



Inland Revenue
Te Tari Taake

IR253
October 2022

Education centres

**A tax guide for organisations
that provide education**

Contents

| | |
|---|-----------|
| Introduction | 3 |
| ird.govt.nz | 3 |
| How to get our forms and guides | 3 |
| Glossary | 4 |
| Part 1 - Basic tax information | 7 |
| What is an education centre? | 7 |
| Types of education centres | 7 |
| Income tax | 7 |
| GST (goods and services tax) | 9 |
| Employing staff | 9 |
| FBT (fringe benefit tax) | 10 |
| RWT (resident withholding tax) | 11 |
| Dividends and imputation | 12 |
| Record keeping | 12 |
| Donation tax credits or deductions | 13 |
| Part 2 - Income and expenses | 14 |
| Income | 14 |
| Expenses | 21 |
| Payments to school trustees | 21 |
| Late payment | 22 |
| Part 3 - Services you might need | 23 |
| 0800 self-service numbers | 23 |
| Need to speak with us? | 23 |
| Supporting businesses in our community | 24 |
| Postal addresses | 24 |
| If you have a complaint about our service | 25 |

Introduction

This guide is for you if you're involved in running any type of education centre, including:

- Universities, wananga and polytechnics
- schools
- kindergartens and day cares
- kōhanga reo
- playcentres and crèches.

ird.govt.nz

Go to our website for information and to use our services and tools.

- **Log in or register for myIR** - manage your tax and entitlements online.
- **Calculators and tools** - use our calculators, worksheets and tools, for example, to check your tax code, find filing and payment dates, calculate your student loan repayment.
- **Forms and guides** - download our forms and guides.

Forgotten your user ID or password?

Request these online from the myIR login screen and we'll send them to the email address we hold for you.

How to get our forms and guides

You can get copies of our forms and guides at ird.govt.nz/forms-guides

Note

The information in this guide is based on current laws at the time of printing.

Glossary

Business

Any enterprise or activity intended to make a profit is classed as a business.

Charitable organisation

An organisation (incorporated or not) that carries out charitable activities or exists exclusively for charitable purposes, which include:

- the relief of poverty
- the advancement of education
- the advancement of religion
- other activities that will benefit the community.

For more information see our **Charitable organisations - IR255** or go to the Charities Commission website charities.govt.nz

Charities Services

This is part of the Department of Internal Affairs and provides;

- a registration and monitoring system for charities,
- collection and processing of charities' Annual Returns, and
- support and education to the charitable sector on good governance, and management practise.

Charity

A trust, society or institution registered as a charitable entity by Charities Services under the Charities Act 2005.

This is not the same as trusts registered with the Ministry of Business Innovation and Employment under the Charitable Trust Act 1957.

Consideration

For GST, consideration includes any amount paid in return for a supply of goods or services.

- It does not have to be compulsory.
- It does not need to be cash, eg barter.
- It may be a promise to not do something, eg in return for goods, a creditor may agree not to pursue a debt.
- It may be an incentive offered to induce a supply.
- It may be paid by someone else, eg a parent pays for a child's haircut.

It does not include unconditional gifts made to not-for-profit bodies.

Donation

A donation is a gift of money of \$5 or more made voluntarily to an education centre, to do good for the centre, and in return for which the giver receives no material benefit or advantage.

Donee organisation

An organisation that meets the requirements set out in the Income Tax Act 2007. Generally, a donee organisation is one which applies its funds wholly or mainly to charitable, benevolent, philanthropic or cultural purposes in New Zealand. Certain other organisations may also qualify, such as school board of trustees, tertiary education institutes or community housing entities. Individuals, companies and Maori authorities can get tax benefits by making donations to a donee organisation.

Non-profit body

A not-for-profit body is any society, association or organisation (incorporated or not):

- that is not carried on for the profit or gain of any member, and
- whose rules don't allow money, property or any other benefit to be distributed to any of its members.

