunction with:
- *Mutuality and taxable income* (NAT 73436)
 - *Company tax return instructions 2010* (NAT 0669).

Throughout this guide

Throughout this guide you will find important notes (look for the  and  symbols) that will help you with key information.

You will also find 'more information' boxes (look for the  symbol), which will show any further steps you may need to take or supplementary information you may need to refer to.

We often refer to NAT numbers. A NAT number is a unique national identifying number we give each of our publications to keep track of them. You can use this number to search for publications on our website and quote the number over the phone when you ask for a publication to be sent to you.

See the back of this guide for more information on how to access our publications and services.

WHO SHOULD USE THIS GUIDE?

You should use this guide if you are a financial officer, tax professional or other person involved in the administration of a taxable non-profit organisation.

For this guide to apply to your organisation, your organisation must be:

- non-profit, and
- taxable.

➤ For examples of the types of organisations covered by this guide, see the table **Industry codes commonly used by taxable non-profit member-based organisations** on page 8.

NON-PROFIT

The basic premise of a non-profit organisation is that it is not operating for the profit or gain of its individual members, whether these gains are direct or indirect. This applies both while the organisation is operating and when it winds up.

Any profit made by the organisation goes back into the operation of the organisation to carry out its purposes and is not distributed to any of its members.

The ATO accepts an organisation as non-profit where its constituent or governing documents prevent it from distributing profits or assets for the benefit of particular people, both while it is operating and when it winds up. These documents should contain acceptable clauses showing the organisation's non-profit character. The organisation's actions must be consistent with this requirement.

➤ For examples of clauses that indicate non-profit character, see chapter 2 in our guide *Mutuality and taxable income*.

TAXABLE

⚠ Non-profit organisations can be either exempt or taxable.

Many non-profit organisations are taxable and may need to lodge tax returns and pay income tax.

If your non-profit organisation is not exempt from income tax, it is taxable. Only certain types of non-profit organisations are exempt from income tax.

➤ If you are unsure whether your non-profit organisation is taxable or exempt, refer to our publication *Income tax guide for non-profit organisations* (NAT 7967). It will help you work out your organisation's income tax status.

ORGANISATIONS NOT COVERED

This guide does not cover the following types of organisations:

- partnerships
- strata title bodies corporate
- friendly societies
- life assurance companies
- life insurance companies
- mutual insurance companies
- credit unions.

INTRODUCTION

To work out whether your organisation needs to lodge a company tax return, you need to:

- determine if your organisation is a non-profit company or other taxable company
- know your organisation's taxable threshold for lodgment
- calculate your organisation's taxable income.

LODGMET RULES

For income tax purposes, taxable non-profit organisations are treated as either:

- non-profit companies, or
- other taxable companies.

! A non-profit organisation does not need to be incorporated to be treated as a company for income tax purposes.

➤ To work out if your organisation is a non-profit company or other taxable company, see chapter 2 in our guide *Mutuality and taxable income*.

Non-profit companies that are Australian residents have a taxable threshold. If the taxable income of a non-profit company in an income year is below the threshold, it is not required to lodge a tax return for that year.

The taxable threshold for the 2009–10 income year is \$416 of taxable income.

However, the ATO may notify a particular company that it is required to lodge a return.

Other taxable companies are taxed on every dollar of taxable income. They must lodge a tax return each year.

Non-profit companies and other taxable companies use the company tax return to lodge a return.

➤ For more information, see chapter 2 in our guide *Mutuality and taxable income*.

CALCULATING TAXABLE INCOME

Taxable income is calculated as the difference between an organisation's assessable income and allowable deductions.

Taxable income = assessable income – allowable deductions

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

One particular issue that affects many clubs, societies and associations is the taxation treatment of mutual dealings with members.

As a result of 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.

! Mutual receipts are not subject to income tax because they are not assessable income – not because they are exempt income.

➤ For information on the principle of mutuality, see chapter 3 in our guide *Mutuality and taxable income*.

