



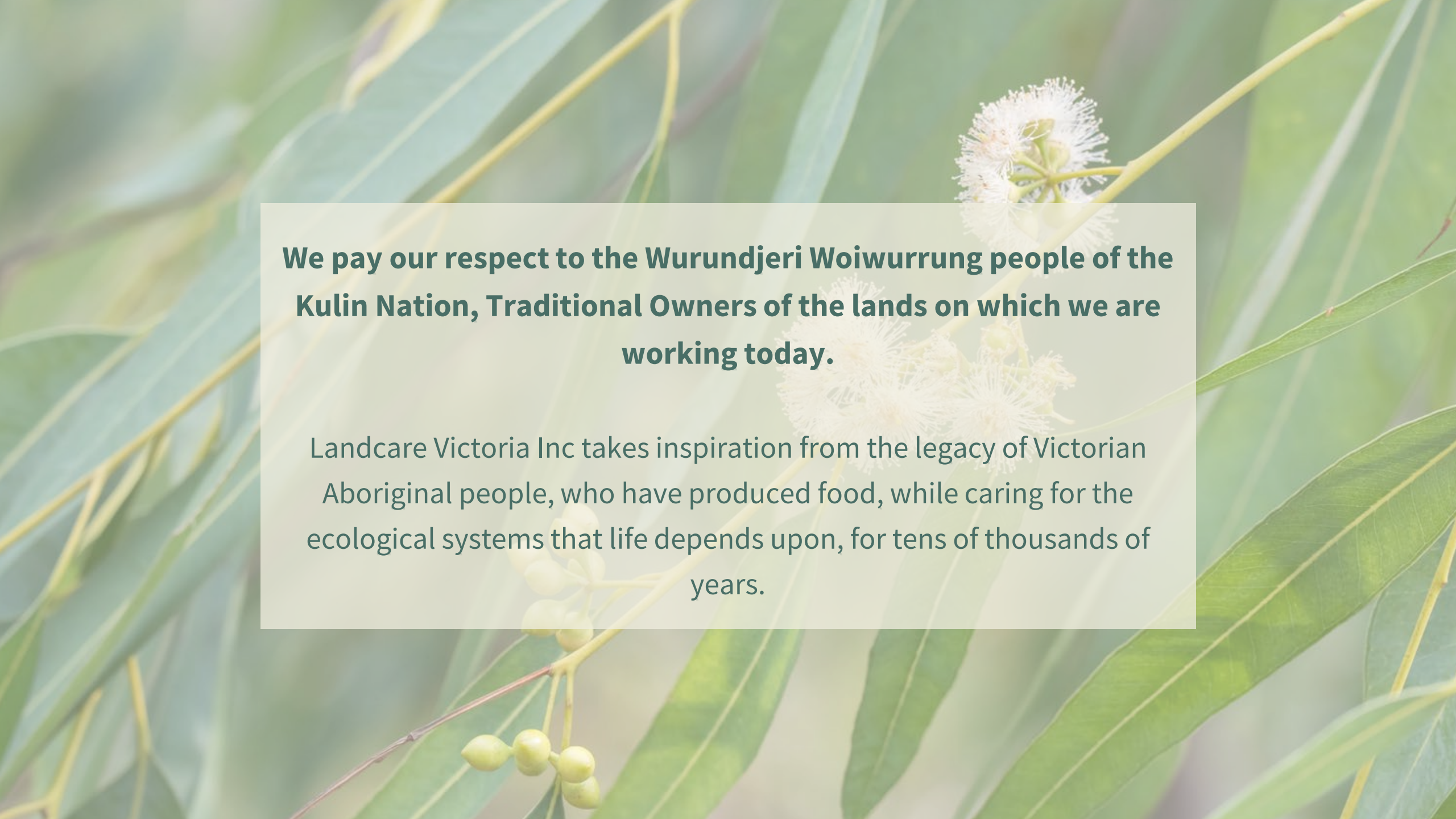
Energy,
Environment
and Climate Action

Income tax reporting changes

*Impact and options for Victorian
environmental organisations*

15 October 2024





We pay our respect to the Wurundjeri Woiwurrung people of the Kulin Nation, Traditional Owners of the lands on which we are working today.

Landcare Victoria Inc takes inspiration from the legacy of Victorian Aboriginal people, who have produced food, while caring for the ecological systems that life depends upon, for tens of thousands of years.

Overview

- Income tax reporting – Background, recent changes and impact on environmental organisations
- Taxable not-for-profits (NFPs)
- Income tax exemptions – Non-charitable NFPs vs Charitable NFPs
- ACNC Charity registration
- Reporting requirements and deadlines
- Where to access further help and advice

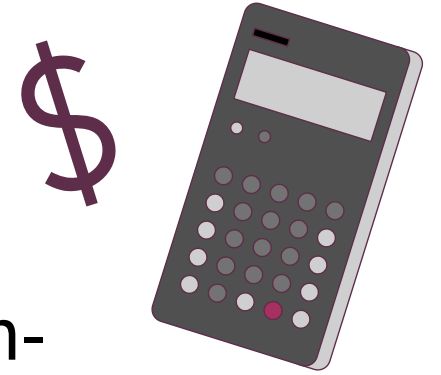
Background and changes

- The *Income Tax Assessment Act 1997* defines which NFPs are eligible for tax concessions and how they can access them
- Many environmental orgs have operated under the assumption they were automatically income tax-exempt
- Income tax legislation applies to orgs with an **active ABN**
- Some categories of NFP can self-assess as income tax exempt, but **not** 'charitable' orgs
- Commonwealth Government reforms to the administration of NFPs that self-assess as income tax-exempt, requiring annual reporting

Who needs to report to the ATO?