Public authority

Includes all government departments, agencies and entities, but not:

- the Governor-General
- members of the Executive Council
- ministers of the Crown or members of Parliament.

Taxable activity

For GST, any activity carried on continuously or regularly that supplies (or intends to supply) goods and services to others for consideration (but not necessarily for a profit), or the activities of any public or local authority is a taxable activity.

Taxable activities don't include:

- employment as a salary or wage earner
- hobby activities
- the occasional sale of domestic or private assets
- making GST-exempt supplies.

Turnover

For GST, turnover is the total gross value of all goods and services supplied, excluding GST. It includes:

- goods and services sold or provided in New Zealand
- exported goods
- services supplied overseas
- grants, subsidies and barter arrangements.

It doesn't include:

- the sale of stock and assets because of winding down or ceasing business
- the sale of plant or assets being replaced
- exempt goods and services
- unconditional gifts.

Unconditional gift

For GST, an unconditional gift is a payment made:

- voluntarily to any not-for-profit body for the not-for-profit body to use
- where there is no identifiable direct benefit to the giver or the family of the giver.

Examples of unconditional gifts are:

- donations
- receipts from door-to-door appeals and street collections
- bequests

Subscriptions, income from trading activities and any payments made by the Crown or a public authority are not unconditional gifts.

Part 1 - Basic tax information

What is an education centre?

The term “education centre” includes all organisations providing educational services, from universities and schools to day-care centres. Throughout this guide we’ve called them “education centres”.

Types of education centres

- schools operated by a board of trustees bound by the Education Act 1989
- charities
- charitable organisations
- not-for-profit bodies
- businesses.

Income tax

Schools operated by a board of trustees

Schools operated by a board of trustees bound by the Education Act 1989 include:

- state schools (primary, intermediate, composite or secondary)
- state integrated schools
- Kura Kaupapa Māori
- special schools.

These schools are exempt from paying income tax by section CW 38(2) of the Income Tax Act 2007 and schedule 6 to the Education Act 1989. They don’t have to file income tax returns. They may have to pay other taxes, such as GST, PAYE and FBT.

Charities

Some education centres will be charities registered with Charities Services.

A charity registered with Charities Services is called a “tax charity” and is exempt from paying income tax and from having resident withholding tax (RWT) deducted from interest and dividend income. For more information, see page 12.

An education centre that is a charity also may be exempt from FBT.

There is no exemption from GST or PAYE.

Charitable organisations and not-for-profit bodies

Often community-based education centres are operated by organisations that are charitable but are not registered with Charities Services or by not-for-profit bodies. For example, childcare and playcentre-type organisations, kōhanga reo and community associations.

If your education centre is not carried on for the profit or gain of any member with rules that don't allow money, property or any other benefit to be distributed to any of its members the centre is only required to file an income tax return if its income is over \$1,000. Only the amount over this is taxable.

The income tax rates are:

- incorporated centres - 28 cents in the dollar
- unincorporated centres - 10.5 cents in the dollar on income from \$0 to \$14,000
 - 17.5 cents in the dollar on income from \$14,001 to \$48,000
 - 30 cents in the dollar on income from \$48,001 to \$70,000
 - 33 cents in the dollar on income from \$70,000 to \$180,000
 - 39 cents in the dollar on income above \$180,000

The education centres may have to pay other taxes, such as GST, PAYE and FBT.

Businesses

If your education centre is run to make a profit for its owners, it will be liable for income tax on all profits after expenses, and may also have to pay GST, PAYE, FBT and other taxes.

Centres that are run to make a profit must file a set of accounts and one of these returns:

- IR3 for a sole trader
- IR4 for a company (shareholders must file IR3 returns)
- IR6 for a trust
- IR7 for a partnership (individual partners must also file IR3 returns)
- IR9 for a club or societies.

If you're unsure what type of return you should complete, contact us. For further information on running a business go to ird.govt.nz to read our **Smart business - IR320** guide. You can also access other forms and guides mentioned in this booklet from this site.

