FARMS chapter 21 - Taxation

Contents

21. Overview

The Finance and resource management for schools (FARMS) manual is the Department of Education and Training (department) official guideline for schools approved for publication by the Chief Executive (CE) under section 112 of the *Education Act 2015* (the Act).

School bodies are body corporates under section 106 of the Act and must comply with relevant Australian Government, state and territory taxation requirements for school-held (SH) funds. The principal manages the school's compliance with taxation requirements for SH funds on behalf of the school body. Taxation matters related to the school's department-held (DH) funds are managed by the department and other Northern Territory (NT) Government agencies.

This FARMS manual chapter briefly overviews the various taxation requirements of SH funds for income tax, Australian business number (ABN), goods and services tax (GST), fringe benefits tax (FBT), deductable gift recipient (DGR), pay as you go (PAYG), business activity statements (BAS), superannuation, payroll tax and MyID in schools. It also explains where there are extra requirements to comply with the relevant legislation.

The chapter is not intended to be a comprehensive guide to school taxation requirements. For detailed information on taxation information, refer to the Australian Taxation Office (ATO) website and relevant legislation.

An overview of GST is available in the GST Manual for schools which is provided to all NT Government schools. For further information about the GST manual, contact School Business Services (SBS-Finance) by submitting a Jira ticket through the Education finance support portal.

Compliance involves record keeping, data submissions and payments:

- for each pay run processed
- monthly
- annually
- after the end of the financial year – 1 July to 30 June
- after the end of the FBT year – 1 April to 31 March.

21.1. General information

21.1.1. Income tax

Schools are exempt from income tax because they meet the definition of a state or territory body in section 24AK of the *Income Tax Assessment Act 1936* (Cth). There is no income tax exemption certificate for this, so if schools need to provide evidence that they are exempt from income tax, they should quote section 24AK of the Income Tax Assessment Act 1936 (Cth) and refer people to the ABN Lookup website, which identifies the school as a government entity. A link to this website can be found in the Resources section of this chapter.

21.2. Principal responsibilities

21.2.1. Access to Australian Government systems - myID

MyID is used for business interactions with the Australian Government and is issued to individual users. Users can link their myID to the businesses they act on behalf of.

MyGov and myID - formerly myGovID, are different systems.

- myGov is used for personal interactions with government services and must not be linked to the school.
- myID is used for business interactions and is the system schools must use for official access.

Schools must ensure that multiple authorised users have their myID linked to the school. This ensures the school can manage access to add or remove users as required and maintain continuous access to relevant Australian Government systems. MyID makes it possible to access online services for the school.

Systems with myID links that may be relevant to NT Government schools are listed and continue to expand:

- Access manager: an ATO system used to customise access and permissions for ATO online services.
- Australian Business Register: allows users to update ABN details and manage authorisations.
- Employer support payment scheme: an online claim system for employers of reservists.
- Integrated revenue application (INTRA): a portal to lodge payroll tax to the Territory Revenue Office.
- Online services for business: a system for businesses to report and manage their tax and superannuation. This replaced the ATO Business portal.
- NT Vocational education and training (VET) portal - allows registered training organisations to submit VET activity.
- Relationship Authorisation Manager (RAM): an Australian Government authorisation service that allows users to act on behalf of a business online. CiA uses this system, and it is required to access online services for the school.

Principals must:

- make sure the business manager and at least one other NT Public Sector school or relevant corporate employee at a higher acting level than the business manager has their myID linked to the school, for example, the principal, assistant principal, regional services officer, bureau business manager
- determine if a third NT Public Sector school or relevant corporate employee requires a linked myID. An officer at a lower level than the business manager can be linked to the school as a third person but must not be provided with myID administrator access.

21.2.2. Australian business number

Principals must:

- update the school's ABN details through the Australian business register (ABR) as required, updates are required if the school changes name, postal address or DGR status
- confirm that suppliers' ABN and GST status matches the invoice through the ABN Lookup online tool prior to making payments
- withhold the proper amount of withholding tax from a payment against a completed statement by the supplier not quoting an ABN if there is reason to suspect the supplier will not complete the Statement by Supplier form.

Principals must not:

- let the school have a trading name; any previous trading names must be deactivated on the ABR
- engage in transactions with suppliers who do not have an ABN, unless the supplier provides a completed Statement by a Supplier form, and the school has no reason to believe the supplier is ineligible to complete it.

21.2.3. Australian Taxation Office online services for business

Relationship Authorisation Manager (RAM) is used to authorise individuals to act on behalf of a business.

Access Manager is used to assign and manage the specific permissions those authorised individuals have within ATO systems.

RAM determines who has access, while Access Manager determines what level of access they have.

