

FACT SHEET

Income Tax Exemption Self-Assessment

SUMMARY

- From the 2023-2024 financial year onwards, non-charitable Not-For-Profit organisations with an active ABN are required to submit an annual self-review return to the ATO to remain eligible for income tax exemption.
- This will apply to all Lions Clubs in Australia, as Lions Clubs are not registered charities with the ACNC and currently self-assess as income tax exempt.
- The first annual self-review return is due for lodgement between 1 July 2024 and 31 October 2024.
- Lodgement of the return is to be done using the ATO's Online Services for Business.
- To use the ATO's Online Services for Business requires the authorised representatives on the Club's ABN to be updated, at least one of those authorised representatives to set up a personal myGovID digital identity, and then for their myGovID to be linked to the Club's ABN.
- Failure to lodge the return may result in a Not-For-Profit organisation becoming ineligible for an income tax exemption and penalties may apply.

ACTION CHECKLIST

- Update Associates on the Club's ABN by contacting the Australian Business Register (ABR).
- Have at least two Associates set up their own personal Digital Identity using the myGovID app on a smart device.
- Have those two Associates each connect their personal myGovID to the Club's ABN using the Australian Government's Relationship Authorisation Manager (RAM) service.
- Have each of those Associates login to the ATO's Online Services for Business using their personal myGovID and familiarise themselves with the service.
- Complete the current income tax status review worksheet to confirm that your Club is still currently self-assessing as income tax exempt.
- Review your Club's governing documents (Constitution & By-Laws) to ensure they meet all the requirements for income tax exemption self-assessment.
- Lodge the first annual self-review return in the ATO's Online Services for Business between 1 July 2024 and 31 October 2024.

Background

Not-for-profit (NFP) organisations that are not registered charities can self-assess as income tax exempt, if they fall within one of the eligible categories of NFP organisations and meet the other requirements of the ATO.

Lions Clubs have historically self-assessed as income tax exempt on the basis that they are:

- NFP organisations that are not registered charities;
- usually accepted as falling within the “Community service organisation” eligible category; and
- typically meet the other ATO requirements by
 - having a physical presence in Australia
 - complying with all the substantive requirements in their governing rules
 - applying their income and assets solely for the purpose which they are established.

Further information about income tax exempt organisation can be found on the ATO website at the following link:

[Does your not-for-profit need to pay income tax? | Australian Taxation Office \(ato.gov.au\)](#)

Prior to 1 July 2023, an NFP organisation was not required to submit anything to the ATO to evidence this self-assessment. The ATO recommended that an NFP organisation should review their tax status once a year (or when there was a major change to the organisation’s structure or activities) using a review worksheet available from the ATO website. The completed review worksheet was to be submitted to the organisation’s Board for approval and then retained with the organisation’s other records.

A copy of the review worksheet can be found at the following link:

[Income tax status review worksheet for self-assessing non-profit organisations | Australian Taxation Office \(ato.gov.au\)](#)

From 1 July 2023, an NFP organisation with an active ABN that is self-assessing as income tax exempt is required to submit an annual self-review return to the ATO to remain eligible for income tax exemption.

The reasons for this change were so the ATO could ensure that NFP organisations were conducting an annual review of their tax status, and that only eligible NFP organisations were claiming an income tax exemption.

Failure to lodge the annual self-review return may result in an NFP organisation becoming ineligible for an income tax exemption (and hence becoming liable to pay income tax on their income) and penalties may apply.

The first annual self-review return will be for the 2023-2024 financial year, with the lodgement period being from 1 July 2024 to 31 October 2024.

The return is expected to have 10-15 questions, which will be similar in nature to those in the existing self-assessment worksheet.

The return will be available for lodgement through the ATO's Online Services for Business or through a tax agent.

The lodgement of this return through the ATO’s Online Services for Business can only be done by an Associate that is recorded on the organisation’s ABN in the Australian Business Register (or by an authorised user added by an Associate).