Due dates for provisional tax

Education centres that pay income tax are liable for provisional tax if their residual income tax is more than \$5,000 for the last year (\$2,500 in 2019-2020 and earlier years). The due dates for payment of their instalments of provisional tax depend on the centre's balance date. For more information read our **Provisional tax - IR289** guide.

GST (goods and services tax)

If your education centre carries on a taxable activity with an annual turnover (total income before expenses) of \$60,000 or more, you must register for GST.

GST-registered education centres collect GST and pay it to us. They can also claim back any GST on expenses they have as part of their business.

To work out your annual turnover, only include income liable for GST. Don't include income that isn't liable for GST or is exempt. For example, include income from Ministry of Education grants and subsidies, private tuition fees and state integrated school attendance dues, but not income from donations, koha, and interest.

If you are operating more than one education centre, or separate divisions of the same centre, you must add together the turnover of all of them to decide whether you need to register for GST.

You need a myIR Secure Online Services account to register for GST. Go to ird.govt.nz/myIR to find out more.

Separate registration of divisions

Any education centre operating more than one school or centre, or separate divisions of the same centre, can register each school, centre or division separately if the total combined annual turnover of them all is over \$60,000.

For more information on GST and registering separate divisions go to ird.govt.nz/gst/registering-for-gst

Employing staff

If your education centre employs staff, you must register with us as an employer. You can register online in myIR. Go to ird.govt.nz/myIR for more information. You'll find more information on becoming an employer on our website ird.govt.nz/roles/employers

Anyone who is not a contractor and does paid work for your centre is treated as an employee. You must deduct PAYE from any payments these employees receive and pay it to us. If you provide an employee with accommodation rather than money for their work, you must deduct PAYE on the taxable value of the accommodation. If vouchers and stored value cards, for example, petrol vouchers, supermarket voucher cards, and Prezzy™ cards, are included in salary or wages PAYE must be deducted from their value. Other benefits provided to supplement wages may be liable for FBT.

Refer to our **Employer's guide - IR335** for further information on:

- employer requirements,
- PAYE,
- hiring self-employed contractors,
- ACC,
- student loans,
- child support, and
- employer's superannuation contributions.

FBT (fringe benefit tax)

If your education centre provides fringe benefits (perks) to any of your employees, and the centre is not a charity or a charitable organisation, you must pay FBT.

Some of the benefits liable for FBT are:

- private use of cars
- low-interest loans
- subsidised transport
- goods or services employer contributions to sickness, accident and death benefit funds.

FBT exemption for charities and charitable organisations

Education centres which are a charity or a charitable organisation (other than public authorities or universities) are generally exempt from paying FBT on any benefits provided to employees while they're carrying out the organisation's charitable activities. For example, if your employee has the use of your centre's car to carry out the centre's charitable work, any private benefit arising isn't subject to FBT.

However, if your education centre also operates a business which is outside its charitable, benevolent, cultural or philanthropic purposes and provides fringe benefits to any person employed predominantly to carry on that business, FBT might need to be paid on those benefits. For example, if such an employee has the use of a centre's car to carry out the centre's non-charitable business activities, an amount of FBT must be paid on any private use of the car.

This exemption doesn't apply to short-term charge facilities such as fuel cards or store customer cards provided to employees where the value for the tax year is more than the lesser of 5% of their salary or wages or \$1,200.

Calculating FBT

When calculating your education centre's FBT to pay, you have a choice of FBT rates to use. You can choose to work out the FBT to pay using the alternate rate or a single rate of 63.93% from 1 April 2021. There are also other options for small businesses and companies.

Free, subsidised or discounted goods and services provided to an employee are only liable for FBT if the total value is more than \$300 per quarter (\$1,200 per tax or income year for yearly payers) or the total value of all these types of benefits to all employees is more than \$22,500 in the last 4 quarters (or in the tax or income year for yearly payers).

