

Key risks – knowing what they are and how they can be managed *cont.*

Alcohol

Many Australians enjoy alcohol. Increasingly, however, the negative consequences of alcohol use are now being recognised. At an individual level, excessive use of alcohol can negatively impact a person's health and wellbeing and at the broader club or association level it can damage an organisation's reputation and integrity.

Negative associations from 'drinking' cultures can affect sponsorship opportunities and may create negative role models and a culture of inappropriate behaviour. Sporting organisations are often where young people look to find role models and where potentially lifelong attitudes are established.

As such, it is important for your organisation to promote the responsible consumption of alcohol. Not only can this help create a culture that brings the focus back on the sport and encourages junior and family involvement, but promoting responsible drinking can also help reduce the risk of poor behaviour (e.g. alcohol-fuelled violence, property damage, etc.). Organisations with liquor licences have a legal responsibility to serve alcohol responsibly, but even those without licensed premises can help promote positive attitudes towards drinking.

For an example of an alcohol policy, refer to the Play by the Rules Alcohol Policy Resource⁹⁶.

Key point: *Your organisation should actively promote the responsible consumption of alcohol.*

Regulatory compliance

Taxation Compliance

Taxation compliance is about effective risk management of one of the biggest risks to your organisation – regulatory non-compliance.

⁹⁶ http://www.playbytherules.net.au/assets/alcohol_policy.docx

Non-profit organisation

The following section assumes that your organisation is a non-profit organisation.

The Australian Tax Office (ATO) defines non-profit as 'an organisation that is not operating for the profit or gain of its individual members, whether these gains would have been direct or indirect. This applies both while the organisation is operating and when it winds up. Any profit made by the organisation goes back into the operation of the organisation to carry out its purposes and is not distributed to any of its members'.

The ATO advises that it accepts an organisation as non-profit where its constituent or governing documents prevent the organisation from distributing profits or assets for the benefit of people – both while it is operating and when it winds up.

Key point: *A non-profit organisation can still make a profit, but it must be used to carry on its purposes and must not be distributed to owners, members or other organisations.*

Example of a non-profit organisation: *An organisation makes a \$50,000 profit for the year. It uses this profit to reduce its debts and provide for its activities in the following year.*



Key risks – knowing what they are and how they can be managed *cont.*

Non-profit organisation

Income Tax Exemption

Whether a non-profit organisation has to pay income tax will depend on whether or not the organisation is exempt from income tax.

As per the ATO's publication '*Tax basics for non-profit organisations*', only certain categories of organisation are exempt from income tax. They come from the following broad groupings:

- community service organisations
- cultural organisations
- educational organisations
- employment organisations
- health organisations
- resource development organisations
- scientific organisations
- sporting organisations.

Organisations that are not charities can self-assess their entitlement to income tax exemption. They do not need to be endorsed by the ATO to be exempt from income tax.

The ATO's publication '*Income tax guide for non-profit organisations*'⁹⁷ helps non-profit organisations work out if they are exempt from income tax.

As per the ATO website⁹⁸, if you work out that your organisation meets all the requirements for income tax exemption, the following applies:

- your organisation will not need to pay income tax, capital gains tax or lodge tax returns unless specifically asked to do so
- your organisation does not need to get confirmation of this exemption from the ATO

- your organisation should carry out a yearly review to check if it is still exempt – your organisation should also do this when there are major changes to the organisation's structure or activities.

Other Tax Issues

For an overview of further tax issues that may affect non-profit organisations, refer to the ATO information booklet titled '*Tax basics for non-profit organisations*'.

This guide explains an extensive range of matters including:

- which taxes and concessions affect non-profit organisations
- how you work out if your organisation is exempt from tax
- the organisation's tax obligations
- directions on where you can find more detailed information; for example, applying for an ABN, registering for GST and other taxes.

Key point: You should use the ATO information booklet as a starting point if you are the treasurer, office bearer or employee involved in the administration of a non-profit organisation.

It is also worthwhile for one of these individuals to Subscribe at the Australian Taxation Office⁹⁹ website to:

- receive free email updates on key issues affecting the non-profit sector
- view new publications the ATO releases for non-profit organisations
- view changes to tax laws.

⁹⁷ Refer to: <https://www.ato.gov.au/Non-profit/Guides/In-detail/Guides---booklets/Income-tax/Income-tax-guide-for-non-profit-organisations/>

⁹⁸ <https://www.ato.gov.au/Non-profit/NP/Income-tax-exemption---non-profit-organisations/>

⁹⁹ <https://www.ato.gov.au/subscription.aspx>

Key risks – knowing what they are and how they can be managed *cont.*

Registering for GST

You must register for GST if you run a business or enterprise and your GST turnover exceeds the threshold amount. At the time of releasing this publication, the threshold for non-profit organisations is \$150,000. While an organisation has a responsibility to register for GST if turnover exceeds the relevant threshold, it also has an obligation if it is likely to exceed the threshold and the organisation is not registered for GST.

If you are not registered for GST, check each month to see whether you have reached your threshold. You must register within 21 days of reaching the threshold. If your GST turnover is below the threshold, registering for GST is optional. However, if you choose to register, you generally must stay registered for at least 12 months.

If your organisation is under the threshold, the main benefit of registering for GST includes the ability to claim back the GST credits¹⁰⁰ on expenses or on any goods purchased by the organisation. This is often helpful for organisations whose expenses are high and their income is low or GST-free.

As with all tax issues, it is recommended that you seek professional advice about whether or not your organisation should register for GST.

Checklist

The ATO has produced a self-governance checklist for non-profit organisations to help with identifying and managing their tax and superannuation compliance risks and other risks that may affect an organisation's reputation and work.

The checklist can be found at the Australian Taxation Office website.

https://www.ato.gov.au/uploadedFiles/Content/SME/downloads/NFP_73955_downloads.pdf

For additional assistance with taxation matters, visit the Australian Taxation Office¹⁰¹ non-profit section on the website.

¹⁰⁰ GST credits are a potential amount of money your organisation might be able to claim from the ATO.

¹⁰¹ www.ato.gov.au/nonprofit/

Compliance - Other

In addition to taxation compliance, your organisation is subject to a range of other laws and regulations as noted throughout this resource.

Key legislation that your organisation needs to comply with (irrespective of your organisation's legal structure) is referenced throughout this resource (refer to the section titled *Legal Risk, Key Concepts and Legislation*).

How your organisation is legally structured will affect its compliance with laws and regulations. The legal structure of your organisation may be:

- incorporated association
- unincorporated association
- company limited by guarantee.

You should ensure that you understand all your financial and reporting obligations required under the prevailing Act.

The section titled *Financial* highlights key financial duties and requirements with respect to your legal structure; the section titled *Human Resource* identifies a number of compliance requirements with respect to employment law.

Social media

Aside from the known benefits of social media to an organisation in terms of communicating and engaging the wider membership base, social media can also pose a risk to an organisation's confidential information and reputation. It may also result in legal, regulatory and compliance violations.

All organisations need to be proactive in managing their social media risk. The following is a suggested checklist for organisations to manage their social media risk.