- **Non-charitable not-for-profits** from eight categories eligible to self-assess as income tax exempt:
 - Community service
 - Cultural
 - Educational
 - Health
 - Employment
 - Resource development
 - Scientific
 - Sporting
- These organisations must complete the ATO's self-review return each year to access their exemption
- Charitable NFPs cannot be endorsed as exempt this way

Taxable not-for-profits



- Report annually to the ATO (company tax return or non-lodgment advice)
- Tax-free threshold is only \$416, tax rates between 25% and 55%
- Specific rates and the extent to which they apply will depend on whether or not your organisation is a ‘base rate entity’ and your total taxable income that year
- More: <https://www.ato.gov.au/businesses-and-organisations/not-for-profit-organisations/your-organisation/does-your-not-for-profit-need-to-pay-income-tax/taxable-organisations>

Charitable organisations

- Most environmental/landcare orgs are considered **charitable** by the legal definition:
 - Not-for-profit org (not an individual, political party or gov entity)
 - Has ‘charitable’ purposes which are ‘for the public benefit’ (e.g. *‘Advancing the natural environment’*)
 - No disqualifiers
- Defined by the *Charities Act (2013)*
- Charitable organisations with an active ABN must **register as a charity** with Australian Charities and Not-for-profits Commission (ACNC) to be endorsed as income tax-exempt

What do environmental organisations need to do?

- Organisations **with an active ABN (since 2023/24 FY)** that are not already registered charities need to:
 - Review your organisation ASAP to determine if it is charitable
 - Options for charitable organisations:
 - Prepare for charity registration (ACNC) to be endorsed as exempt, or
 - Be considered 'taxable' by the ATO
- Charity registration can be complicated, but worthwhile
- Open to both incorporated and unincorporated organisations, but you must adopt a governing document

Benefits of charity registration

- Access to charity tax concessions (including income tax exemption and GST concessions)
- No need to report to the ATO
- Display the ‘charity tick’, adding peace of mind for potential donors and partners
- Exemptions from certain laws regarding sending unsolicited emails, making unsolicited calls, etc.

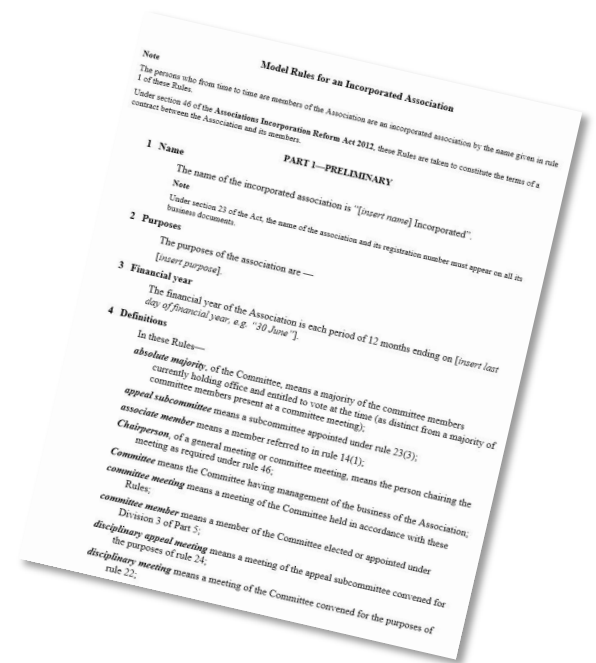


Preparing for charity registration

- To register as a charity, an organisation must complete an application form on the ACNC's website
- Checklist & guide: <https://www.acnc.gov.au/tools/guides/registration-application-checklist-and-guide>
- ABN registration details must be accurate, including organisation name, entity type and authorised persons
- Governing document with accurate and charitable purposes, NFP and dissolution clauses, and details must match ABN

Governing documents

- Templates:
 - Unincorporated: [ACNC rules for unincorporated associations](#)
 - Incorporated: [Model Rules for an Incorporated Association \(CAV\)](#)
- Both options are suitable for charity registration
- You may also write your own rules as long as they are compliant



Deadlines

- **ATO 2023/24 reporting deadlines extended**
 - Self-review return now due 31 March 2025 (**non-charitable NFPs**)
 - Income tax return/non-lodgement advice due 15 May 2025 (**taxable NFPs**)
 - This gives **charitable NFPs** more time too!
- Charity registration may take 2-6 weeks to process
- Recommend submitting your application for charity registration to the ACNC by mid-February
- The ACNC will notify the ATO on your behalf of any tax concessions you selected when you registered

Further information

- **One-on-One Support** available from Landcare Victoria



- Visit <https://landcarevictoria.org.au/taxsupport>

- **ACNC advice phone line** (charity registration queries):



- 13 22 62

- **ATO not-for-profit Infoline** (tax queries):



- 1300 130 248

Questions & Answers





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