GST on fringe benefits

If your education centre is registered for GST, GST is payable on the value of any liable fringe benefit provided to an employee. GST is calculated on the benefits in the FBT return that the fringe benefit is included in.

For more detailed information on FBT read our **Fringe benefit tax guide - IR409**.

RWT (resident withholding tax)

If your education centre has money deposited in a bank or other financial institution, or owns shares in a company, RWT may be deducted from any interest or dividends your centre earns before you receive them.

At the end of the year, the centre can claim a credit against their tax liability in its tax return for the RWT deducted.

RWT exempt status

Your education centre may qualify for RWT exempt status. This means it can receive interest or dividends without having RWT deducted.

If your centre is a registered charity, it will have RWT exempt status and its IRD number will be listed on the RWT exemption register. When Charities Services registers or deregisters an organisation as charitable, they inform us. We accept their decision and approve or cancel RWT exempt status.

All other organisations must apply using our **Application for exemption from resident withholding tax (RWT) on interest and dividends - IR451** form. Complete and send it to us along with any information we ask for.

The IRD number of everyone with RWT exempt status is listed on the RWT exemption register on our website at ird.govt.nz/rwt-exemption

Payers of investment income (for example, banks) access this register to confirm which of their customers are exempt from having RWT deducted. From 1 April 2020, they will no longer ask for or accept physical certificates of exemption for RWT.

You may also like to tell anyone paying you interest or dividends about your exemption, so they stop deducting RWT.

Unless you're a charity, you are responsible for telling us if you no longer meet the criteria for an exemption. We will update your status and the register.

Dividends and imputation

If you're running your education centre as a company, you'll have to deduct RWT from any dividends you pay your shareholders. The RWT rate payable on dividends is 33%, but this rate is offset by any imputation credits or foreign dividend payment credits, attached to the dividend. For instance, you only need to deduct 5% RWT from a dividend that is fully imputed at 28:72 (the maximum imputation ratio for any credits that relate to tax paid of 28%).

For more information read our guides **Resident withholding tax (RWT) on dividends - payer's guide - IR284** and **Imputation - IR274**. Our **Resident withholding tax on interest (RWT) payer's guide - IR283** has the information you'll need if your centre pays interest and deducts RWT.

Record keeping

Your education centre has to keep enough records to be able to calculate its income, expenses and tax liabilities and to enable us to confirm your accounts if required. Some records you must keep are:

- account books to record receipts and payments
- bank statements
- invoices (including GST invoices)
- receipts
- any other necessary documents to confirm entries in your accounts
- stocktake figures for the end of the financial year
- wage records for all employees, including Employer Superannuation Contribution Tax records
- interest and dividend payment records.

Note

For GST you do not need to keep a tax invoice for items costing less than \$50. For income tax, you should have invoices for all expenses, whatever the amount.

You must keep all records for seven years, even if you cease operating. All records must be in English, unless you have written approval from us to use another language.

It's important to keep all this information as we routinely inspect people's records. If you fail to keep sufficient records you can get a fine.

Donation tax credits or deductions

If your education centre is a donee organisation, people who donate more than \$5 to the centre may qualify for a tax credit of 33.33%. The centre will need to provide the giver with a donation receipt which they will need to submit to us to be able to claim the donation tax credit. The receipt issued by the centre will need to clearly state that it is for a donation, show the amount and date of the donation, show the giver's name, be signed by an authorised person, and show the centre's IRD number and/or charities number. If the receipt is a replacement, it needs to clearly show the word "copy" or "replacement".

The giver can submit their receipt online through their myIR account at any time during the year, or they can send us a **Tax credit claim form - IR526**. They can submit a donation receipt within 4 years of when the donation was made.

A centre doesn't have to be a charity to be a donee organisation. However, from 1 April 2020 if the centre has only charitable purposes it must register as a charity to obtain donee status.