Steps to prepare for the lodgement of the annual self-review return

The following steps are involved in preparing for the lodgement of the annual self-review return:

1. Update Associates on the Club's ABN by contacting the Australian Business Register (ABR).
2. Have at least two Associates set up their personal Digital Identity using the myGovID app on a smart device.
3. Have those two Associates each connect their myGovID to the Club's ABN using the Australian Government's Relationship Authorisation Manager (RAM) service.
4. Have each of those Associates login to the ATO's Online Services for Business using their personal myGovID and familiarise themselves with the service.
5. Complete the current income tax status review worksheet to confirm that your Club is still currently self-assessing as income tax exempt.
6. Review your Club's governing documents (Constitution & By-Laws) to ensure they meet all the requirements for income tax exemption self-assessment.

More details on each of these steps is provided below.

Updating Associates on the Club's ABN

An organisation with an ABN has an obligation to maintain their ABN details on the Australian Business Register (ABR). ABN details must be updated within 28 days of becoming aware of changes.

It is important for a Club to ensure their ABN details are up to date, as only Associates on the Club's ABN are able to login to the ATO's Online Services for Business to lodge the annual self-review return (or an authorised user added by an Associate).

An Associate is a person who is a principal authority for the organisation. For a Lions Club this would include:

- A director
- A Public Officer
- An office bearer of the Club

ABN details can be updated in one of the following ways:

- Using ABR online services at the link below - this requires you to already be an Associate (or authorised contact) on the ABN, and to have your individual myGovID linked to the ABN.
[Update your ABN details | ABR](#)
- Using an authorised registered tax or BAS agent.
- Calling the ABR on 13 92 26 – this requires you to already be an Associate (or authorised contact) on the ABN. The ABR will not provide any information to a person who is not an Associate (or authorised contact) on the ABN.
- Ordering a Change of Registration Details form (publication number NAT2943) from the ATO Publication Ordering Service ([Main Page \(iorder.com.au\)](#)), and completing and returning the form – this form can only be signed by a person who is already an Associate or authorised contact on the ABN.

A difficulty arises where an organisation has not kept their ABN details up to date and none of the Associates and authorised contacts connected to the ABN are still involved with the organisation. In this situation, the ABR will apparently accept a completed change of registration details form accompanied by proof that demonstrates the appointment of the current Associates. This may include annual general meeting minutes, resolutions or a notification from the Club Board.

Once the ABN details have been updated, it is important that in future whenever there is a change in the office bearers of the Club, that the Associates on the Club's ABN are updated within 28 days of the change.

Setting up a personal Digital Identity using the myGovID app

To connect to online Australian Government services, such as ABR Online Services and the ATO's Online Services for Business, it is necessary for an Associate on an ABN to set up a **personal** Digital Identity using the myGovID app.

myGovID is the Australian Government's Digital Identity app. An individual downloads it to their smart device to prove who they are when logging in to a range of government online services. It is different to a myGov account.

Information and videos about myGovID can be found at the following link:

[Home | myGovID](#)

To set up a personal Digital Identity using the myGovID app, you will need:

- A smart device – such as a mobile phone or tablet. The myGovID app is compatible with most smart devices and is only available from the Apple App Store or Google Play.
- A personal email address – as you are setting up a **personal** Digital Identity, your identity documents will be linked to the email address you choose. It **should not** be a shared, work or club email address.

The steps to set up your myGovID Digital Identity are:

1. Download myGovID app – download the app from the Apple App Store or Google Play to your smart device.
2. Enter your details – open the myGovID app on your smart device and follow the prompts. You will need to enter your full name, date of birth and a personal email address.
3. Choose your identity strength – you can set up a Basic, Standard or Strong myGovID. To access the ATO's Online Services for Business, you will need a Standard or Strong myGovID.

For a Standard identity strength, you need to enter your personal details and verify at least two of the following Australian identity documents (and your name must match on both):

- Driver's licence or learner's permit
- Passport (not more than three years expired)
- Birth certificate
- Visa (using your foreign passport)
- Citizenship certificate
- Immicard
- Medicare card

For a Strong identity strength, you need to enter your personal details and verify the following Australian identity documents (your name must match on all):

- Passport (not more than three years expired)
- One of the following – birth certificate, citizenship certificate, driver's licence (including learner's permit) or Medicare card.

For a Strong identity strength, you will also need to complete a face verification check, which is like a selfie that is compared to the photograph on your passport.

