# Section 15: Taxation

## 15.1 Income tax

### 15.1.1 Overview

Schools do not pay Income Tax pursuant to Section 24AK of the *Income Tax Assessment Act 1936*. Schools meet the definition of a State/Territory Body and are therefore exempt from income tax.

There is no income tax exemption certificate as such, but if schools need to quote that they are exempt from income tax, they should quote the section above.

## 15.2 Good and Services Tax (GST)

### 15.2.1 Overview

All schools are registered with an Australian Business Number (ABN) and are registered for GST. Schools must comply with the GST law in every respect.

As well as the mandatory policies below, schools should refer to the Tax EduGate page for extensive support and assistance in complying with the school’s GST obligations. Refer to [Tax Pages](https://edugate.eduweb.vic.gov.au/Services/Finance/Pages/Tax.aspx) on the Department website.

Schools can check their own, and their suppliers’ ABN details at [ABR Business Search](https://abr.business.gov.au/).

### 15.2.2 Mandatory policy (Must do):

| **Sequence Numbers** | **Information** |  |
| --- | --- | --- |
| 15.2.2.1 | The principal of each school must approve and lodge a Business Activity Statement (BAS) with the Australian Taxation Office (ATO) each month within the required timeframe, and as early as possible when in a GST refund position. The business manager of the school can be the preparer of the Business Activity Statement (BAS). |  |
| 15.2.2.2 | Schools must lodge the Business Activity Statement (BAS) electronically through the [ATO’s Business Portal](https://bp.ato.gov.au/). |  |
| 15.2.2.3 | Relevant school staff must have an up to date AUSkey/myGovID. For further details about schools and the AUSkey/myGovID, refer to [AUSkey Fact Sheet](https://edugate.eduweb.vic.gov.au/Services/Finance/School%20GST%20Documents/AUSkey.doc) |  |

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| **Sequence Numbers** | **Information** |  |
| 15.2.2.4 | Schools must keep their ATO contact details up to date (minimum of two ATO registered contacts for each school) and where possible must maintain two up to date AUSkeys/myGovIDs. |  |
| 15.2.2.5 | Schools must ensure their key staff (business manager or alternative staff member) are adequately trained to ensure the school complies with its tax obligations. This requires that staff participate in tax training module (Finance Matters training programs provided by the Department) at least every three years. |  |
| 15.2.2.6 | Schools must ensure they have adequate processes and policies in place to process the GST implications of:   * school payments, including and ensuring they obtain a valid tax invoice for all purchases wherever necessary; and * school revenue, ensuring they remit GST to the ATO where necessary. |  |
| 15.2.2.7 | Regularly check the balance of the ATO Account Details – Integrated Client Account through the [ATO’s Business Portal](https://bp.ato.gov.au/). If the balance is not zero, take appropriate action to reconcile the balance. |  |

### 15.2.3 Prohibited policy (Must not do):

| **Sequence Numbers** | **Information** |  |
| --- | --- | --- |
| 15.2.3.1 | School personnel must not link their personal **myGov** account to the School’s BAS. Mygov is different to myGovID, and myGov should remain personal. |  |

### 15.2.4 Tax Invoices

The Department’s policy is that schools should only deal with suppliers that are registered with an ABN. Click on this link to access the tax fact sheet on [Tax Invoices](https://edugate.eduweb.vic.gov.au/Services/Finance/School%20GST%20Documents/Tax%20Invoices.doc).

### 15.2.5 Mandatory policy (Must do):

| **Sequence Numbers** | **Information** |  |
| --- | --- | --- |
| 15.2.5.1 | Schools must only deal with suppliers that are registered with an ABN.  Creditors GST registration can be checked at [ABR Business Search](http://www.abr.business.gov.au/Index.aspx). |  |

### 15.2.6 Additional resources

* In addition, schools should contact Greg Hart of the Department of Education and Training (DET) Financial Accounting and Reporting unit for help, support and training opportunities for tax [tax@edumail.vic.gov.au](mailto:tax@edumail.vic.gov.au).
* There are extensive GST fact sheets, GST examples and case studies contained at the following link: [Tax Pages](https://edugate.eduweb.vic.gov.au/Services/Finance/Pages/Tax.aspx).