For more on how to get approval as a donee organisation and issue donation receipts read our **Charitable and donee organisations - IR255** guide.

Part 2 - Income and expenses

Income

Education centres can receive many types of income, for example:

- grants
- subsidies
- donations
- fees
- raffle money
- trading profits
- proceeds from the sale of assets.

The table on page 15 shows what types of income are liable for GST and income tax.

Income that is “exempt from GST” is different from income that’s “not liable for GST”. This is important when working out your claim for GST credits for goods and services purchased to run your centre. GST-registered centres may claim GST credits on expenses incurred in deriving income that’s either liable or not liable for GST. Your centre cannot claim GST for expenses incurred in deriving income that’s exempt from GST.

Table of income

For more information about this table see the notes on pages 15 to 19.

| Type of income | Liable for GST | Not liable for GST | Exempt from GST | Liable for income tax | Not liable for income tax |
|--|----------------|--------------------|-----------------|-----------------------|---------------------------|
| Grants and subsidies | ✓ | | | | ✓* |
| Donations and unconditional gifts | | ✓ | | | ✓ |
| Koha | | ✓ | | | ✓ |
| Bequests | | ✓ | | | ✓ |
| Voluntary contributions to schools operated by a board of trustees bound by the Education Act 1989 | | ✓ | | | ✓ |
| Payments for take-home projects | ✓ | | | ✓ | |
| School trips | | ✓* | | | ✓* |
| Examination fees | | ✓* | | | ✓* |
| Private school fees | ✓* | | | ✓* | |
| Attendance dues | ✓ | | | ✓ | |
| Payments to kindergartens, early childhood centres, playcentres and kohanga reo | ✓ | | | ✓ | |
| University tuition fees | ✓ | | | ✓ | |
| Hostel fees | ✓ | | | ✓ | |
| Raffles | ✓ | | | | ✓* |
| Sale of donated goods and services | | | ✓* | | ✓ |
| Sale of purchased goods | ✓ | | | ✓ | |
| Trading activities | ✓ | | | ✓ | |
| Hall and equipment hire | ✓ | | | ✓ | |
| Residential rent | | | ✓* | ✓ | |
| Commercial rent | ✓ | | | ✓ | |
| Sale of assets and equipment | ✓ | | | | ✓ |
| Building and maintenance recoveries | ✓ | | | | ✓ |
| Insurance receipts | ✓ | | | | ✓ |
| Penalties or fines | ✓ | | | ✓ | |
| Textbook deposits | | ✓* | | | ✓* |
| Advertising and sponsorship | ✓ | | | ✓ | |
| Interest and dividends | | | ✓ | ✓ | |

* Can be liable in certain situations. Contact us on 0800 377 774 for more information.

Grants and subsidies

Education centres may receive grants and subsidies from the Crown, public authorities and other organisations.

The tax treatment of these is covered in our **Grants and subsidies - IR249** guide.

Donations (unconditional gifts)

A donation that is an unconditional gift paid to an education centre isn't liable for income tax or GST. They should be totally ignored in all GST calculations. A donation is only an unconditional gift if it is paid voluntarily to any not-for-profit body for the not-for-profit body to use and the giver doesn't receive any identifiable direct benefit in return.

For example, where the giver in return for making the payment is provided with the use of premises or advertising space in an education centre's newsletter, the payment isn't a donation or an unconditional gift.

Some grants received by your education centre might be a donation, especially if made by a charitable trust. If you're not sure if a payment is a donation contact us on 0800 377 774.

Koha

A koha payment made as an unconditional gift isn't liable for income tax or GST. For more information read our factsheet **Payments and gifts in the Māori community - IR278**.

Bequests

A bequest made to a not-for-profit body is treated as an unconditional gift and is not liable for income tax or GST.

Voluntary contributions to schools operated by a board of trustees

The Education Act 1989 gives New Zealand citizens aged between 5 and 19 the right to free education at any school operated by a board of trustees bound by the Education Act. Because state education is free and is provided regardless of whether or not any payment is made to their school for that education, any such payment received by these schools is considered a donation and is not liable for income tax. The payments are also not liable for GST.