Because of the mutuality principle, revenue and expenses of an organisation fall within one of three categories for income tax purposes.

Category	Revenue	Expenses
1	Non-assessable	Non-deductible
2	Assessable	Deductible
3	Apportionable	Apportionable

The three categories are used in the following four steps to calculate an organisation's taxable income.

STEP 1: Classify revenue into non-assessable, assessable and apportionable.



STEP 2: Classify expenses into non-deductible, deductible and apportionable.



STEP 3: Separate the apportionable items by appropriate methods.



STEP 4: Calculate the taxable income.

➤ See our guide *Mutuality and taxable income* for information on:

- the three categories and the four steps in chapter 3
- classifying revenue and expenses in chapters 4 and 5
- separating apportionable items in chapter 6
- examples of calculating taxable income in chapter 8.

LODGING A COMPANY TAX RETURN

If your organisation is a non-profit company that is an Australian resident and its taxable income is over \$416 for the 2009–10 income year, it will need to lodge a company tax return.

If your organisation is an 'other taxable company' and its taxable income is greater than \$0 for the 2009–10 income year, it also needs to lodge a company tax return.

⚠ Taxable income is rounded down to the nearest dollar, that is, cents are ignored.

COMPLETING THE COMPANY TAX RETURN

Non-profit organisations that are required to lodge a tax return use the company tax return.

We provide guidance in this publication on how to avoid common errors made by non-profit organisations when completing the company tax return.

! This guide does not cover all of the items in the company tax return that may apply to non-profit organisations.

You should read this guide in conjunction with:

- *Mutuality and taxable income*
- *Company tax return instructions 2010.*

RELEVANT PERIOD

Day / Month / Year to Day / Month / Year
□□ / □□ / □□□□ to □□ / □□ / □□□□
Or specify period if part year or approved substitute period.

An entity's income year for the purposes of tax law is usually the period of 12 months ending on 30 June each year.

If you do not write any dates in this field, then your organisation will be treated as having a 1 July to 30 June income year.

Common errors: dates shown incorrectly

There are two main errors:

- writing a period other than ending 30 June, without having an approved substituted accounting period (SAP)
- having an approved SAP, but not writing any dates.

Consequence of these errors

We may return your tax return as incomplete and ask you to lodge it with the approved SAP balance date, that is, the date on which your income year ends. We will consider that you have not lodged a tax return until you lodge your corrected tax return.

We may approve a SAP retrospectively, but this can result in:

- pay as you go instalments incorrectly allocated to a wrong year
- incorrect lodgment due dates
- delays in the processing of refunds
- possible application of penalties in appropriate circumstances.

Tips

! An entity that wishes to adopt a SAP can only do so by obtaining leave of the Commissioner of Taxation.

An entity with an approved SAP should use the company tax return for the correct income year. For example, if an organisation has an approved SAP with a balance date between:

- 1 July 2009 and 30 November 2009 inclusive, it should use the 2009 company tax return
- 1 December 2009 and 30 June 2010 inclusive, it should use the 2010 company tax return.

How do you know whether your organisation has an approved SAP?

We would have sent you a letter confirming your approved SAP.

You can also check whether your organisation has an approved SAP by phoning us on **1300 130 248**.

Do your organisation's circumstances warrant the granting of a SAP?

A SAP may be approved if your organisation can demonstrate that its circumstances are out of the 'ordinary run'.

Circumstances which are out of the 'ordinary run' include:

- an ongoing event, industry practice, business driver or other ongoing circumstance which makes 30 June either inappropriate or impractical as a balance date
- alignment of balance dates within a group.

While it is not possible to set out all the circumstances in which a SAP may be granted, Law Administration Practice Statement *PS LA 2007/21 – Substituted accounting periods* contains examples of facts and circumstances that may be considered relevant in deciding if a SAP should be granted.

> For more information on SAPs, see *PS LA 2007/21 – Substituted accounting periods*.

