

EXPOSURE DRAFT - FOR COMMENT AND DISCUSSION ONLYDeadline for comment: **26 September 2022**Please quote reference: **PUB00341 – fact sheet**Send feedback to Public.Consultation@ird.govt.nz**FACT SHEET**

GST and Income Tax – Payments made by parents to private schools

Issued: Issue Date

QB 22/xx and QB 22/xx FS

This fact sheet accompanies QB 22/xx Income Tax – Payments made by parents to private schools and donation tax credits and QB 22/xx Goods and Services Tax – Payments made by parents to private schools, which consider the tax treatment of payments parents make to private schools.

Key terms

Donee organisation is a private school that is a registered charity or otherwise on Inland Revenue's list of approved donee organisations.

Parent includes a child's guardian or caregiver who makes payments to a private school.

Private school means a school registered under s 214 of the Education and Training Act 2020.

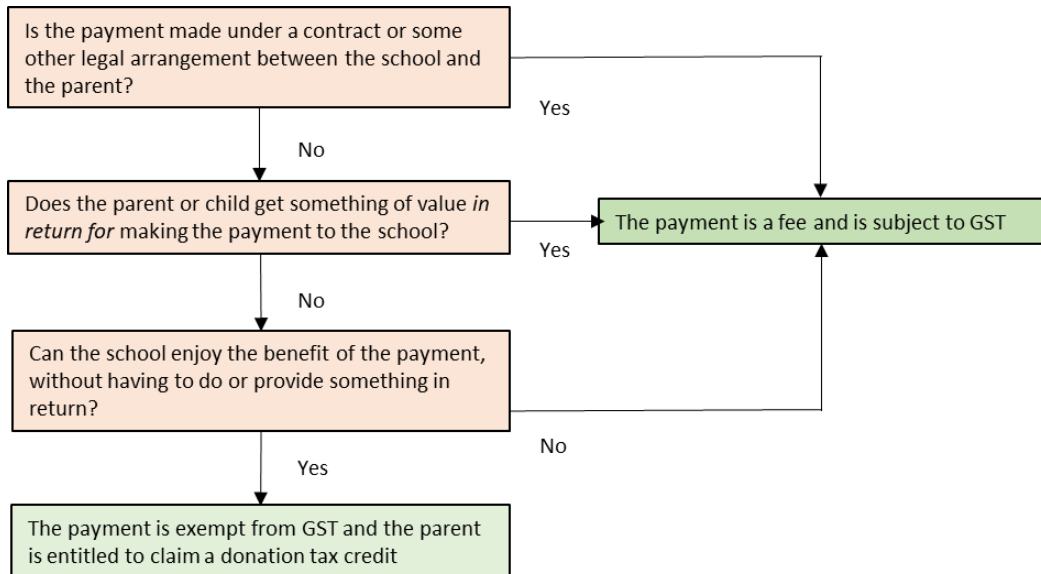
Introduction

1. Most payments parents make to their children's private schools are subject to GST. This is because the payments are fees and are paid in return for the supply of education and education-related goods and services by the school.
2. Usually private schools will charge GST at the standard rate of 15% on the supplies they make to parents. But some boarding fees private schools charge might be subject to a lower rate of GST where they include a charge for the supply of domestic goods and services.
3. In addition to paying fees, parents might choose to donate money to their child's private school. Where the school 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.
4. In the past, some parents have made payments incorrectly called "donations" to private schools in substitution for paying no or low school fees. There are no donation tax credits for any payments parents pay to private schools incorrectly described as "donations", and such payments are subject to GST.

Whether the payment is a fee or donation

5. Where the private school is a donee organisation, special rules apply to determine if payments made by parents to private schools are:
 - fees and subject to GST; or
 - donations, so exempt from GST, and the parent may be entitled to claim a donation tax credit.
6. The special rules are summarised in Flowchart 1.

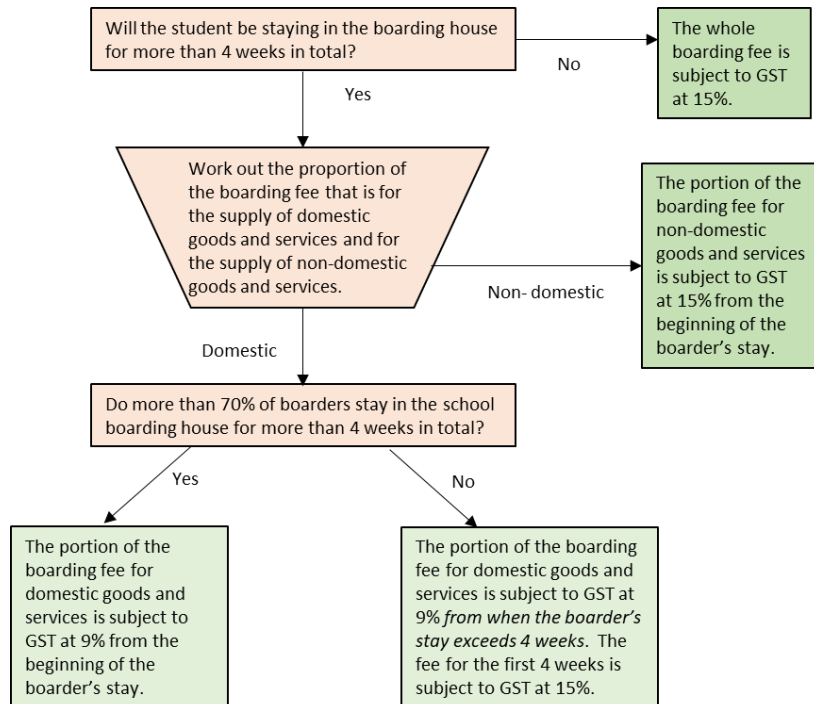
Flowchart 1: Applying the special rules to determine if payments are subject to or exempt from GST



GST on boarding fees

7. Special rules apply for calculating the GST on school boarding fees. Where students have arranged to board at the school for more than four weeks, the school charges GST at a lower rate to the extent the boarding fee is for the supply of domestic goods and services. This covers the amount charged for the child's right to occupy the boarding house (including ancillary supplies such as power, cleaning and other chattels related to that right to occupy the premises). Supplies of other non-domestic goods and services (such as meals, pastoral care and personal laundry services) are always subject to GST at the standard rate of 15%.
8. The lower rate of GST for boarders staying more than four weeks applies from different dates, depending on whether the boarding house is used predominantly (that is, more than 70%) for stays exceeding four weeks. If it is, then the lower rate of GST applies from the first day of a boarder's stay. If not, then the lower rate of GST does not apply until a boarder's stay exceeds four weeks.
9. Flowchart 2 explains when a lower rate of GST applies to school boarding fees.

Flowchart 2: Determining when a lower rate of GST applies to school boarding fees



About this document

Some of our longer or more complex items are accompanied by fact sheets, which summarise and explain the main points. To fully understand the guidance, a fact sheet should be read alongside the full item.

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