

7.11 Compliance with Taxation

Inadequate management of tax compliance could have an impact on schools, the Department and the State's financial position.

To assist schools to assess the impact of taxation obligations when making financial decisions, the Department's Tax Compliance Unit (TCU) designed and supports the "Tax Resource Centre" website located at:

<http://www.education.vic.gov.au/management/financial/tax/default.htm>

The web site outlines and provides support resources and links for the main taxes paid by schools, which are:

- Goods and Services Tax (GST)
- Fringe Benefits Tax (FBT)
- Pay As You Go (PAYG)
- Payroll Tax (PRT)
- PAYG Withholding

Victorian Government schools are exempt bodies for income tax purposes under item 1.4 of section 50-5 ITAA97 (Australian public school) as Public Educational Institutions.

It is not possible for Victorian Government Schools to provide either a "certificate of incorporation" or a "certificate of tax deductible status" as schools are neither corporations nor gift-deductible entities and where grant and new bank account applications require a "tax exemption certificate", schools should identify themselves as an exempt body and provide an extract of the clause from the departmental website and, if helpful, a copy of the school's ABN registration from the ATO [ABR website](#).

More detailed explanations and references to links and other information on each of the taxes are provided in 7.11.2 Resources below.

7.11.1 Tax Compliance Unit (TCU)

TCU (part of the Financial Services Division) provides training, policy and advice to government schools, regions, divisions and agencies on the operation of various taxes (mainly GST, FBT, PAYG & PRT) that affect the department and its subsidiary bodies.

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Tax Briefs

The Tax Compliance Unit issues this e-newsletter each term to school principals, business managers and bursars concerning taxation issues. Back copies of tax briefs are available from the Tax Resource Centre.

7.11.2 Resources

Goods and Services Tax (GST)

All Government schools are required to register for GST, to have an ABN number and to independently lodge BAS returns (CASES21 schools will utilise the accrual method). Any new registration/deregistration of schools should be strictly undertaken through the Tax Compliance Unit.

The Tax Resource Centre webpage has information, guides and links on GST topics together with a detailed A-Z Guide to assist schools. Detailed information is available from:

<http://www.education.vic.gov.au/management/financial/tax/default.htm>

It includes:

- [A-Z of GST](#) The Tax Compliance Unit has developed factsheets specifically to assist schools in dealing with GST issues; Detailed information is available from:

<http://www.education.vic.gov.au/management/financial/tax/gst/atoz/default.htm>

- GST registration/deregistration;
- GST Codes and School Charts of Account;
- Tax Invoice GST requirements;
- Recipient Created Tax Invoices (RCTIs);
- Fundraising and NPSEs;
- Canteens and Input Tax Status;
- Supplier GST status and links to the ATO ABR webpage.

Fringe Benefits Tax

[FBT Tracker](#) enables schools to record their FBT liabilities such as

- tax exempt body meal entertainment (note: \$300 minor and infrequent benefits rules does not apply to government schools),
- cars,
- expense payments,
- housing,
- LAFHA,
- property benefits, and
- residual benefits.

Where a school does not incur an FBT expense in a FBT year (1 April to 31 March) a "Nil" return is required to be lodged on [FBT Tracker](#) in the month of April each year. More detailed information and guides on FBT are available at:

<http://www.education.vic.gov.au/management/financial/tax/fbt/default.htm>

Pay As You Go (PAYG)

The Department is one of the biggest employers in Victoria with more than 50,000 people employed as principals, assistant principals, teachers and support staff in more than 1600 government schools. The Department also employs public service staff engaged in policy development, service delivery and quality assurance.

[HRWeb](#) provides easy access to comprehensive human resources policies, practices, and information and support services.

- Human Resources
www.eduweb.vic.gov.au/hrweb/default.asp
- Payment Summaries
<http://www.eduweb.vic.gov.au/hrweb/resources/payg.htm>

Payroll Tax

Schools are subject to Payroll Tax for local payroll employees where the gross wages payments exceed a designated ceiling (refer [State Revenue Office](#) at <http://www.sro.vic.gov.au/sro/SROWebSite.nsf/index1.htm>)

This in addition to Payroll Tax paid on schools behalf by the Department for school permanent employees such as principals, teaching staff and education support staff.

PAYG Withholding Tax

Where schools deal with suppliers without an ABN/Statement by Supplier/Exemption Certificate, 46.5% of such payments are required to be withheld and remitted to the ATO in accordance with Australian taxation legislation.

7.11.3 Tax Compliance Framework (TCF)

All Victorian public sector entities, including schools, are required to adhere to the tax compliance framework under Ministerial Direction 10.14 of the *Financial Management Act 1994*.

The TCF is a government wide assurance mechanism supported by the Department of Treasury and Finance for departments to report tax compliance annually to the Minister for Finance. It consists of Ministerial directions, rules, administrative guidelines as well as a tax review checklist for the major taxes Goods and Services Tax (GST), Pay As You Go (PAYG) and Fringe Benefits Tax (FBT).

7.11.4 School Building/Library/Gift Funds

Schools can apply to the ATO to set up Tax Deductible Gift Recipient (DGR) Funds which provide income tax deductions for donations made to these funds. An information pack is available from the Department's Legal Unit or schools can contact the Department's Tax and Compliance Unit for advice.

Certain Requirements exist for Winding up School Building/Library/Gift Funds

Closed or merged schools with these funds are required to transfer any surplus assets of the fund to another gift deductible fund, authority or institution of a like nature when the fund is wound up or the DGR endorsement is revoked, whichever is the earlier.

If an organisation is a DGR for more than one fund, authority or institution it operates, it may transfer the assets to another of its gift funds.

Example: An acceptable provision in the constitution of an organisation seeking to be a DGR in its own right is:

Gift fund dissolution clause

'If the gift fund is wound up or if the endorsement (if any) of the organisation as a deductible gift recipient is revoked, any surplus assets of the gift fund remaining after the payment of liabilities attributable to it shall be transferred to a similar type fund (education category), authority or institution to which income tax deductible gifts can be made.'