Industry codes commonly used by taxable non-profit member-based organisations

Code and description	Organisations covered
<p>45301</p> <ul style="list-style-type: none"> ■ Clubs – licensed 	<p>Organisations mainly engaged in providing hospitality services to their members. These hospitality services include gambling, sporting or other social or entertainment facilities.</p> <p>Examples:</p> <ul style="list-style-type: none"> ■ community clubs – mainly hospitality ■ football clubs – mainly hospitality ■ hospitality clubs or associations ■ leagues clubs – mainly hospitality ■ RSL clubs – mainly hospitality ■ social clubs in association with hospitality ■ sporting clubs or association in association with hospitality ■ sports clubs – mainly hospitality ■ workers clubs – mainly hospitality
<p>45302</p> <ul style="list-style-type: none"> ■ Clubs – not licensed, hospitality, with staff 	<p>As above</p>
<p>95599</p> <ul style="list-style-type: none"> ■ Automobile association operation ■ Clubs not elsewhere classified – not licensed, for promotion of community or sectional interests ■ Consumers associations operation 	<p>Organisations mainly engaged in activities which promote the interests of their members (except religious, business and professional, and labour association services). Also included are organisations not elsewhere classified providing a range of community or sectional interests or in providing civic and social advocacy services.</p> <p>Examples:</p> <ul style="list-style-type: none"> ■ car clubs and motor vehicle associations ■ clubs for the promotion of community or sectional interests (except recreation, sport or hospitality clubs) ■ discount buying schemes – by clubs or associations ■ military services clubs (except hospitality) ■ social clubs ■ youth clubs and associations
<p>95510</p> <ul style="list-style-type: none"> ■ Business associations ■ Professional associations ■ Trade association operation – except trade union 	<p>Organisations mainly engaged in promoting the business interests of their members (except of organised labour associations and union members).</p> <p>Examples:</p> <ul style="list-style-type: none"> ■ chambers of commerce ■ law societies ■ retailers associations ■ societies of accountants

ITEM 3 STATUS OF COMPANY

3 Status of company – print in all applicable boxes.

Resident C1 <input type="checkbox"/>	Cooperative D1 <input type="checkbox"/>	Limited partnership D6 <input type="checkbox"/>	Public D10 <input type="checkbox"/>
Non-resident C2 <input type="checkbox"/>	Non-profit D3 <input type="checkbox"/>	Corporate unit trust D7 <input type="checkbox"/>	FHSA Trust D11 <input type="checkbox"/>
Non-resident permanent estab. C3 <input type="checkbox"/>	Strata title D4 <input type="checkbox"/>	Public trading trust D8 <input type="checkbox"/>	Consolidated head company Z1 <input type="checkbox"/>
	Pooled development fund D5 <input type="checkbox"/>	Private D9 <input type="checkbox"/>	Consolidated subsidiary member Z2 <input type="checkbox"/>
			Multiple business E1 <input type="checkbox"/>
			Ceased business E2 <input type="checkbox"/>
			Commenced business E3 <input type="checkbox"/>

Item **3** requires an entity to select the most appropriate description of its status.

You need to select one box from **C1** to **C3** and one box from **D1** to **D11**.

You may also need to select **Z1** or **Z2**, and one box from **E1** to **E3**.

Common error: D1 to D11 incorrectly selected

An incorrect box is selected from **D1** to **D11**.

Consequence of this error

Marking an incorrect box may result in:

- you not receiving a necessary service or material from us
- you paying an incorrect tax rate
- incorrect targeting of audits.

Tips

Organisations that are ‘Non-profit companies’ should select **D3 Non-profit**.

For administrative purposes, non-profit organisations that are ‘Other taxable companies’ should select **D10 Public**.

! CONSOLIDATION

If your organisation is a non-profit company and a head company of a consolidated group, you will need to select **Z1 Consolidated head company**.

If your organisation is a non-profit company, it cannot be a subsidiary member of a consolidated group or a multiple entry consolidated (MEC) group. You cannot select **Z2 Consolidated subsidiary member**.