Fees paid by international students to attend New Zealand schools are liable for GST and income tax. This is because international students don't have a statutory right to free education in New Zealand and are paying for the education they receive.

Voluntary contributions made by parent-teacher associations or similar groups from fundraising activities to school boards of trustees are usually donations.

Payments for take-home projects

At a school operated by a board of trustees bound by the Education Act, where a student has chosen to buy and take home an item they have made (for example, a wooden pencil case made in a Hard Materials class) that is a supply of goods and the payment is liable for GST. While a family is not obliged to buy any item produced at school, the school may ask for a voluntary contribution towards the school's materials costs. A voluntary contribution to the school's materials costs is not consideration for GST purposes, and so is not liable for GST.

Charges for take-home projects and materials fees paid to education centres that are not schools operated by a board of trustees bound by the Education Act are liable for GST and income tax.

School trips

Families might be asked by a school operated by a board of trustees bound by the Education Act to make a voluntary contribution or payment toward the school's cost of providing a school trip forming part of its curriculum. Any amount paid is not liable for GST or income tax. This is because students have a statutory right to participate in the school trip regardless of whether the family makes any payment.

School trip amounts charged to families with children at other education centres, or where trips are extra-curricular (for example, an optional weekend ski trip), are liable for GST and income tax. This is because students must pay the amount to be able to participate in the school trip.

Attendance dues

Attendance dues paid to state integrated schools are liable for GST and generally, income tax as they are required to be paid for the student to be able to attend the school.

Examination fees

Where an education centre collects examination fees, the part that is handed over to another organisation isn't liable for GST or income tax. If the centre keeps any portion of the fee, this is liable for GST and income tax.

Private school fees

School fees paid to private schools (ie, schools not operated by a board of trustees bound by the Education Act 1989) are liable for GST and income tax, unless the school is income tax exempt.

Attendance dues

Attendance dues paid to state integrated schools are liable for GST and generally, income

tax as they are required to be paid for the student to be able to attend the school.

Payments to kindergartens, early childhood centres, playcentres and kōhanga reo

Amounts that must be paid for a child to be able to attend a kindergarten, early childhood centre, playcentre or kōhanga reo or to participate in its activities aren't donations so are liable for GST and income tax.

Voluntary contributions or koha which are donations made to assist a charitable or not-for-profit education centre aren't liable for GST and income tax.

University tuition fees

University students' tuition fees paid to the university aren't donations. This is because if the fees aren't paid the students cannot enrol at university. The fees are liable for GST and income tax where the university is not exempt from income tax.

Hostel fees

Hostels are generally liable for GST, as they come within the definition of a "residential establishment". The GST to be charged is worked out using a special calculation which you can find in the **GST guide - IR375**.

Hostel fees charged by a centre will also be liable for income tax where the centre is not exempt from income tax.

Raffles

For a raffle with cash prizes, the amount liable for GST is the total of all ticket sales, less the total amount of all the cash prizes.

If purchased goods are used as prizes, all the takings are liable for GST and tax credits can be deducted for the prizes purchased.

Where donated prizes are raffled, all takings are GST liable. This is because the purchase of the raffle ticket buys the right to participate in the raffle and not the actual prizes (donated goods are exempt from GST).

Generally, raffle proceeds are not liable for income tax. The profits will be liable if the proceeds come from outside the centre and the raffle is run like a business, intending to make a profit (the scale and nature of the activity confirm this).

Sale of donated goods and services

If a non-profit body has goods or services donated to it and later sells them, it cannot

charge GST on the sale. The proceeds aren't liable for income tax.

If all the goods and services making up the final goods sold by the non-profit body are donated, the sale is exempt from GST. If the final goods sold are made up of both donated and purchased goods and services, including any wages paid to employees, the sale is liable for GST.

