



Australian Government

Australian Government response to the
Senate Economics References Committee final report:
Not-for-profit entities—Tax assessments

July 2025



Introduction

This is the Australian Government's response to the Senate Economics References Committee's final report *Not-for-profit entities – Tax assessments* published on 1 November 2024.

The government notes the concern expressed by not-for-profit entities in submissions to the committee inquiry. Many of these concerns relate to a perceived new requirement for entities with only charitable purposes to register with the Australian Charities and Not-for-profits Commission (ACNC) in order to be exempt from income tax. Other concerns were raised about eligibility for the income tax exemption.

The requirement for not-for-profits to lodge a self-review return does not alter which not-for-profits are exempt from income tax. Nor does it impose a new requirement for entities with only charitable purposes to register with the ACNC as a condition of being exempt from income tax. This requirement has existed since the establishment of the ACNC in 2012.

The government's response to the committee's recommendations is provided below.

Response to the recommendations

Recommendation 1

The Committee recommends that the Australian Government introduce thresholds that exempt smaller, low-risk not-for-profit entities from completing the self-review assessment, capturing only those with a turnover above a certain amount.

Australian Government response

The Government **notes** this recommendation.

The requirement for not-for-profits to lodge a self-review return was put in place by the Morrison government through the 2021-22 Budget. The Australian Taxation Office (ATO) has been administering the reporting change in line with the Morrison government's policy decision.

The Albanese government has recognised that many affected organisations will be small and have limited resources, so we have ensured the ATO will take a practical compliance approach to help organisations meet the new reporting requirement.

The requirement to provide a self-review return already incorporates a risk-based approach by excluding entities that do not have an Australian Business Number.

The ATO will pre-populate information in future self-review returns based on information provided by not-for-profits in earlier returns. The administrative burden of submitting a return is therefore expected to be minimised over time.

Recommendation 2

The Committee recommends that the Australian Taxation Office extend the deadline for the return of the not-for-profit self-review assessment beyond 31 March 2025.

Australian Government response

The Government **notes** this recommendation.

The deadline for returning the self-review return is decided by the ATO. The *Taxation Administration Act 1953* allows the Commissioner of Taxation to defer a deadline for a return.

Recommendation 3

The Committee recommends that the Australian Government explores the appropriateness and/or practicality of the Australian Charities and Not-for-profits Commission managing the self-review assessment regime in place of the Australian Taxation Office.

Australian Government response

The Government **notes** this recommendation.

The Commissioner of Taxation has general administration of income tax law. The ATO is therefore the right body to assess the taxable status of not-for-profit entities against the requirements of income tax law.

This is consistent with the role the ATO has in assessing the taxable status of charities. While registration with the ACNC is a necessary condition for a charity to be exempt from income tax, it is not a sufficient condition. A charity must also satisfy one of four conditions¹ to be exempt from income tax. The ATO assesses whether a charity meets one of those conditions.

The ACNC may collect information from an entity that is necessary for the ATO to assess compliance of the entity with the tax law. However, it may only do so from entities that it has registered.

Having the ACNC collect information from non-charitable NFPs would require the ACNC to be able to register those NFPs. These entities would then need to follow all requirements of ACNC-registered bodies, such as annual financial reporting. This would impose a comparable or greater administrative burden on NFPs than completing the self-review.

Recommendation 4

The Committee recommends that the Australian Taxation Office and Australian Charities and Not-for-profits Commission work to harmonise their guidance on tax obligations for not-for-profit entities, and that the Australian Charities and Not-for-profits Commission updates its online information on factors affecting the registration of not-for-profit entities as charities.

Australian Government response

The Government **notes** this recommendation.

The Government supports the ATO and ACNC continuing to provide guidance to charities and NFPs on their obligations. As independent bodies, the ATO and ACNC decide the best ways of providing such guidance.

Recommendation 5

The Committee recommends that the Australian Taxation Office undertakes enhanced and results-focused consultation with the not-for-profit sector, aimed at genuinely resolving challenges and uncertainties being experienced in the self-review assessment process – including extending the hours of the telephone helpline to better suit volunteers, Australian Tax Office staff bringing laptops to town hall meetings to address registration issues in real time, and updating and sharing on the Australian Taxation Office website the information packs for treasurers of not-for-profit entities that were previously available.

Australian Government response

The Government **notes** this recommendation.

The Government supports the ATO continuing to help not-for-profits meet their obligations to provide a self-review return. As an independent body, the ATO decides the best way of providing such assistance.

¹ A charity must have a physical presence and pursue its objectives principally in Australia; be a deductible gift recipient; have a physical presence in Australia, pursue its objectives principally outside Australia and be prescribed by regulation; or, be located outside of Australia, income-tax exempt in the country in which it is resident and prescribed by regulation.