Further information and support for setting up your myGovID can be found at the following link:

[How to set up | myGovID](#)

Connecting a personal Digital Identity to the Club's ABN

To access most Australian Government online services on behalf of an organisation, you need to link your personal myGovID to the ABN of the organisation, using an Australian Government authorisation service called Relationship Authorisation Manager (RAM).

Information about RAM can be found at the following link:

[Home | Relationship Authorisation Manager](#)

A Principal Authority needs to be the first to link their personal myGovID to the organisation's ABN using RAM. For Lions Clubs, a Principal Authority is an Associate listed on the ABN in the Australian Business Register.

A Principal Authority can link their myGovID to an ABN online using RAM, or by contacting the RAM support line.

To link to an ABN online, the Principal Authority must have an Australia passport (not more than three years expired) and have a myGovID with a Strong identity strength.

If the Principal Authority cannot link online, then they can contact the RAM support line on 1300 287 539 and complete a proof of identity check. Once confirmed, the Principal Authority will receive an email with an authorisation code and summary of the authorisation request. They can then log in to RAM to accept the request and complete linking to the ABN.

It is recommended that at least two Principal Authorities of a Club link their myGovID to the Club's ABN using RAM.

Further information and videos for linking your myGovID to an ABN using RAM can be found at the following link:

[Principal authority | Relationship Authorisation Manager](#)

Logging in to the ATO's Online Services for Business

Once a Principal Authority has linked their myGovID to an ABN, they can login to the ATO's Online Services for Business at the following link:

[Online services for business login page | Australian Taxation Office \(ato.gov.au\)](#)

The steps to login are:

1. Click "Login" on the Online Services for Business login page.
2. Enter your myGovID email address on the myGovID page that appears and click "Login".
3. You will receive a notification on your smart device. Access this notification and enter the 4-digit code that is shown on the myGovID page. This will verify your identity and you will be logged in.

One of the Principal Authorities for the Club who have linked their personal myGovID to the Club's ABN will need to login to the ATO's Online Services for Business between 1 July 2024 and 31 October 2024 and complete and lodge the first annual self-review return for the Club.

Completing the current income tax status review worksheet

In preparation for lodging the new annual self-review return, it is a good idea for Clubs to complete the existing ATO worksheet to review their eligibility for an income tax exemption now.

This worksheet is to support record keeping and good governance. It is not required to be submitted to the ATO.

Completing the worksheet now will provide greater certainty to the Club of income tax exemption status before the first 2023-2024 annual self-review return is due.

This worksheet can be found at the following link:

[Income tax status review worksheet for self-assessing non-profit organisations | Australian Taxation Office \(ato.gov.au\)](https://ato.gov.au/Income-tax-status-review-worksheet-for-self-assessing-non-profit-organisations)

The completed review worksheet should be submitted to the Club's Board for approval and then retained with the Club's other records.

Reviewing the Club's governing documents

The ATO expects that organisations self-assessing as income tax exempt will have governing documents that set out the organisation's purposes, not-for-profit character, and requirements for how it operates and makes decisions. For Lions Clubs these documents would be the Constitution & By-Laws of the Club.

The ATO accepts an organisation as Not-For-Profit if its governing documents prevent it from distributing profits or assets for the benefit of members – both while it operates and when it winds up.

It is a good idea for Lions Clubs to locate and review the Club's Constitution & By-Laws to ensure they contain appropriate not-for-profit and dissolution clauses, and purposes consistent with the Club's operations.

Examples provided by the ATO of acceptable not-for-profit and dissolution clauses are as follows:

Not-for-profit clause

'The assets and income of the organisation shall be applied solely in furtherance of its above-mentioned objects and no portion shall be distributed directly or indirectly to the members of the organisation except as bona fide compensation for services rendered or expenses incurred on behalf of the organisation.'

Dissolution clause

'In the event of the organisation being dissolved, the amount that remains after such dissolution and the satisfaction of all debts and liabilities shall be transferred to another organisation with similar purposes which is not carried on for the profit or gain of its individual members.'

If the Constitution of a Lions Club does not contain an appropriate not-for-profit and dissolution clause, then it would be prudent to amend the Constitution (at an AGM or specially convened General Meeting) to include them.