For more information on:

- consolidated groups, see chapter 7 in our guide, *Mutuality and taxable income*
- MEC groups, see *Consolidation reference manual*.

➤ For more information on non-profit and other taxable companies, see chapter 2 in our guide *Mutuality and taxable income*.

ITEM 6 CALCULATION OF TOTAL PROFIT OR LOSS

6 Calculation of total profit or loss

Income

Gross payments subject to foreign resident withholding **B** \$, , , -

Gross payments where ABN not quoted **A** \$, , , -

Other sales of goods and services **C** \$, , , -

Gross distribution from partnerships **D** \$, , , - / CODE

Gross distribution from trusts **E** \$, , , - / CODE

Forestry managed investment scheme income **X** \$, , , -

Gross interest **F** \$, , , -

Gross rent and other leasing and hiring income **G** \$, , , -

Total dividends **H** \$, , , -

Fringe benefit employee contributions **I** \$, , , -

Assessable government industry payments **Q** \$, , , - / CODE

Unrealised gains on revaluation of assets to fair value **J** \$, , , -

Income from financial arrangements (TOFA) **K** \$, , , -

Other gross income **R** \$, , , - /

Total income S \$, , , - / **F**

Expenses

Foreign resident withholding expenses **B** \$, , , -

Cost of sales **A** \$, , , - /

Contractor, sub-contractor and commission expenses **C** \$, , , -

Superannuation expenses **D** \$, , , -

Bad debts **E** \$, , , -

Lease expenses within Australia **F** \$, , , -

Lease expenses overseas **I** \$, , , -

Rent expenses **H** \$, , , -

Interest expenses within Australia **V** \$, , , -

Interest expenses overseas **J** \$, , , -

Royalty expenses within Australia **W** \$, , , -

Royalty expenses overseas **U** \$, , , -

Depreciation expenses **X** \$, , , -

Motor vehicle expenses **Y** \$, , , -

Repairs and maintenance **Z** \$, , , -

Unrealised losses on revaluation of assets to fair value **G** \$, , , -

Expenses from financial arrangements (TOFA) **L** \$, , , -

All other expenses **S** \$, , , -

Total expenses Q \$, , , - /

Total profit or loss

Subtract **Total expenses Q** from **Total income S** **T** \$, , , - / **F**

Do you have a non-resident withholding payment or reporting obligation? See instructions.

The **Income** and **Expenses** amounts you write at item **6** are accounting system amounts and correspond to the amounts in the financial statements for the income year, except for the depreciation expenses of small business entities using the simplified depreciation rules.

Common errors: income and expenses incorrectly shown

Income and expenses from financial statements are often shown incorrectly at item **6**. There are two main errors:

- showing incorrect amounts
- using incorrect labels.

Consequence of these errors

Errors in item **6** could lead to:

- you paying an incorrect amount of tax
- incorrect targeting of audits.

Tips

Mutual receipts and expenses

You must include receipts and expenses that relate to mutual dealings with members at the relevant labels in the item.

It is important you include these items at item **6** in order to correctly reconcile the accounting total profit or loss to the taxable income or loss in item **7 Reconciliation to taxable income or loss**.

I Fringe benefit employee contributions

Write at **I Fringe benefit employee contributions** all payments that the entity has received from recipients of fringe benefits.


Employee contributions form part of the employer's or associate's assessable income if employees make payments for fringe benefits that they have received.

Some important points to note about employee contributions are:

- an employee contribution may be made only from an employee's after-tax income
- you cannot use an employee contribution towards a particular fringe benefit to reduce the taxable value of any other fringe benefit
- in certain circumstances, journal entries in your accounts can be an employee contribution
- an employee contribution paid directly to you (including those received by journal entry) are included in your assessable income (as a general rule, the costs you incur in providing fringe benefits are allowable deductions)
- an employee contribution paid to a third party who is not an associate (for example, for the servicing of a car) is not assessable to you
- when calculating the taxable value of a benefit, you use the full GST-inclusive amount of the contribution to reduce the taxable value of the benefit.

