

**EXPOSURE DRAFT - FOR COMMENT AND DISCUSSION ONLY | HUKIHUKI HURANGA  
- MŌ TE TĀKUPU ME TE MATAPAKI ANAKE**

Deadline for comment | Aukatinga mō te tākupu: **7 February 2023**

Please quote reference | Whakahuatia te tohutoro: **PUB00340**

Send feedback to | Tukuna mai ngā whakahokinga kōrero ki  
[Public.Consultation@ird.govt.nz](mailto:Public.Consultation@ird.govt.nz)

**FACT SHEET | PUKA MEKA**

# **GST and Income Tax - Payments made by parents to childcare centres**

Issued | Tukuna: Issue Date

**QB 22/XX & QB 22/XX FS 1**

This fact sheet accompanies:

- QB 22/XX Goods and Services Tax – Payments made by parents to childcare centres which considers the GST treatment of payments parents make to their child’s childcare centre; and
- QB 22/XX Income Tax – Donation tax credits and payments made by parents to childcare centres which explains when a parent’s payment to their child’s childcare centre will qualify for a donation tax credit.

## Key terms | Kīanga tau tāpua

<b>Childcare centre</b>	Includes kindergartens, daycare centres, preschools, early learning centres, crèches, kōhanga reo, Pacific Island language centres, Playcentres, playgroups and the like. It does not include home-based carers or early learning services provided by in-home educators.
<b>Donee organisation</b>	A childcare centre that is a registered charity or otherwise on Inland Revenue's list of approved donee organisations
<b>Parent</b>	Includes a child's guardian or caregiver who makes payments to a childcare centre

## Introduction | Whakataki

1. Many payments parents make to childcare centres are subject to GST at the standard rate of 15%. This is because the payments are fees and are paid in return for the supply of early childhood education and related goods and services provided by the childcare centre.
2. In addition to paying fees, parents might choose to donate money to their child's childcare centre. Where the centre is a donee organisation, the parent may be entitled to claim a donation tax credit for these donations and the payments may be exempt from GST.
3. In the past, some parents have made payments incorrectly called "donations" to childcare centres in substitution for paying no or low fees. Such payments are not donations for tax purposes. There are no donation tax credits for any payments parents pay to childcare centres incorrectly described as "donations", and such payments are subject to GST.

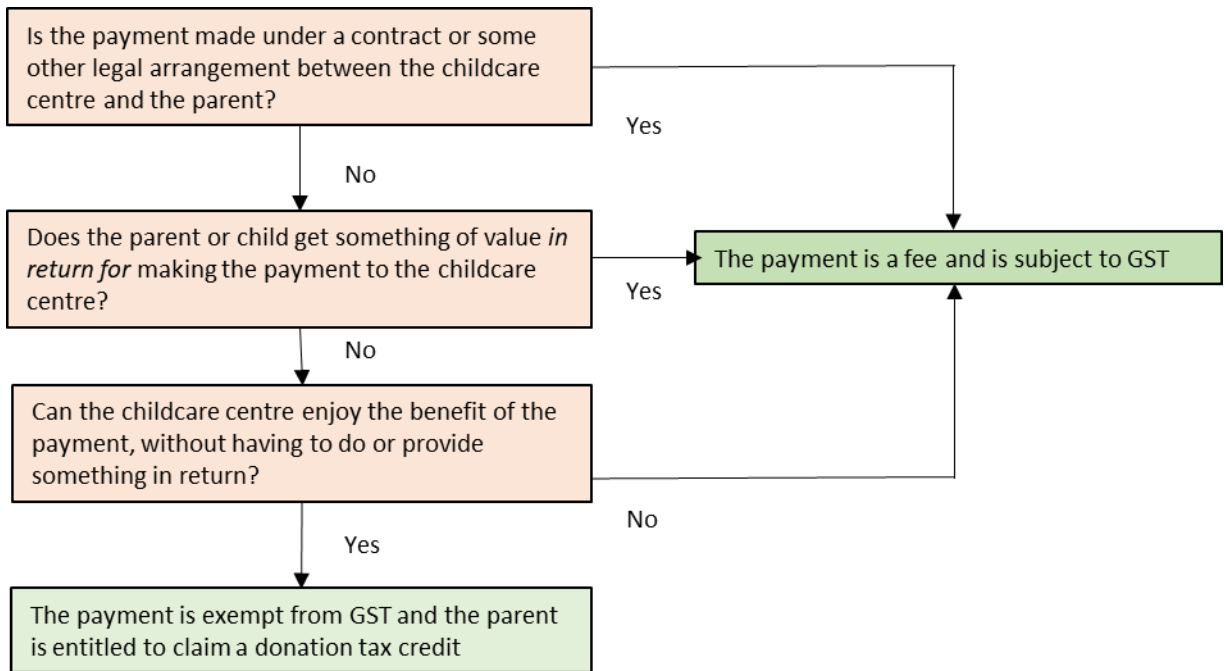
## Issue | Take: Whether the payment is a fee or donation

4. Where the childcare centre is a donee organisation, special rules apply to determine if payments made by parents to childcare centres are:
  - fees and subject to GST; or

- donations, so exempt from GST, and the parent may be entitled to claim a donation tax credit.

5. The special rules are summarised in Figure 1.

**Figure | Hoahoa 1: Are payments donations or fees?**



## About this document | Mō tēnei tuhinga

Some of the Tax Counsel Office’s longer or more complex items are accompanied by fact sheets, which summarise and explain the item’s main points. While they summarise the Commissioner’s considered views, to fully understand the guidance a fact sheet should be read alongside the full item. Fact sheets are not binding on the Commissioner. See further [Status of Commissioner’s advice \(December 2012\)](#).