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Not-for-profit guide to the Company tax return 2024

This guide helps not-for-profit organisations complete the Company tax return 2024 for 1 July 2023 to 30 June 2024.

Published 12 December 2024

Who should use this guide

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Purpose

This guide is designed to assist financial officers, tax professionals and individuals otherwise involved in the administration of a taxable not-for-profit organisation to complete the **Company tax return 2024**.

For examples of the types of organisations covered by this guide, see **Taxable NFP organisations**.

Not-for-profit

The terms 'not-for-profit' and 'non-profit' are referred to interchangeably as 'NFP' in this guide.

The basic premise of an NFP 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 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. It is not distributed to any members.

We accept an organisation as NFP where its constituent or governing documents prevent it from distributing profits or assets for the benefit of particular people. These documents should contain **acceptable clauses showing the organisation's NFP character**. The organisation’s actions must be consistent with this requirement.

For further information, see **Not-for-profit companies**.

Taxable

NFP organisations can be either exempt or taxable. Many NFP organisations are taxable and may need to lodge income tax returns and pay income tax.

Put simply, if your NFP organisation is not exempt from income tax, it is taxable. Only certain types of NFP organisations are exempt from income tax.

To find out if your NFP organisation is taxable or exempt, see **Does your not-for-profit need to pay income tax?**

Transitional support

After completing a self-review of your NFP's eligibility to access an income tax exemption, you may find out your NFP is taxable. Transitional support arrangements are available to help your NFP meet its lodgment obligations.

To find out more about the transitional support that is available, see **Additional support**.

Organisations not covered in this guide

This guide does not cover:

- credit unions
- friendly societies
- life assurance companies
- life insurance companies
- mutual insurance companies
- partnerships

- strata-title bodies corporate
- trusts.

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Do you need to lodge a company tax return?

Check whether your not-for-profit organisation needs to lodge the Company tax return 2024.

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Do you need to lodge

To work out whether your not-for-profit (NFP) organisation needs to lodge the **Company tax return 2024**, you need to:

- determine whether your organisation is a NFP company or other taxable company
- know your organisation's taxable threshold for lodgment
- calculate your organisation's taxable income.

NFP company or other taxable company

For income tax purposes, taxable NFP organisations are treated as either:

- NFP companies
- other taxable companies.

An NFP organisation does not need to be incorporated to be treated as a company for income tax purposes. Both **unincorporated and incorporated associations** are treated as a company for income tax purposes.

NFP companies

NFP companies are organisations that operate for their 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.

Other taxable companies

Other taxable companies include clubs, societies and associations that are not carried on for the purposes of profit or gain to their individual members **but** whose constituent documents **do not** prohibit distributions to their members.

You can see further information on the difference between NFP companies and other taxable companies at **Taxable NFP organisations**.

NFP companies and other taxable companies should complete the **Company tax return 2024**.

Taxable threshold for lodgment

NFP companies

NFP companies that are Australian residents have special arrangements for lodging tax returns and special rates of income tax.

An NFP company with taxable income for the 2023–24 income year of:

- $416 or less, can **submit a non-lodgment advice** (also known as a return not necessary) with us to avoid receiving lodgment reminders. You do not need to lodge the **Company tax return 2024**, unless we specifically request you to.

- more than $416, must lodge the Company tax return 2024 for the 2023–24 income year.

See more information at Taxable NFP organisations.

Other taxable companies

If your organisation is an 'other taxable company' and its taxable income is greater than $0 for the 2023–24 income year, it will need to lodge the Company tax return 2024.

Calculate your organisation's taxable income

Taxable income is rounded down to the nearest dollar. It 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 income tax purposes.

Mutuality principle

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 income.

See further information in Mutuality and taxable income for not-for-profits.

Four steps to calculate taxable income

Because of the mutuality principle, revenue and expenses of an organisation fall within one of the following 3 categories for income tax purposes.

Revenue and expenses categories

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

These categories are used in the following 4 steps to calculate an organisation's taxable income:

- **Step 1: Classifying revenue** into non-assessable, assessable and apportionable
- **Step 2: Classifying expenses** into non-deductible, deductible and apportionable
- **Step 3: Separating apportionable items** using appropriate apportionment methods
- **Step 4: Calculating taxable income.**

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Completing your company tax return

Help for not-for-profit organisations to complete the Company tax return 2024 and prevent common errors.

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Completing the return correctly

Generally, not-for-profit (NFP) organisations that are required to lodge a company tax return for the 2023–24 income year should use the **Company tax return 2024**. Apply the practical tips on this page to prevent errors. Note that this guidance does not cover all the items that may apply to your organisation.

For further guidance on how to complete the items not considered in this guide, see **Instructions to complete the company tax return 2024**.

Relevant 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, your organisation will be treated as having a 1 July to 30 June income year.

Common errors – dates shown incorrectly

We find 2 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 date. 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 being allocated to a wrong year
- incorrect due dates for lodgment
- delays in the processing of refunds
- the application of penalties.

Solutions

An entity that wishes to adopt a SAP can only do so with the Commissioner of Taxation's approval.

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 2023 and 30 November 2023 inclusive, it should use the Company tax return 2023
- 1 December 2023 and 30 June 2024 inclusive, it should use the Company tax return 2024.

How you know if your organisation has an approved SAP

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

You can also check by phoning us on **1300 130 248**.

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 (SAPs)* contains examples of facts and circumstances that may be considered relevant in deciding if a SAP should be granted.