## 15.3 Fringe Benefits Tax (FBT)

### 15.3.1 Overview

Fringe Benefit Tax (FBT) is a tax on the employer, and as such, the Department lodges the FBT return with the ATO, in respect of all central employees (i.e. those that work in Head and regional offices, and all departmental employees in schools (not including school council employees).

The Department has its own software system called FBT Tracker to collect and report FBT information. All schools have access to FBT tracker and are expected to record their FBT activities in FBT Tracker. Click this link to access [FBT Tracker](https://www.eduweb.vic.gov.au/fbt/). New Business Managers will need to apply for access to FBT Tracker from [tax@edumail.vic.gov.au](mailto:tax@edumail.vic.gov.au).

As well as the mandatory policies below, schools should refer to the Department’s eduGate Tax homepage for extensive support and assistance in complying with the school’s FBT obligations.

### 15.3.2 Mandatory policy (Must do):

| **Sequence Numbers** | **Information** |  |
| --- | --- | --- |
| 15.3.2.1 | Comply with FBT requirements pursuant to the Commonwealth FBT law. |  |
| 15.3.2.2 | Record in FBT Tracker all activities on which FBT is payable, particularly the provision of food and drink in social situations. |  |
| 15.3.2.3 | The Principal of each school must approve and lodge an FBT declaration within FBT Tracker each year, at the required time advised by the Department. The business manager can be the preparer of the information in the FBT declaration within FBT Tracker. New Business Managers will need to apply for access to FBT Tracker from [tax@edumail.vic.gov.au](mailto:tax@edumail.vic.gov.au).  Complete FBT declaration within FBT Tracker if the schools have:   * provided fringe benefits to any central payroll employee, then these details must be included in FBT tracker; or * not provided any fringe benefits, then a nil return is required. |  |
| 15.3.2.4 | After the FBT return is lodged, the Department will issue an invoice to those schools that caused an FBT liability, based on the information in FBT Tracker. In this invoice, the Department seeks reimbursement from the school for the FBT, which the Department has paid on the school’s behalf to the ATO. |  |
| 15.3.2.5 | Schools must complete the School Hospitality Expenses Approval Form for all expenditure, which involves staff consuming food and/or drink. This form is available from: [School Hospitality Expense Approval Form](https://edugate.eduweb.vic.gov.au/Services/Finance/School%20FBT%20Documents/School%20Hospitality%20Expense%20Approval%20form.docx). |  |
| 15.3.2.6 | The form must be completed and signed off by the Principal before storing it. The form must be stored with the payment voucher. The form must document/justify the reason why FBT has been paid or not paid. |  |
| 15.3.2.7 | Schools must be aware of the Departments [Gifts, Benefits and Hospitality policy](https://www.education.vic.gov.au/school/principals/spag/governance/pages/gifts.aspx), particularly when they are considering providing benefits to staff. |  |

### 15.3.3 Prohibited policy (Must not do):

| **Sequence Numbers** | **Information** |  |
| --- | --- | --- |
| 15.3.3.1 | Schools must not avoid FBT by not declaring any activities which would be subject to FBT (especially the provision of food and drinks in social situations). |  |

### 15.3.4 Examples of school types of fringe benefits

These include:

* Car Fringe Benefit (school car);
* Expense payment (school council contributes towards gift);
* Housing Fringe Benefit (teacher relocation etc.);
* Entertainment type fringe benefits including:
* School pays for staff to consume alcohol;
* School pays for staff at School Council dinners (offsite, more than sustenance);
* School pays for staff at Social functions (e.g. Christmas party);
* Minor fringe benefits (i.e. less than $300) are exempt from FBT, but this exemption does not apply to Entertainment type fringe benefits (i.e. food and drink).