Sale of purchased goods

Goods purchased and resold to raise funds are liable for GST and income tax. Any organisation can claim a GST credit for any purchases made, as long as it meets the tax invoice rules.

Trading activities

Some education centres may have separate trading activities to supplement their income, eg running stationery shops, tuckshops, farms and cafeterias.

These activities will involve selling goods and/or services and are liable for GST. They're subject to the normal GST registration rules, but there are some special registration criteria for not-for-profit education centres.

The net profit, after the deduction of expenses, from the trading activity is liable for income tax unless the education centre is tax exempt.

FBT might be payable on fringe benefits provided to employees in respect of their engagement in the education centre's trading activities.

Hall and equipment hire

Money received from your education centre hiring its hall or equipment will be part of the centre's income for GST and income tax.

Residential and commercial rent

If an education centre leases out a dwelling as a private home the rent the centre receives is exempt from GST. This means that GST is not charged on the rent and the expenses of maintaining the home don't qualify for a GST credit. The rent, after the deduction of expenses, is liable for income tax unless the centre is tax exempt.

If an education centre leases out commercial premises the rent is liable for GST. The rent, after the deduction of expenses, is liable for income tax unless the centre is tax exempt.

Sale of assets and equipment

If an education centre claims GST input credits for assets or equipment, these are treated as part of the centre's taxable activity, and they will be liable for GST when they are sold unless:

- they are used for making exempt supplies, or
- an election is made: Up to 31 March 2021 you can elect and repay any GST input credits that were claimed on the assets or equipment that are not ordinarily part of the centre's taxable activity. They will then be treated as not being part of the centre's taxable activity, and no GST will be payable when the assets or equipment are eventually sold or otherwise disposed of.

The sale of assets and equipment used in running an education centre is generally not assessable for income tax but would affect any claim made for depreciation of the asset. For more information see our **Depreciation - a guide for business - IR260**.

Building and maintenance recoveries

Payments your education centre receives as reimbursements, eg for the cost of repairing damage to grounds or buildings, are liable for GST.

Insurance receipts

If your centre receives a payment from a general insurance claim, the proceeds are subject to GST, as the transaction is treated as if the insurance company purchased the asset.

Generally, these payments are not liable for income tax, but may affect any claim made for depreciation of the asset. For more information see our **Depreciation - a guide for business - IR260**.

Penalties or fines

Education centres may levy or impose penalties or fines for things like overdue library books. These payments are consideration for a service, in this case the extended borrowing, and are liable for GST and income tax.

Textbook deposits

Refundable deposits paid to an education centre to secure textbooks aren't liable for GST or income tax when the deposit is received. If the book is damaged or lost and the centre keeps the deposit, it's then liable for GST and income tax.

If the deposit is donated to the centre when the student leaves, it becomes a donation and unconditional gift and isn't liable for GST or income tax.

Advertising and sponsorship

Income received by your education centre from selling advertising space in newsletters, websites or school magazines etc, is liable for GST.

There's a difference between advertising and simply publicly acknowledging a donation you have received. Advertising is a service that benefits the person making the payment and is liable for GST and income tax. A simple acknowledgement doesn't provide a valuable benefit to the giver.

Income from sponsorships is liable for GST if the centre is registered, and liable for income tax if the centre isn't exempt. This is because in return for the sponsorship, the education centre advertises the sponsor's name. This may be by wearing the sponsor's name on t-shirts, or by using the sponsor's products.

If your centre is receiving advertising or sponsorship income and you're not sure how to treat it, contact us on 0800 377 774.

Interest and dividends

Interest and dividends received by your education centre is exempt from GST. Centres cannot claim GST credits for any costs incurred in deriving exempt income.

Interest and dividends are liable for income tax. Usually RWT will be deducted from interest and dividends before the centre receives them, unless the centre has RWT exempt status. For more information about RWT exempt status, see page 11.

Imputation credits may also be attached to dividends.

