



1st October 2021

Income Tax Exemption Status of Croquet Clubs

Most Croquet Clubs are constituted as not-for-profit (NFP) entities, and Income Tax exempt. While a NFP can trade at, or make, a profit, it is the fact that their constitution or rules prohibit the distribution of those profits to members that make them an NFP. Incorporated associations in most states are required to have a clause to that effect in their Constitution or Rules.

The determination of Income Tax liability or exemption can be by self-determination, carried out as detailed on the ATO website, <https://www.ato.gov.au/non-profit/your-organisation/in-detail/income-tax/income-tax-exemption-and-sporting-clubs/>. The website recommends that this be carried out annually and filed for easy reference. There is no need to provide the results of this self-determination to the ATO.

However, based on the recent experience of one Victorian club, the Australian Tax Office (ATO) is commencing to check up on clubs, by cross-indexing their ABN to Income Tax Returns, or the lack of them. The club was notified that it was in breach of legislation as it had not submitted income tax returns for the past five years and was threatened with fines of approximately \$1,110 per year, and was required to complete the self-assessment for the past five years.

In that club's case, the problem was exacerbated as the ATO will only deal with the recognised contact person, who is usually whoever applied for the club's ABN.

Clubs are advised to:

- Complete the self-determination of Income Tax Exemption annually and file in a safe place, and
- Ensure that the details of the club's current contact person are maintained with the ATO

Jim Clement
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