



## Straight from the source – December 2024

This month, Assistant Commissioner Jennifer Moltisanti provides a wrap up of 2024 in the NFP sector.

**Last updated** 10 December 2024

The ATO is a large organisation and many of us have been volunteers or directors of multiple NFPs.

I've shared with you previously how I've started up charities from a lounge room, consulted on strategy, fundraised extensively, sat on various boards and been a volunteer for multiple NFPs. Many of my staff have also had similar roles.

We understand the sector because we've worked in it and for it.

We also administer the law, however, and our role is to help NFPs get it right. This is important as it goes to improved transparency and integrity which are essential for a vibrant and sustainable sector.

As the year draws to a close, I'd like to acknowledge the extraordinary efforts of my team and the NFP sector in improving sector transparency and integrity especially with respect to the DGR administrative measures announced by government and the new reporting requirements for non-charitable NFP that self-assess as income tax exempt. The new reporting requirements have made thousands of NFPs consider their eligibility to self-assess as income tax exempt.

Let me take you on a journey of the year that's been, and provide a refresher on what you can do to get it right!

### Tax concessions

There are generally 2 pathways through which NFPs can be eligible to access income tax exemption:

- your NFP has only charitable purposes, is a registered charity with the Australian Charities and Not-for-Profits Commission (ACNC) and endorsed by the ATO as income tax exempt, and
- your NFP falls under one of the eight categories of income tax exempt entities in tax law.

The law hasn't changed and NFPs with only charitable purposes have been required to register with the ACNC since it began operations in 2012. Conversely, NFPs that self-assess as income tax exempt have always been required to review their eligibility. What's changed for them is they now need to lodge a NFP self-review return to notify of their eligibility.

Recently there have been some views expressed about the new NFP self-review return that are not factually correct, so I feel it important to set the record straight. When the NFP self-review measure was announced by the then coalition Government at Federal Budget 2021–22, it was announced as applying to all non-charitable NFPs with an ABN. **It was never announced as applying to larger NFPs only.**

Further, it has been suggested that a recommendation to a review made in 2018 that was not supported by the then government has been ignored by the ATO in our administration of the sector. We administer the law in an impartial and apolitical manner and work with the government of the day to achieve policy outcomes. In its response to the Australian Charities and Not-for-Profits Commission Legislation Review 2018, the Government considered that eligibility for income tax exemptions and other tax concessions for non-charitable not-for-profits is best regulated by the ATO.

Since the measure was announced we have undertaken extensive consultation with respect to the design, development and testing of the return, public advice and guidance, and transitional arrangements. This has included NFPs who are eligible to self-assess as income tax exempt, as well as those who were never eligible. Sector representatives have acknowledged we listened and worked with them to simplify the return, and develop support for NFPs in their first year of lodgment. We are committed to maintaining this feedback loop, and to continue to consult with NFPs on how we provide new or updated products that help them to meet their lodgment obligations.

To learn more about eligible income tax exempt organisations, visit [ato.gov.au/NFPincometaxexempt](http://ato.gov.au/NFPincometaxexempt).

## Advice from our NFP phone service



Calls to our phone service **1300 130 248** have doubled since last year. The increase is mainly due to enquiries about the new NFP self-review return.


While many NFPs are calling us about updating their contact details, connecting to online services and issues relating to their governing documents, my staff are also responding to enquires due to some common myths or misconceptions circulating in the sector.

## If you know you are a charitable NFP

Registered charities are not captured by the new reporting requirements as they are required to lodge an Annual Information Statement (AIS) with the ACNC to be endorsed by the ATO for tax concessions.

To be eligible for ACNC registration as a charity an organisation must:

1. be not-for-profit
2. have only charitable purposes that are for the public benefit
3. comply with the [ACNC Governance Standards](#) , and the [ACNC External Conduct Standards](#)  (if operating overseas)
4. not have any disqualifying purposes, and
5. not be an individual, political party or government entity.


You can find out more about registering as a charity on the ACNC website at [Before you start a charity](#) .

Remember that charities who are not registered with the ACNC cannot self-assess as income tax exempt, they are taxable.


## If you know you are a taxable NFP

I'd like to shout out to all the automotive and social clubs I've met with over the last few months. I've been inspired by the hundreds of volunteers I've engaged with, and even though many have realised

they are taxable, they've worked with us to meet their obligations at law.

Responding to feedback, we've delivered improved guidance, a downloadable [change of registrations details form](#) just for NFPs, and we recently published a new [non-lodgment advice form](#)  to streamline compliance.

If you've recently considered the tax status of your NFP and now know you are not eligible for income tax exemption, you **don't** need to complete the NFP self-review return. The best way to meet your lodgment obligations is to take the following two steps:

1. Check the associates and addresses of your NFP are current. If not, and they need to be updated, download and submit the *Change of registration details* form at [ato.gov.au/NFPnotifyofchanges](http://ato.gov.au/NFPnotifyofchanges).
2. Work out the taxable income of your NFP and:
  - If it is below \$416, submit the new [downloadable non-lodgment advice](#) .
  - If it is above \$416 lodge an income tax return.

If your taxable NFP is structured as a partnership or trust, you're required to lodge an income tax return every year regardless of your net income.

If your NFP lodges either the income tax return or non-lodgment advice before 31 March 2025, this will update our records to show that you don't need to lodge an NFP self-review return. For more information on how to meet your obligations as a taxable NFP visit [ato.gov.au/taxableNFPs](http://ato.gov.au/taxableNFPs).

## Lodgment of the NFP self-review return

Thank you to the more than 15,000 NFPs that have already lodged the NFP self-review return. The first self-review return is not due until 31 March 2025 – the race has not finished yet.


