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### **Income Tax for Not For Profit Motoring Organisations**

#### Summary

- The Commonwealth Income Tax Assessment Act exempts certain entities from income for certain charities and other not for profit organisations. The closest of the types listed by this Act is sport, culture and recreation.
- The Australian Tax Office (ATO) guide exempts Sporting Organisations including those established for the purpose of encouragement of racing. However the ATO guide specifically excludes from an exemption, organisations established for the purpose of maintaining vintage cars.
- This is not conclusive as the Act itself does not define sporting organisations. ATO looks at the main purpose of any organisation and its view seems to be that not for profit motoring organisations formed for the purpose of preserving motor vehicle heritage are not income tax exempt. If the main purpose of a motoring club is racing then this club is exempt. If its main purpose is not motor racing then the ATO's view seems to be that it is not income tax exempt.
- Organisations which are not income tax exempt and have a Taxable Income exceeding \$416 have to lodge an income tax return each year and pay tax if required by the ATO.
- Taxable Income is equal to Assessable Income (Revenue) less Allowable Deductions (Expenses)
- As per the "mutuality principle", any money received from club members and expenses spent solely on members are not assessable.
- Expenses and revenues from events held solely for non-members are fully assessable
- Expenses and revenues from events held partly for members and partly for non-members is apportioned (easiest way of apportioning is to use the numbers on non-members, members and total)
- Interest on any bank deposits is fully assessable income as this comes from non-members.
- Donations to charitable organisations endorsed by the ATO as deductible gift recipients (e.g. the Motor Museum of WA) are allowable deductions.
- For example: taxable income = interest on bank accounts and term deposits + profit from running any events which charge a fee to non-members – donations to deductible gift recipients
- If taxable income is above \$416, then a tax return needs to be submitted.
- If the taxable income exceeds \$916 the tax rate is 30% of the entire taxable income.

Note that this summary is only a compilation of relevant parts of the Income Tax Assessment Act and information discovered on the ATO website, and may not be complete or current. The ATO Guide NFP 24617 provides more detail on assessable income and allowable expenses. This summary must not be considered to be taxation advice and a tax professional should be consulted to advise whether a tax return needs to be submitted.