X Depreciation expenses

Where an entity uses the simplified depreciation rules, the actual tax deduction for depreciation is included at **X**, otherwise, only write the amount of depreciation for accounting purposes.

 For more information on completing this label, see *Guide to depreciating assets 2010* (NAT 1996).

Item 7 deals with adjustments for tax purposes to reconcile accounting total profit or loss to the taxable income or loss.

Common errors: amounts incorrectly shown

Various errors are made in item 7, including the incorrect use of labels to report revenue and expenses relating to mutual dealings with members.

Consequence of these errors

Errors in item 7 could lead to:

- you paying an incorrect amount of tax
- incorrect targeting of audits.

Tips

W Non-deductible expenses

W Non-deductible expenses includes amounts that are expenses for accounting purposes but are not deductible for income tax purposes, including timing variations.

! Expenses relating to mutual dealings with members are included at **W**.

W excludes any amount included at **U Non-deductible exempt income expenditure** item 7.

Depreciation / decline in value

Depreciation for accounting purposes is included at **W**. This is also the amount entered at **X Depreciation expenses** item 6.

Enter the tax-deductible amount of decline in value at **F Deduction for decline in value of depreciating assets** item 7.

➤ For more information on completing these labels, see *Guide to depreciating assets 2010*.

V Exempt income

Write at **V** all income that is exempt from Australian tax. Do not include at **V** amounts that are not assessable income and not exempt income.

⊖ Do not include mutual receipts at **V Exempt income**. Include these amounts at **Q Other income not included in assessable income**.

Q Other income not included in assessable income

Q includes amounts that are income for accounting purposes but not assessable for income tax.

! Mutual receipts are included at **Q**.

➤ For more information on mutual receipts, see chapter 4 in our guide *Mutuality and taxable income*.

ITEM 15 LICENSED CLUBS ONLY

15 Licensed clubs only Percentage of non-member income **A** %

Write the percentage (in whole figures) of total income attributable to non-members at **A Percentage of non-member income** item 15.

Common errors: percentage shown incorrectly or item left blank

There are two main errors:

- showing an incorrect percentage
- not writing any percentage.


Consequence of these errors


Errors in item 15 could lead to:

- you paying an incorrect amount of tax
- incorrect targeting of audits.

Tips

The percentage of non-member income is the total non-member income divided by the total income, multiplied by 100.

-  The percentage entered at this item differs to the percentage calculated by the Waratahs formula where:
- total income includes non-member income such as bank interest
 - more than one method of apportionment has been used.

-  For an explanation of the Waratahs formula, see chapter 6 in our guide *Mutuality and taxable income*.

WORKED EXAMPLE

This worked example is a continuation of case study 2 in our guide *Mutuality and taxable income*.

➤ For the facts related to the Celadon Club, including its financial statements and the calculation of its taxable income, see chapter 8 in our guide, *Mutuality and taxable income*.

Once the Celadon Club determined its taxable income for the year ended 30 June, the club completes the 2010 company tax return.

For guidance in completing its tax return, the club uses:

- the information in this guide to avoid common errors
- the *Company tax return instructions 2010*.

Below is an extract of the labels completed by the Celadon Club.

RELEVANT PERIOD

Day / Month / Year to Day / Month / Year
 / / to / /
 Or specify period if part year or approved substitute period.

The club leaves this item blank, as the dates will default to 1 July 2009 to 30 June 2010.

ITEM 2 DESCRIPTION OF MAIN BUSINESS ACTIVITY

2 Description of main business activity
 L i c e n s e d c l u b
 Industry code **B** 4 5 3 0 1 Percentage of foreign shareholding **A** %

The club's main activity is providing licensed facilities to its members and the general public. It enters 'Licensed club' in the 'Description of main business activity' item and '45301' at **B Industry code**.