### 15.3.5 Additional resources

Further FBT examples and Case Studies are available from:

* [Further FBT examples and Case Studies](https://edugate.eduweb.vic.gov.au/Services/Finance/School%20FBT%20Documents/FBT%20Hospitality%20Guide%20for%20Schools.docx)
* [Tax Pages](https://edugate.eduweb.vic.gov.au/Services/Finance/Pages/Tax.aspx)
* [FBT Resources](https://www.eduweb.vic.gov.au/fbt/)

## 15.4 Donations to schools – Deductible Gift Recipient (DGR)

### 15.4.1 Overview

Schools can establish a School Building DGR or School Library DGR. The Department has established a formal process, which meets all ATO requirements in order to obtain ATO DGR endorsement. The process involves establishing a separate bank account for donated funds and restrictions on spending donated funds. Finally, the school must complete an ATO application form, which is submitted through the Department. The Departmental guidelines are available at this link [Deductible Gift Recipient Funds](https://edugate.eduweb.vic.gov.au/Services/Finance/School%20GST%20Documents/Deductible%20Gift%20Recipient%20Funds.docx).

### 15.4.2 Mandatory policy (Must do):

|  |  |  |
| --- | --- | --- |
| **Sequence Numbers** | **Information** |  |
| 15.4.2.1 | A school must complete an ATO application form to become a Deductible Gift Recipient (DGR), which is submitted through the Department. |  |
| 15.4.2.2 | If a school operates a School Building Fund or Library account, it must meet all ATO requirements, including:   * being endorsed by the ATO as a DGR; * issuing tax deductible receipts to donors; * maintain a separate DGR bank account, to which all donations are deposited; * payments must only be made for ATO approved purposes. |  |
| 15.4.2.3 | Schools are only entitled to issue tax deductible receipts if they   * maintain a School Building Fund endorsed by the ATO; * maintain a School Library account endorsed by the ATO; or * are a Government Special School endorsed by the ATO. |  |
| 15.4.2.4 | If a school does not meet one of these conditions as listed in 15.4.2.2 then the school cannot accept tax-deductible donations – donors to the school and will not be entitled to a tax deduction for their donation. |  |

### 15.4.3 Prohibited policy (Must not do):

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| --- | --- | --- |
| **Sequence Numbers** | **Information** |  |
| 15.4.3.1 | Receive tax-deductible donations, if the School does not operate a School Building Fund, School Library or Special School. |  |

## 15.5 Fuel Tax Credits (FTC)

### 15.5.1 Overview

Schools are entitled to claim Fuel Tax Credits from the ATO if they use fuel for eligible purposes. Amongst other things, an eligible purpose is fuel used in vehicles, which have a Gross Vehicle Mass (GMV) of greater than 4.5 tonnes. Eligible fuel is diesel or unleaded, as well as aviation fuel and certain biodiesel blends.

Generally, a school bus, which is more than 22 seats, will have a GVM of greater than 4.5 tonnes. Note: Vic Roads registration details will state the GVM of the registered vehicle, so a school, which is unsure if the bus is eligible, must check the registration details or vehicle technical specifications.

### 15.5.2 Mandatory policy (Must do):

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| --- | --- | --- |
| **Sequence Numbers** | **Information** |  |
| 15.5.2.1 | A school will be entitled to claim Fuel Tax Credits for all fuel used on the Bus if the:   * school owns/leases a bus which is greater than 4.5 tonne GVM; * pays for fuel for use in an eligible vehicle (vehicle that travels on public roads that has a GVM greater than 4.5 tonnes; * pays for fuel for use in eligible machinery (mowers, tractors, brush cutters etc.). |  |
| 15.5.2.2 | A school wishing to claim Fuel Tax Credits need to register with the ATO. Once registered, the school can claim its FTC via the BAS. Schools registered for FTC will have a new box 7D on their BAS. |  |