Expenses

Education centres have to pay various costs to earn their income, eg salaries, wages, allowances, general maintenance and utilities.

If your education centre is liable for income tax it can deduct these expenses from its gross income to work out its taxable profit.

GST on expenses can only be claimed if they're incurred in earning income liable for GST.

Payments to school trustees

Schools operated by a board of trustees bound by the Education Act 1989 may make payments to the board's chairperson and to each school board trustee for each board meeting they attend.

These payments are honoraria and tax at a flat rate of 33 cents in the dollar should be deducted.

Part of these payments will be considered reimbursement of expenses, so tax won't need to be deducted from the following:

- chairperson of board of trustees - the first \$75 of honoraria per board meeting attended, up to a maximum of \$825 a year (11 meetings)
- other board members - the first \$55 of honoraria per board meeting attended, up to a maximum of \$605 a year (11 meetings).

School board chairpersons and trustees are self-employed for ACC purposes.

Late payment

If you do not pay a bill on time, you may have to pay penalties and interest.

Contact us if you are not able to pay on time. We'll look at your payment options, which may include an instalment arrangement.

Find out more at ird.govt.nz/penalties

Part 3 - Services you might need

0800 self-service numbers

Our 0800 self-service number, 0800 257 777, is open 7 days a week. Make sure you have your IRD number ready when you call.

For access to your account-specific information, you'll need to be enrolled with voice ID or have a PIN.

When you call, confirm what you want from the options given. If you need to talk with us, we'll re-direct your call to someone who can help you.

Need to speak with us?

Have your IRD number ready and call us on one of these numbers.

| | |
|--------------------------------------|--------------|
| General tax, tax credits and refunds | 0800 775 247 |
| Employer enquiries | 0800 377 772 |
| General business tax | 0800 377 774 |
| Overdue returns and payments | 0800 227 771 |

We're open 8am to 6pm Monday to Friday, and 9am to 1pm Saturday. We record all calls.

Our self-service lines are open 7 days a week. They offer a range of automated options, especially if you're enrolled with voice ID.

Find out more at ird.govt.nz/contact-us

Supporting businesses in our community

Our Community Compliance officers offer free tax education and advice to businesses and small organisations, as well as seminars for personal tax and entitlements.

Our Kaitakawaenga Māori offer a free advisory service to help meet the needs of Māori individuals, organisations and businesses.

Go to a seminar or workshop, or request a visit from us to find out more about:

- records you need to keep
- taxes you need to know about
- using our online services
- completing your tax returns (eg GST, employer returns)
- filing returns and making payments
- your KiwiSaver obligations.

Go to ird.govt.nz/contact-us and select **Request a business advisory** to find out about requesting a visit.

Find a seminar or workshop near you at ird.govt.nz/seminars

Postal addresses

Payments

Inland Revenue
PO Box 39050
Wellington Mail Centre
Lower Hutt 5045

Returns

Inland Revenue
PO Box 39090
Wellington Mail Centre
Lower Hutt 5045

General correspondence

Inland Revenue
PO Box 39010
Wellington Mail Centre
Lower Hutt 5045

Privacy

Meeting your tax obligations means giving us accurate information so we can assess your tax and entitlements under the Acts we administer. We may charge penalties if you do not.

We may also exchange information about you with:

- some government agencies
- another country, if we have an information supply agreement with them, and
- Statistics New Zealand (for statistical purposes only).

You can ask for the personal information we hold about you. We'll give the information to you and correct any errors, unless we have a lawful reason not to. Find our full privacy policy at ird.govt.nz/privacy

If you have a complaint about our service

We're committed to providing you with a quality service. If there's a problem, we'd like to know about it and have the chance to fix it.

If you disagree with how we've assessed your tax, you may need to follow a formal disputes process.

Find out more about making a complaint, and the disputes process, at ird.govt.nz/disputes



Te Kāwanatanga o Aotearoa
New Zealand Government