Principals must:

- check the balance of the school's ATO account details - Integrated client account at least monthly and take action to reconcile the balance if it is not zero
- keep the ATO contacts up to date with a minimum of 2 registered contacts per school, preferably the business manager and principal. School management council (SMC) and multi school management councils (MSMSC) may want to add the Senior Director Education (SDE) or a nominated Schools NT delegate
- provide ATO access for any bookkeepers contracted under the Auditor and Bookkeepers panel contract.

21.2.4. Business activity statements

The business activity statement (BAS) is a tax return prepared by a business to report a wide range of taxation obligations, including GST, FBT and PAYG. Schools use the BAS to report their monthly GST liabilities and quarterly FBT instalments.

Further information can be found on the ATO website. A link to this website can be found in the Resources section of this chapter.

Principals must:

- lodge the BAS monthly through the ATO's Online Services for Business, ensuring it is submitted within the required timeframe.
- lodge the BAS on a cash, not accrual, basis
- make sure any tax refunds are paid into the school's official bank account.

21.2.5. Deductible gift recipients

A deductible gift recipient (DGR) is an organisation that can receive donations that are tax deductible. If a donation is tax deductible, donors can deduct the amount of their donation from their taxable income when they lodge their tax return.

Schools can apply to become DGRs for endorsed education categories, including school building funds and school library funds. This allows schools to receive donations that are tax deductible for the individual. A copy of a tax invoice must be provided to substantiate a deduction in their personal tax returns. Each year, schools that are registered DGRs need to assess their compliance with the DGR requirements.

Principals must:

- comply with the DGR requirements of the ATO
- annually assess their compliance with the DGR requirements for an existing registered DGR and report on compliance to the SRB
- notify the ATO if a change in DGR status takes effect.

Principals must not:

- issue tax deductible school receipts for donations unless the funds are for the school's registered DGR
- issue tax deductible school receipts for donations that do not comply with the DGR endorsement requirements
- use funds received by the DGR fund for any purpose other than the endorsed purpose.

Further information regarding DGRs can be found on the ATO website.

21.2.6. Fringe benefits tax

FBT is a tax paid by employers on certain benefits provided to their employees, or to their employees' families or other associates. A fringe benefit is like a payment to an employee, but in a different form to salary or wages.

FBT is paid by the department for fringe benefits provided to NT Public Sector employees by the NT Government, such as remote housing. The school must provide the department with FBT information if NT Public Sector school employees use school property that may be subject to FBT.

Principals must:

- complete the FBT return, ensuring all fringe benefits provided to any school body employee is reported to ATO
- pay FBT that has been assessed by the ATO within the timeframe set by the ATO
- seek advice or clarification from SBS-Finance via Jira as required.

The FBT year is from 1 April to 31 March.

Minor fringe benefits are exempt from FBT. These are benefits of less than a specified amount that would be unreasonable to treat as a fringe benefit. The more frequently and regularly a minor benefit is provided, the less it is likely that it will qualify as an exempt benefit. School business managers must keep records of private use of school property and all benefits provided that may be subject to FBT, even if these do not result in FBT being payable.

Further information regarding FBT can be found on the ATO website. A link to this website can be found in the Resources at the end of this chapter.

21.2.7. Fringe benefits tax and vehicles

Some vehicles are NT Government Fleet vehicles, and some vehicles are school vehicles. Care needs to be taken to make sure the appropriate records are kept for the type of vehicle and type of employee, as shown in Table 16.1: Fringe benefits tax for home garaging and private use of vehicles.

Table 21.1: Fringe benefits tax for home garaging and private use of vehicles

Vehicle	NT Public Sector school employee	School body employee
NT Government Fleet vehicle	FBT paid from DH funds and reported to the ATO by the Department of Corporate and Digital Development (DCDD). Details are recorded through the Vehicle Booking System	FBT paid from SH funds and reported to the ATO by the school. Details are recorded through the Vehicle Booking System
School vehicle	FBT paid from DH funds and reported to the ATO by DCDD. Details are recorded through the School Vehicle Booking Register and provided to DCDD	FBT paid from SH funds and reported to the ATO by the school. Details are recorded through the School's Vehicle Booking Register

Principals must:

- budget for anticipated FBT expenses in the DH funds or SH funds as required
- comply with the FBT law in every respect
- conduct an FBT review quarterly
- determine if providing the fringe benefit is a proper use of the school's funds or property prior to providing the benefit
- make sure the required data is captured to report FBT
- register for FBT with the ATO if the school must pay FBT from SH funds.