### 15.5.3 Prohibited policy (Must not do):

|  |  |  |
| --- | --- | --- |
| **Sequence Numbers** | **Information** |  |
| 15.5.3.1 | A school will not be eligible for FTC for fuel used in a light vehicle travelling on a public road (i.e. passenger cars). |  |

### 15.5.4 Additional resources

[Fuel Tax Fact Sheet](https://edugate.eduweb.vic.gov.au/Services/Finance/School%20GST%20Documents/Fuel%20Tax%20Credits.docx)

## Legislative requirements

### Legislation

The advice in this section was based on requirements outlined in the following legislation:

* A New Tax System (Goods and Services Tax) Act 1999
* A New Tax System (Australian Business Number) Act 1999
* *Fringe Benefits Tax Assessment Act 1986*
* *Fuel Tax Act 2006*
* *Income Tax Assessment Act 1936*

## Definitions

|  |  |
| --- | --- |
| **ABN** | An Australian Business Number (ABN) is a unique 11-digit number that identifies a business to the Government and community. It is used for tax and various other business purposes. A school can only obtain an ABN through Department, as the ATO requires proof of identity for schools from Department. |
| **ABR** | Australian Business Register – Register of all entities and their ABN details. Used for confirming ABN details of schools’ creditors, as well as confirming DGR endorsement of schools. |
| **ATO** | Australian Tax Office – Commonwealth Government entity responsible for collection and administration of the tax system. |
| **ATO Account Details – Integrated Client Account** | Online record of the school’s transactions (debits and credits) with the ATO. |
| **AUSkey** | AUSkey is the ATO’s electronic commerce system and is the only way a school can lodge its BAS online via the ATOs Business Portal. An AUSkey is specific to a school ABN and to an individual and to that individual’s computer. It is recommended that a school try to maintain 2 valid, up to date AUSkeys. |
| **BAS** | Business Activity Statement – ATO tax form that must be completed monthly by all Government schools and which includes GST, FTC. Note FBT is not included on the BAS for schools (see FBT Tracker) and PAYG is not included on the BAS for schools. |
| **DGR** | Deductible Gift Recipient – category of entity, endorsed by the ATO, which is entitled to receive tax-deductible donations. |
| **FBT** | Fringe Benefits Tax – Tax paid on the value of fringe benefits provided to employees, in relation to their employment. Victorian Government schools must comply with the FBT requirements for any fringe befits they provide to their staff. |
| **FTC** | Fuel Tax Credits – Credits or refunds of the tax paid on fuels used for eligible purposes. Victorian Government schools are entitled to claim FTCs for eligible fuel used in buses, trucks they own. |
| **GST** | Goods and Services Tax – Value added tax which taxes final consumption of all goods and services consumed within Australia. Victorian Government schools are subject to GST and must ensure that they comply with the GST law on revenue and payments. |
| **GVM** | Gross Vehicle Mass – School vehicles with a GVM greater than 4.5 tonnes are eligible for Fuel Tax Credits. The GVM is listed in the vehicle registration certificate or vehicle technical specifications. |
| **myGovID** | MyGovID is the ATO’s new electronic commerce system and is the only way a school can lodge its BAS online via the ATOs Business Portal. A myGovID is specific to a school ABN and to an individual. It is recommended that a school try to maintain 2 valid, up to date myGovIDs. |

## Additional resources

* [Australian Taxation Office Business Portal](http://www.bp.ato.gov.au)
* [Chart of Accounts for Victorian Government Schools](https://www.education.vic.gov.au/school/teachers/management/finance/Pages/cases21.aspx)
* [School Policy and Advisory Guide](http://www.education.vic.gov.au/school/principals/spag/Pages/spag.aspx)

## Version and revision control record

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