Item 2 Description of main business activity

Item **2** requires an entity to describe as accurately as possible the business activity from which it derives the most gross income.

Write at **B** the appropriate industry code for the entity's main business.

Common error: inappropriate industry code

An inappropriate industry code is entered at **B**.

Consequence of this error

An incorrect code may result in your organisation:

- not receiving a necessary service or material from us
- being inappropriately selected for audit.

Solutions

Write the code that most accurately describes your business activity.

Industry codes commonly used by taxable NFP member-based organisations are listed in the following table.

Industry codes

Industry codes commonly used by taxable NFP member-based organisations

Code and description	Organisations covered
45301 Clubs – licensed	Organisations mainly engaged in providing hospitality services to their members. These hospitality services include gambling, sporting or other social or entertainment facilities. Examples include:

	• 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.
45302 Clubs – not licensed, hospitality, with staff	As above.
95599 • Automobile association operation • Clubs not elsewhere classified – not licensed, for promotion of community or sectional interests Consumers associations operation	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. Examples include: • 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.
95510 • Business associations • Professional associations • Trade association operation – except trade union	Organisations mainly engaged in promoting the business interests of their members (except of organised labour associations and union members). Examples include: • chambers of commerce • law societies • retailers' associations • societies of accountants.

For a full listing of industry codes, see **Business industry code tool**.

Item 3 Status of company

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 **D10**.

You may also need to select **F1** or **G1**, **F2**, **Z1** or **Z2**, and one box from **E1** to **E3**.

Common error: D1 to D10 incorrectly selected

An incorrect box is selected from **D1** to **D10**.

Consequence of this error

Marking an incorrect box may result in your organisation:

- not receiving a necessary service or material from us
- paying an incorrect tax rate
- being inappropriately selected for audit.

Solutions

Organisations that are 'NFP companies' should select **D3 Non-profit**.

For administrative purposes, NFP organisations that are 'other taxable companies' should select **D10 Public**.

Consolidation

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

If your organisation is a NFP 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**.

Item 6 Calculation of total profit or loss

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**. We see the following 2 main errors:

- showing incorrect amounts
- using incorrect labels.

Consequence of these errors

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

- paying an incorrect amount of tax

- being inappropriately selected for audit.

Solutions

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

Item 7 Reconciliation to taxable income or loss

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
- expenses relating to mutual dealings with members.

Consequence of these errors

Errors in item **7** could lead to your organisation:

- paying an incorrect amount of tax
- being inappropriately selected for audit.

Solutions

- **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 or 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**.
- **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** item **7**.
- **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**.

Item 15 Licensed clubs only

Only **licensed clubs** need to complete this label.

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

We see 2 main errors:

- showing an incorrect percentage
- not writing any percentage.

Consequence of these errors

Errors in item **15** could lead to your organisation:

- paying an incorrect amount of tax
- being inappropriately selected for audit.

Solutions

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.

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Example – NFP case study

Use this case study when completing the Company tax return 2024 for your not-for-profit organisation.

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Guidance for NFP organisations

This example uses information provided in **Case study 2: Celadon Club** in **Mutuality and taxable income for not-for-profits**. Refer to **Case study 2** for background information to help you understand this example, such as the club's financial statements and the calculation of its taxable income.

The Celadon Club has determined its taxable income for the year ended 30 June and is ready to complete the Company tax return 2024.

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

- this guide
- the Instructions to complete the company tax return 2024.

The following are extracts of the labels on the club's completed return.

Relevant period

The club leaves this item blank, as the dates will default as 1 July 2023 to 30 June 2024.

Item 2 Description of main business activity

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

The club is resident in Australia and is a NFP company. It selects **C1** and **D3**.

The club is a small business entity and a base rate entity. It also selects **F1** and **F2**.

The club does not select any other boxes as none of them apply.

Item 6 Calculation of total profit or loss

Item **6** amounts are from the following calculations. The club uses the revenue and expense items from its financial statements (refer to Case study 2).

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
C	Total at C	2,471,938
F	Interest received	54,322
G	Function room hire	6,000
G	Lease income – restaurant	10,000
G	Total at G	16,000
R	Total of other revenue amounts	137,840
S	Total Income	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
A	Total at A	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
X	Total at X	397,571
Z	Bar – maintenance and supplies	29,764
Z	Gaming – repairs and maintenance	36,438
Z	Repairs and maintenance	86,563
Z	Total at Z	152,765

S	Total of other expense amounts	1,320,429
Q	Total expenses	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 Reconciliation to taxable income or loss

Item **7** amounts are from the following calculations. The club uses Worksheet 2 in the Instructions to complete the company tax return 2024 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 in Case study 2.

Label	Classification item	$
W	Depreciation expenses – X item 6	397,571
W	Expenses incurred in deriving non-assessable non-exempt income: • member's magazine $8,000 • membership cards $2,000 • subscription expenses $9,226	19,226
W	Other non-deductible expenses less non-deductible decline in value expenses (see Note a)	1,352,186
W	Total at W	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
Q	Other non-assessable revenue (see Note c)	1,780,616
Q	Total at Q	1,832,416

Note: The following figures are taken from 'Step 3: Separate the apportionable items' in **Case study 2**:

- **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

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

- = (total non-member income ÷ total income) × 100
- = ($847,684 ÷ $2,680,100) × 100 = 31.6288%.

Note: Total non-member income = Assessable income from 'Step 4: Calculate the taxable income' in **Case study 2**.

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 **Case study 2**. This is because:

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

For further information, see **Mutuality and taxable income for not-for-profits.**

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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.

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