ITEM 3 STATUS OF COMPANY

3 Status of company – print in all applicable boxes.

Resident C1 <input checked="" type="checkbox"/>	Cooperative D1 <input type="checkbox"/>	Limited partnership D6 <input type="checkbox"/>	Public D10 <input type="checkbox"/>
Non-resident C2 <input type="checkbox"/>	Non-profit D3 <input checked="" type="checkbox"/>	Corporate unit trust D7 <input type="checkbox"/>	FHSA Trust D11 <input type="checkbox"/>
Non-resident permanent estab. C3 <input type="checkbox"/>	Strata title D4 <input type="checkbox"/>	Public trading trust D8 <input type="checkbox"/>	Multiple business E1 <input type="checkbox"/>
	Pooled development fund D5 <input type="checkbox"/>	Private D9 <input type="checkbox"/>	Consolidated head company Z1 <input type="checkbox"/>
		Consolidated subsidiary member Z2 <input type="checkbox"/>	Ceased business E2 <input type="checkbox"/>
			Commenced business E3 <input type="checkbox"/>

The club is resident in Australia and is a non-profit company. It selects **C1** and **D3**.

The club does not select any boxes from **Z1** to **E3** as none of them apply.

ITEM 6 CALCULATION OF TOTAL PROFIT OR LOSS

6 Calculation of total profit or loss

Income

Gross payments subject to foreign resident withholding	B	\$	□□, □□□, □□□, □□□	·	✕
Gross payments where ABN not quoted	A	\$	□□, □□□, □□□, □□□	·	✕
Other sales of goods and services	C	\$	□□, □□2, 471, 938	·	✕
Gross distribution from partnerships	D	\$	□□, □□□, □□□, □□□	·	✕ / □
Gross distribution from trusts	E	\$	□□, □□□, □□□, □□□	·	✕ / □
Forestry managed investment scheme income	X	\$	□□, □□□, □□□, □□□	·	✕
Gross interest	F	\$	□□, □□□, □54, 322	·	✕
Gross rent and other leasing and hiring income	G	\$	□□, □□□, □16, 000	·	✕
Total dividends	H	\$	□□, □□□, □□□, □□□	·	✕
Fringe benefit employee contributions	I	\$	□□, □□□, □□□, □□□	·	✕
Assessable government industry payments	Q	\$	□□, □□□, □□□, □□□	·	✕ / □
Unrealised gains on revaluation of assets to fair value	J	\$	□□, □□□, □□□, □□□	·	✕
Income from financial arrangements (TOFA)	K	\$	□□, □□□, □□□, □□□	·	✕
Other gross income	R	\$	□□, □□□, □137, 840	·	✕ / □
Total income	S	\$	□□□, □□2, 680, 100	·	✕ / □ F

Expenses

Foreign resident withholding expenses	B	\$	□□, □□□, □□□, □□□	·	✕
Cost of sales	A	\$	□□, □□□, 464, 643	·	✕ / □
Contractor, sub-contractor and commission expenses	C	\$	□□, □□□, □□□, □□□	·	✕
Superannuation expenses	D	\$	□□, □□□, □66, 499	·	✕
Bad debts	E	\$	□□, □□□, □□□, □□□	·	✕
Lease expenses within Australia	F	\$	□□, □□□, □□□, □□□	·	✕
Lease expenses overseas	I	\$	□□, □□□, □□□, □□□	·	✕
Rent expenses	H	\$	□□, □□□, □□□, □□□	·	✕
Interest expenses within Australia	V	\$	□□, □□□, □□□, □□□	·	✕
Interest expenses overseas	J	\$	□□, □□□, □□□, □□□	·	✕
Royalty expenses within Australia	W	\$	□□, □□□, □□□, □□□	·	✕
Royalty expenses overseas	U	\$	□□, □□□, □□□, □□□	·	✕
Depreciation expenses	X	\$	□□, □□□, 397, 571	·	✕
Motor vehicle expenses	Y	\$	□□, □□□, □□□, □□□	·	✕
Repairs and maintenance	Z	\$	□□, □□□, 152, 765	·	✕
Unrealised losses on revaluation of assets to fair value	G	\$	□□, □□□, □□□, □□□	·	✕
Expenses from financial arrangements (TOFA)	L	\$	□□, □□□, □□□, □□□	·	✕
All other expenses	S	\$	□□, □□□, □1, 320, 429	·	✕
Total expenses	Q	\$	□□□, □□2, 401, 907	·	✕ / □

Total profit or loss

Subtract Total expenses Q from Total income S	T	\$	□□□, □□□, 278, 193	·	✕ / □ F
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Do you have a non-resident withholding payment or reporting obligation? See instructions.