Principals must not:

- allow school body employees to home garage school vehicles or use for private purposes
- permit novated lease arrangements for school body employees to be managed through Ci Anywhere (CiA)General responsibilities
- permit salary sacrificing arrangements with school body employees, other than before tax salary sacrifice for superannuation.

21.2.8. General responsibilities

As the operational leaders of their schools, principals make sure the school meets its statutory compliance requirements for SH funds and DH funds, including taxation obligations.

Principals must:

- make sure key employees are recruited with adequate knowledge to make sure the school complies with its statutory obligations
- make sure key employees remain up to date with legislative requirements relevant to the school's statutory obligations
- make sure the school meets its statutory requirements for SH funds
- provide information as required by the department to support compliance with taxation requirements for expenditure from DH funds.

21.2.9. Goods and services tax

Schools must accurately record both Goods and services tax (GST) collected, and GST paid. There are specific rules which apply to not-for-profit organisations and NT Government schools that should be fully understood when recording GST. The main areas are:

- camps and excursions
- fundraising events
- school canteens
- food sales
- events and performances
- sale of capital assets
- sale of goods
- sale of uniforms.

Schools have been provided with a detailed electronic GST Manual for schools. Further information regarding GST can be found on the ATO website or by contacting SBS-Finance by submitting a Jira ticket.

Principals must:

- comply with the GST law in every respect
- only pay on valid tax invoices, or invoices with a statement by a supplier not quoting an ABN
- support the school body to record motions passed to:
  - make an input taxed fundraising event election, to treat 15 or fewer fundraising, or similar events in any year, as input taxed if required
  - make an input taxed school canteen election, to treat sales of food and beverage as input taxed if required, and revoke the election if required
- support the school body to review all GST input taxed elections at least annually at the first or second meeting after the school body Annual General Meeting (AGM) and ensure that all decisions are minuted and recorded in the school body's decision register.

21.2.10. People required to link myID to the school

People required to link their myID to the school must:

- create a myID and update their authorised list in RAM to access school online services as required
- update their authorised list in RAM to remove access to school online services when they're no longer at the school or are not required to maintain a school linked myID.

People required to link myID to the school must not:

- allow personal myGov accounts to be linked to the school's BAS or other records.

21.2.11. Pay as you go

Schools collect and submit, via the BAS PAYG withholding tax on behalf of school body employees to help employees meet their end of year tax liabilities and to meet ATO requirements. PAYG withholding may also apply to payments to contractors. The amount of PAYG withholding is determined by an employee's circumstances provided by the employee on their Tax file number (TFN) declaration.

After June 30 each year, the end of the financial year, Financial Services submits the annual PAYG reports and income statements to the ATO for all NT school body employees paid through SH funds. This data is recorded in CiA and occurs mid-way through the school's calendar year reporting cycle.

Further information can be found on the ATO website. A link to this website can be found in the Resources section of this chapter.

Principals must:

- comply with the PAYG law in every respect
- make sure all employee information, including tax declarations, are maintained in CiA
- pay PAYG withholding to the ATO by the due date.

21.2.12. Payroll tax

Payroll tax is an NT tax administered by the Tax Recovery Office (TRO). It is a tax on wages paid by employers where the total wages paid are more than the specified amount per month. There are specific definitions of what is classed as taxable wages and what is excluded. The rate is a percentage of the taxable wages, and the return is lodged monthly through INTRA, an online system accessed by a myID linked to the school. Payroll tax related to NT Public Sector employees is managed centrally by DCDD from DH funds. Schools must pay any required payroll tax on school body employees from SH funds.

Principals must:

- comply with the payroll tax law in every respect
- monitor the school's taxable wages to determine if payroll tax becomes payable
- register with the TRO and pay the required payroll tax if taxable wages are more than the required amount.

21.2.13. Superannuation

All Australian employees aged 18 to 75, plus employees under 18 working 30 hours per week or more, are entitled to have superannuation contributions paid by their employer. The superannuation guarantee (SG) is the minimum amount employers must pay. The SG is described as a percentage of an employee's ordinary time earnings. Funds are paid into eligible employees' chosen funds or their stapled superannuation fund if they have not made a choice of fund.

Superannuation details are entered into CiA when employees are established in the system, and payment of superannuation is initiated by the school each pay day.

If the SG is not paid to the right fund within 7 days of payroll processing, schools must pay a SG charge.

Principals must:

- comply with the superannuation law in every respect
- monitor the operation of superannuation processing through the payroll reports
- pay the SG on pay day
- pay any SG charges incurred.

For further information, schools can contact their superannuation clearing house or the ATO, and the Accounting chapter of this FARMS manual. A link to the ATO website can be found in the Resources section of this chapter.

21.3. School body responsibilities

21.3.1. