UNIVERSITY OF MELBOURNE STUDENT UNION
CLUBS & SOCIETIES

INCOME TAX STATUS - SELF ASSESSMENT FORM

BACKGROUND
Under Australian Income Tax Law, every club, society or association is required to self determine, on an annual basis, its obligation to lodge an income tax return.

A club can be automatically exempt from lodging a tax return and paying tax due to exemptions which are based on the aims and activities of a club.

However, if the activities of a club, society or association do not fall into one of the exemption categories, it may be required to lodge an annual income tax return and pay income tax.

Self assessing incorrectly or not self assessing at all could result in any income tax liability of the club becoming payable by the members of the club.

INSTRUCTIONS
This form will assist you to self assess the income tax status of your club, society or association.

Your club, society or association is required to complete and submit this form to the Clubs & Societies Committee annually with your AGM reporting each year. The form does not need to be submitted to the tax office.

WHAT YOU WILL NEED TO COMPLETE THIS FORM

- Your club’s constitution
- Details of your club’s finances

1. Name of Club: ____________________________________________________________

2. ABN (if applicable):_________________________________ 3. Date of Review: _____/_____/_____

4. Does the constitution or rules of the club prohibit the distribution of any profits or surplus to members both whilst the club is operating and if it was to be closed down?

   YES \ NO

   If no, you must change your constitution.

5. Do the aims and activities of the club meet one of the tax office exemption categories?

   Review the “Income Tax Exemptions” document for detailed descriptions of the categories and determine which, if any applies to your club.

6a. Which exemption is the club relying on:

- Cultural
- Religious
- Resource Development
- Scientific
- Sports/Games
- Community Service

6b. From your constitution, briefly outline the aims of the club which support your assessment.

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

NO TAX RETURN REQUIRED

Name of Executive Member conducting review_________________ Position held_________________

Signature_________________ Date__________________

Office Use Only: Review by UMSU Clubs & Societies Committee  Reviewed By:________________ Date:________________
INCOME TAX EXEMPTIONS

Cultural
Clubs established and run for the following purposes are exempt (from income tax & lodging tax returns):
- Art: established for the encouragement of art
- Literature: established for the encouragement of literature
- Music: established for the encouragement of music or for a musical purpose

This category would include clubs whose main aim or activities are the:
- encouragement, reading, reviewing, training, performing, displaying, providing information about, studying or judging of;
- printed, written or recorded art, paintings, architecture, sculpture, drama, theatre, ballet, books, music, films or photography.

A club set up to advance the interest of members (such as specific artists or performers) is not exempt.

Religious
Clubs established and run for the promotion of religion are exempt.

This category does not just cover major religions. However, to be considered a religion there must be belief in a supernatural being, thing or principle and codes of conduct that give effect to that belief.

Resource Development
A club established and run for the purpose of promoting the development of Australia’s resources is exempt.

For this category Australia’s resources include agriculture, fishing, aviation, horticulture, industry, manufacturing, pastoral, tourism, viticultural or information/communications technology.

Promoting development includes research, providing facilities, training, facilitating co-operation and improving marketing methods.

Scientific
A club established for the encouragement or advancement of science is exempt.

Encouragement of science includes research, exploration, teaching or disseminating information. It does not include a club established mainly for recreational purposes or for the pursuit of a hobby.

Sports/Games
A club established and run for the main purpose of encouragement of a game or sport is exempt.

Games or sports extends to both athletic games or sports and non-athletic games. As such, in addition to regular sports, the exemption includes (but is not limited to) clubs whose main purpose is such things as:- Card playing, Board Games, Chess, Electronic Games, Hacky Sack, Juggling, Ten Pin Bowling, Pool and Yoga.

However, if the main purpose of a club is providing social activities it will not be exempt.

For example:
- A club whose main activity is to enable a group of like-minded individuals or persons who enjoy similar pursuits to get together socially will not be exempt.
- A club which regularly promotes tournaments and/or provides means for members to compete and improve their skills in a given game or sport, will be exempt.

Community Service Organisations
A club established and run for the main purpose of community service is exempt.

Community service has regard to the wellbeing & benefit of others, carrying out projects, activities or creating facilities for the benefit or welfare of the community or those with a need within the community.

However, if the main purpose of a club is providing social activities, seeking to advance the common interests of members or for lobbying or political purposes, it will not be exempt.
OUR CLUB IS NOT EXEMPT - WHAT NOW?
If a club falls into one the exemption categories it does not need to lodge an income tax return or pay tax regardless of the source or the amount of its income.

However, under Australian Income Tax Law, a club, society or association which does not meet any of the exemption categories is considered a “not for profit company” for income tax purposes and may be required to lodge a tax return and pay income tax.

If a club is ever audited by the tax office and found that it has not lodged a tax return and not paid tax when it should have, the club remains liable for the tax. If the club is unable to pay the tax, the tax office can seek payment from the members. Penalties are also likely to be imposed.

WHAT DO WE PAY TAX ON?
You will need to determine the “taxable profit” of the club over a twelve month period being 1 July to 30 June each year.

The taxable profit of a club only includes any income that it receives from non members and in the same way only expenses that relate to earning the income from non-members are is tax deductible.

Therefore the income and expenses of a club must be split between activities that relate to members of the club and those that don’t relate directly to members.

A club then pays tax only on any profit that relates to non-member related activities. The reasoning behind this is that a club cannot pay tax on income it generates from itself (i.e. members).

The following table provides examples of what are member related activities and what are not.

<table>
<thead>
<tr>
<th>Non Member Related</th>
<th>Member Related</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Account Interest</td>
<td>Member Subscriptions &amp; Contributions</td>
</tr>
<tr>
<td>Fundraising Drives to the Public</td>
<td>Drinks and Food sold to Members</td>
</tr>
<tr>
<td>Drinks or Food sold to Non Members</td>
<td>Fees paid by members to attend club events</td>
</tr>
<tr>
<td>Fees for hiring Club equipment to the public</td>
<td>Items sold to Members e.g. club clothing</td>
</tr>
<tr>
<td>Fees paid by non members to attend club events</td>
<td></td>
</tr>
<tr>
<td>External sponsorships for events (regardless of whether members attend or not)</td>
<td></td>
</tr>
<tr>
<td>Reimbursements from UMSU (see below for more detail)</td>
<td></td>
</tr>
</tbody>
</table>

Note: Club Events include dinners, parties, dances, other social functions, talks, workshops and presentations.

Apportioning Income and Expenses for events
Splitting the income and expenses of an event such as a dinner may be easy as you will know how many members and non-members have attended based on ticket sales.

However it may not be so easy for many other activities of a club, for example a sausage sizzle held in the University grounds with sausages sold to anybody passing by. In this type of scenario, you are entitled to apply a reasonable apportionment to determine what portion of the sausages you believe were sold to non-members and then calculate the profit based on cash received and costs to run the sausage sizzle.

Given the need to keep track of member and non-member related activities, you will need to:
- Keep a record of the number of members and non-members attending events. You can use the Event Attendance List to help make these calculations.
- The Clubs and Societies Committee recommends that wherever possible, everyone who attends events be a member of the club. Another simple solution may be to package membership with your ticket sales, such that all attendees are members.
MY CLUB DOESN’T FIT INTO ANY OF THE EXEMPTION CATEGORIES

EXAMPLE CALCULATIONS & SCENARIOS

You will need to apportion each income and expense item of the club between member and non-member related activities on a regular basis and consider keeping money aside to pay any tax liability that may arise.

A simple cash book or spreadsheet will suffice for this purpose. Following are some examples.

### INCOME

<table>
<thead>
<tr>
<th>Date</th>
<th>Details</th>
<th>Member</th>
<th>Non</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Jul</td>
<td>Start Up Grant from UMSU</td>
<td>100.00</td>
<td></td>
</tr>
<tr>
<td>15 Jul</td>
<td>Membership Fees</td>
<td>1,200.00</td>
<td></td>
</tr>
<tr>
<td>31 Aug</td>
<td>Sausage Sizzle (1)</td>
<td>87.50</td>
<td>162.50</td>
</tr>
<tr>
<td>3 Sept</td>
<td>Membership Fees</td>
<td>500.00</td>
<td></td>
</tr>
<tr>
<td>10 Sept</td>
<td>Member Workshop Tickets</td>
<td>100.00</td>
<td></td>
</tr>
<tr>
<td>30 Sept</td>
<td>Bank Account Interest</td>
<td>37.15</td>
<td></td>
</tr>
<tr>
<td>15 Oct</td>
<td>Industry Sponsorship</td>
<td>2,000.00</td>
<td></td>
</tr>
<tr>
<td>31 Oct</td>
<td>Drinks at Industry Night</td>
<td>300.00 (member only)</td>
<td></td>
</tr>
<tr>
<td>15 Nov</td>
<td>Tickets for Ball (2)</td>
<td>600.00</td>
<td>400.00</td>
</tr>
<tr>
<td>15 Nov</td>
<td>Industry Sponsor for Ball</td>
<td>1,500.00</td>
<td></td>
</tr>
<tr>
<td>31 Dec</td>
<td>Bank Account Interest</td>
<td>15.26</td>
<td></td>
</tr>
<tr>
<td>3 Mar</td>
<td>UMSU Reimbursement for O week</td>
<td>550.00</td>
<td></td>
</tr>
<tr>
<td>31 Mar</td>
<td>Interest</td>
<td>9.50</td>
<td></td>
</tr>
<tr>
<td>14 Apr</td>
<td>Membership Fees</td>
<td>400.00</td>
<td></td>
</tr>
<tr>
<td>30 June</td>
<td>Bank Account Interest</td>
<td>4.57</td>
<td></td>
</tr>
</tbody>
</table>

**TOTALS:** 3,187.50 | 4,778.98

### EXPENSE

<table>
<thead>
<tr>
<th>Date</th>
<th>Details</th>
<th>Member</th>
<th>Non</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 Jul</td>
<td>Membership Badges</td>
<td>80.00</td>
<td></td>
</tr>
<tr>
<td>25 Aug</td>
<td>Supplies for Sausage Sizzle</td>
<td>24.50</td>
<td>45.50</td>
</tr>
<tr>
<td>8 Sept</td>
<td>Food for member workshop</td>
<td>15.00</td>
<td></td>
</tr>
<tr>
<td>8 Sept</td>
<td>Member workshop speaker</td>
<td>100.00</td>
<td></td>
</tr>
<tr>
<td>30 Sept</td>
<td>Bank Charges</td>
<td>10.00</td>
<td></td>
</tr>
<tr>
<td>20 Oct</td>
<td>Food &amp; Drinks Ind.Night</td>
<td>1,058.50</td>
<td></td>
</tr>
<tr>
<td>1 Nov</td>
<td>Hire of Room for ball</td>
<td>180.00</td>
<td>120.00</td>
</tr>
<tr>
<td>10 Nov</td>
<td>Band for Ball</td>
<td>120.00</td>
<td>80.00</td>
</tr>
<tr>
<td>12 Nov</td>
<td>Food &amp; Drinks for ball</td>
<td>1,200.00</td>
<td>800.00</td>
</tr>
<tr>
<td>31 Dec</td>
<td>Bank Charges</td>
<td>10.00</td>
<td></td>
</tr>
<tr>
<td>15 Feb</td>
<td>Sausages for O week (reimbursed)</td>
<td>200.00</td>
<td></td>
</tr>
<tr>
<td>15 Feb</td>
<td>Drinks for O week (reimbursed)</td>
<td>350.00</td>
<td></td>
</tr>
<tr>
<td>31 Mar</td>
<td>Bank Charges</td>
<td>10.00</td>
<td></td>
</tr>
<tr>
<td>30 June</td>
<td>Bank Charges</td>
<td>10.00</td>
<td></td>
</tr>
</tbody>
</table>

**TOTALS:** 2,778.00 | 1,635.50

Assumptions for above example: (1) Organisers estimate 35% of sausages were sold members. (2) 60% of tickets to ball were sold to members.

### GRANTS, SPONSORSHIPS, DONATIONS & REIMBURSEMENTS

**Grants:** If a club receives a grant from UMSU, another university department such as MUOSS or a faculty, this will be treated as non member income as it has originated from outside of the club members.

**Sponsorships:** If a club receives sponsorship from an industry partner such as a graduate employer or industry body, this will be considered non member income.

**Donations:** If the club receives an unsolicited payment from a person or organisation that is in the nature of a donation and no strings are attached (i.e. there are no naming rights, advertising rights or obligations to spend the money in a certain way), it can be considered member income regardless of who it comes from.

**Reimbursements:** If a club receives reimbursement from UMSU or any other organisation, the amount received will be non member income, however the expenses reimbursed also become non member expenses, regardless of the nature of those expenses, thus canceling out the reimbursement for tax purposes. For example, both the reimbursement by UMSU and the expenses reimbursed for a member only BBQ will be considered non member.

### WE HAVE MADE A PROFIT ON NON-MEMBER RELATED ACTIVITIES - WHAT NOW?

If you determine the club's profit from non-member activities during a year was less than $416, you do not need to lodge an income tax return or pay tax and no further action is required.

However, if your club's taxable profit is more than $416, the club is required to both lodge an income tax return and pay income tax. Tax Return Forms and Instruction Guides are available from the tax office by calling 13 28 66.

In the above example, the club's assessable non member income is $4,778 whilst its deductible non member expenses are $1,635 meaning it has made a taxable profit of $3,143. Not-for-profit clubs have an unusual tax rate calculation but in accordance with this table, the tax payable would be $942.90 (30% x $3,143)

If you would like further information regarding calculating your taxable income, please refer to the document "Mutuality & Taxable Income" which can be found by searching for "NAT 73436" on the Australian Taxation website (www.ato.gov.au)

FOR FURTHER ASSISTANCE OR TO OBTAIN MORE INFORMATION:
UMSU has negotiated special rates with a professional accountant who can provide assistance to your club with income tax issues and return preparation. Contact information can be found at www.staaccounting.com.au/contact/