Item 6 amounts are from the following calculations. The club uses the revenue and expense items from its financial statements (see chapter 8 in our guide *Mutuality and taxable income*).

T Total profit or loss equals the club's net profit in its financial statements.

Income

Label	Revenue item	\$
C	Bar sales	827,695
C	Bingo and raffle income	23,496
C	Club luncheons – ticket sales	22,500
C	Poker machine revenue	1,598,247
		2,471,938
F	Interest received	54,322
G	Function room hire	6,000
G	Lease income – restaurant	10,000
		16,000
R	Total of other revenue amounts	137,840
S	Total	2,680,100

Note: C Other sales of goods and services includes gross sales of trading stock and gross earnings from services. After filling in relevant specific labels, any remaining gross revenue (such as membership subscriptions) is included at **R Other gross income**.

Expenses

Label	Expense item	\$
A	Bar expenses – cost of goods sold	392,576
A	Bingo expenses	4,533
A	Club luncheons – catering	13,500
A	Club luncheons – entertainment	3,000
A	Raffle expenses	24,851
A	Central monitoring service charges	26,183
		464,643
D	Superannuation	66,499
X	Bar – decline in value	13,592
X	Decline in value (depreciating assets)	121,498
X	Gaming – decline in value	262,481
		397,571
Z	Bar – maintenance and supplies	29,764
Z	Gaming – repairs and maintenance	36,438
Z	Repairs and maintenance	86,563
		152,765
S	Total of other expense amounts	1,320,429
Q	Total	2,401,907

Note: X Depreciation expenses includes depreciation amounts for accounting purposes because the club is not using the simplified depreciation rules. After filling in relevant specific labels, any remaining expenditure (such as subscription expenses) is included at **S All other expenses**.

Item 7 amounts are from the following calculations.

The club uses worksheet 2 in the *Company tax return instructions 2010* for **W Non-deductible expenses** and **Q Other income not included in assessable income**.

T Taxable income or loss equals the club's taxable income on page 51 in our guide *Mutuality and taxable income*.

Label	Classification item	\$
W	Depreciation expenses – X item 6	397,571
W	Expenses incurred in deriving non-assessable non-exempt income:	
	■ members magazine	8,000
	■ membership cards	2,000
	■ subscription expenses	9,226
	■ other non-deductible expenses less non-deductible decline in value expenses (see note a)	1,352,186
		1,768,983
F	Deduction for decline in value of depreciating assets (see note b)	111,479
Q	Other income amounts in the accounts that are not assessable income:	
	■ member subscriptions	51,800
	■ other non-assessable revenue (see note c)	1,780,616
		1,832,416

Notes:

The following figures are taken from 'STEP 3 Separate the apportionable items' on pages 49–51 in our guide *Mutuality and taxable income*.

a Total non-deductible expenses less total non-deductible decline in value (depreciating assets)

$$= \$1,638,278 - (\$9,781 + \$87,430 + \$188,881)$$

$$= \$1,352,186$$

b Total deductible decline in value (depreciating assets)

$$= \$3,811 + \$34,068 + \$73,600$$

$$= \$111,479$$

c Total non-assessable revenue = \$1,780,616

ITEM 15 LICENSED CLUBS ONLY

15 Licensed clubs only Percentage of non-member income **A** %

As the club is a licensed club, it calculates the percentage of its non-member income as follows:

$$\begin{aligned}
 &= \frac{\text{total non-member income}}{\text{total income}} \times 100 \\
 &= \frac{\$847,684}{\$2,680,100} \times 100 \\
 &= 31.6288\%
 \end{aligned}$$

Note: Total non-member income = Assessable income from 'STEP 4 Calculate the taxable income' on page 51 in our guide *Mutuality and taxable income*.