Some early observations are that lodgments are submitted on the first attempt and the overwhelming majority of returns received to date are from small NFPs with turnover below or up to \$150,000.

The lodgment of the annual NFP self-review is not optional. Non-charitable NFPs with an active ABN are required to lodge an annual

self-review return to confirm their eligibility to self-assess as income tax exempt.

The first lodgment is required to be made for the 2023–24 income year, which spans the period 1 July 2023 to 30 June 2024. The return became available for lodgment from 1 July 2024.

While the self-review return will be due by 31 October each year, we've provided additional time for this first year of lodgement. As a result, NFPs have until **31 March 2025** to lodge their first 2023–24 NFP self-review return. NFPs don't need to contact the ATO to request this extra time.

NFPs can lodge the return using [Online services for business](#)  or alternatively, a registered tax agent can lodge the return using Online services for agents.

To assist NFPs in this transitional year, the return can also be lodged via a phone self-help service:

- NFPs can call **13 72 26** and lodge the return by keying in their responses.
- NFPs will need to first key in their NFP's ABN and the unique ATO identification number which can be located on any ATO correspondence sent to that NFP.
- We recommend that NFPs review their responses to the questions in the return and have those available when they call the phone service.
- You can review all the information you need to lodge successfully at [ato.gov.au/NFPtaxexempt](https://ato.gov.au/NFPtaxexempt).

NFPs can also call us on **1300 130 248** if they have questions.

## NFP good governance checklist

I know many NFPs are holding their Annual General Meetings, so it's the perfect time to do undertake a health check.

To assist NFPs with that review, we recently published the **good governance checklist**. The checklist helps NFPs stay on track with their tax, super and registry obligations.

It's good practice to run through this checklist at your regular board or committee meetings as a standing agenda item. Staying current with

your tax and super affairs is part of your NFP's good governance framework and delivers transparency, accountability and engagement for your members. A standing agenda item helps you check your status regularly and identify any action that you need to take.

You can access the checklist at [ato.gov.au/NFPGoodGovernance](https://ato.gov.au/NFPGoodGovernance).

## DGR administration

Earlier in the year I flagged a backlog of deductible gift recipient (DGR) applications driven by the transfer of applications from the 4 DGR registers that were previously administered by other government agencies. Our backlog has now stabilised, and I'm happy to report that all applications that were transferred to the ATO have now been addressed.

We also completed reviews of all the DGRs specifically listed under Division 30 of the *Income Tax Assessment Act 1997*. DGRs were profiled to identify potential issues before engaging, and we used information reported to the ACNC via the annual information statement to initially profile organisations registered with the ACNC.

We found that the majority of specifically listed DGRs continue to operate for the purpose for which they were originally provided their DGR status.

We used the review process as an opportunity to reinforce the importance of good governance and record keeping.

If you need assistance with your DGR application or need an urgent endorsement, reach out to us on **1300 130 248** or at [atoendorsements@ato.gov.au](mailto:atoendorsements@ato.gov.au).

## Public advice and guidance

We've continued to improve our public advice and guidance throughout the year and have finalised various products including:

- Reporting requirements to self-assess income tax exemption
- An addendum to the school building fund TR 2013/2 published on 4 October 2024.
- Minor updates to TR 92/2 to reflect changes to approving authorities.

- Corresponding web guidance updates at **QC 22796 Approved research institute applicants**.
- Withdrawing TR 95/2 *Income Tax: Overseas Aid Gift Deduction Scheme* and replacing it with website guidance at **Developing country relief fund or organisation**.
- Updating and publishing the NFP self-review return factsheet.

## NFP Stewardship Group

In November we welcomed 8 new members onto our NFP Stewardship group which is one of the ATO's key consultative forums. Co-chairs [Will Day](#) and [Timothy Stokes](#) opened the meeting by reflecting on the role that members have as stewards of the system. We were also fortunate to have our Commissioner Rob Heferen in attendance for part of the meeting. Rob reflected on the important role the sector has in supporting the community and building social cohesion.

The agenda traversed multiple topics including administration, what attracts the ATO's attention, technical issues, compliance, and of course the new NFP self-review return.

## NFP tip-offs

The ATO received over 47,000 tip-offs from the community in the 2023–24 financial year. As at 31 October 2024, my team has received about 240 tip-offs relating to the NFP sector. These are all triaged before taking the appropriate actions. The most common behaviours reported were:

- entities failing to meet their obligations
- not operating for purpose/not eligible for concessions
- misuse of NFP vehicles
- failing to meet employer obligations.

We welcome tip-offs. They help level the playing field for honest entities. It only takes a few minutes to make a tip-off and you can remain anonymous. You can make a tip off by:

- completing the **tip-off form** (the form is also available in the **Help & support** section in the ATO app)

- phoning us on **1800 060 062**.

## Helping NFPs get it right

'Helping NFPs to get it right' has been my team's mantra for the last few years and many of you have received our assistance and support.

To deliver on this outcome, we provide expert advice and guidance through multiple channels including a dedicated NFP **1300 130 248** phone service and web pages. We also publish tax rulings and practical compliance guidelines outlining our view of the law and our approach to compliance.

We also publish what attracts our attention and how NFPs can mitigate risks. We work closely with the sector, other regulators and our key consultative forums and networks.

## Final reflections

I'm proud of the work my team delivers, and I often think that it is our reliance on people's passion and willingness to deliver the extraordinary which connects us as communities.

So, at this time of the year, where we take the opportunity to reflect on the year that's been and the opportunities ahead of us in 2025, take a moment to think about the extraordinary people that have assisted you and help you to get it right.

I'd like to wish everyone a heartfelt cheer for the festive season.

Take care and stay safe,  
Jennifer

QC 103541

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