
NEW ANNUAL REPORTING OBLIGATION FOR NFPs



From 1 July 2024, non-charitable NFPs (not-for-profits) with an active ABN are required to lodge an annual NFP self-review return to the ATO to confirm their eligibility for income tax exemption. Applicable to around 150,000 NFPs who currently self-assess as income tax exempt, the new reporting obligations were introduced in the 2021-22 Federal Budget and serve to provide a higher level of transparency and integrity for the sector by ensuring only eligible NFPs are accessing concessions and that NFPs are operating for purpose and as intended.

There are 3 steps to completing the NFP self-review return:

- Provision of organization details - the ATO will use this information to support NFPs of different sizes.
- Income tax self-assessment - in order to self-assess as income tax exempt, a non-charitable NFP must meet 1 of the 8 categories outlined in Div 50 of the Income Tax Assessment Act 1997. The questions in the self-assessment will guide an NFP through a consideration of the organization's purpose and activities against the specific eligibility requirements under 1 of the 8 income tax exempt categories.

Summary and declaration - the summary shows the NFP's answers at steps 1 and 2, and based on those answers, the NFP's taxable status will be shown as either "income tax exempt" or "taxable".

If the NFP meets the requirements for "income tax exempt", then the NFP self-review return can be lodged, and the NFP has met its obligations for the 2023-24 income year.

If the NFP doesn't meet the requirements in the self-assessment and is given a "taxable" status, the organisation lodges the NFP self-review return with the declaration that the lodgment is informational only and indicates that the NFP may need to lodge a tax return. Taxable non-charitable NFPs will need to lodge a tax return where their income exceeds \$416 for the 2023-24 year.

If, as part of the self-review, the NFP indicates it has charitable purposes or is unsure if it has charitable purposes, a message will be generated that "The ATO may contact the organisation to provide guidance to help determine its charitable status". The entity will then need to consider their options regarding their charitable status (eg ACNC registration as an income tax exempt charity, or an unregistered charity treated as a taxable NFP).

The 2023-24 NFP self-review return can be lodged via the ATO's Online Services for business, or a registered tax agent can lodge the return on the NFP's behalf using Online Services for agents. As a transitional measure for the 2023-24 income year only, the return may be lodged using a self-help phone service if Online Services can't be accessed.

The 2023-24 NFP return must be lodged between 1 July and 31 October 2024. After the initial 2023-24 income year, NFPs must annually confirm or update their information on a pre-populated form. If a return is not lodged, an NFP may become ineligible for income tax exemption and penalties may apply.

NFPs with an approved substituted accounting period (SAP) for income tax will use their SAP to lodge their NFP return. As the first NFP self-review return will not be available until 1 July 2024 in Online Services, the ATO has advised that SAP concessional due dates will apply for 2023-24. For example, NFPs with a year end of 31 December 2023 for the 2023-24 income year will need to wait until after 1 July 2024 to lodge their return and will have a concessional due date of 31 October 2024. SAP concessional due dates for the 2023-24 year can be found on the ATO website.

CONTACT

If you have any queries, please feel free to contact us.

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