The club rounds the percentage to whole figures and writes 32% at **A**.

The percentage of non-member income entered at this item differs from the club's non-member percentages calculated in chapter 8 of our guide, *Mutuality and taxable income*. This is because:

- the club used more than one method of apportionment – that is, a simple method and the Waratahs formula
- the club's total income includes non-member income such as bank interest.

MORE INFORMATION

PUBLICATIONS

To obtain copies of our publications:

- visit our website at www.ato.gov.au/nonprofit
- phone **1300 720 092**
- write to us at
Australian Taxation Office
PO Box 9990
PENRITH NSW 2740

GENERAL OVERVIEW INFORMATION

Tax basics for non-profit organisations (NAT 7966) provides an overview of tax obligations and concessions for non-profit organisations. It helps you identify which taxes affect your organisation including income tax, fringe benefits tax (FBT), goods and services tax (GST) and pay as you go (PAYG).

MORE DETAILED INFORMATION

Mutuality and taxable income (NAT 73436) helps taxable non-profit organisations:

- work out if they need to lodge a tax return
- calculate their taxable income, including how to treat mutual dealings with their members.

Income tax guide for non-profit organisations (NAT 7967) is for all non-profit organisations. It explains:

- how to work out if your organisation is exempt from income tax
- the endorsement process for charities and income tax exempt funds.

GiftPack (NAT 3132) is for organisations that want to receive tax-deductible gifts and donors that want to claim deductions for their gifts.

Volunteers and tax (NAT 4612) explains the tax treatment of transactions that commonly occur between non-profit organisations and their volunteers.

Fundraising (NAT 13095) explains the tax treatment of various fundraising activities and the concessions available.

Other guides are available with detailed information on GST, PAYG withholding, FBT, superannuation, capital gains tax, activity statements and record keeping.

We also have a range of fact sheets on specific topics written especially for non-profit organisations.

TECHNICAL INFORMATION

If you are looking for technical information such as rulings, practice statements and the tax law, you can find them in the legal database on our website.

SERVICES

Internet

Our website includes an area specifically for non-profit organisations. The *Non-profit organisations* home page at www.ato.gov.au/nonprofit links you to information about:

- taxes relevant to non-profit organisations, including income tax, FBT and GST
- exemptions or concessions that may apply
- other issues, such as fundraising, record keeping, volunteers and deductible gifts.

Email update service

Use the **Subscribe** link on our home page to subscribe to the *Non-profit organisations* webspace and receive free email updates when information is updated or added, including articles from the **Non-profit news service**. This will keep you up-to-date on:

- key tax issues affecting the non-profit sector
- new publications we release for non-profit organisations
- relevant changes to tax law.

Education programs

Subject to availability, we have experienced staff who can deliver a variety of informative and practical tax presentations and workshops to 15 or more people. You can request one of our speakers for your meeting, seminar or function by visiting www.ato.gov.au/seminars and selecting Seminars you can request – Not-for-profit. Alternatively, you can phone **1300 130 282** to discuss your requirements, or send an email to speakersandseminars@ato.gov.au

Phone

Phone our information line on **1300 130 248** for help with matters specific to non-profit organisations including the endorsement process for charities and deductible gift recipients, income tax, GST and FBT concessions.

If you do not speak English well and want to talk to us, phone the Translating and Interpreting Service (TIS) on **13 14 50** for help with your call.

If you have a hearing or speech impairment and have access to appropriate TTY or modem equipment, phone **13 36 77**.

If you do not have access to TTY or modem equipment, phone the Speech to Speech Relay Service on **1300 555 727**.

Mail

Write to us at:
Australian Taxation Office
PO Box 3000
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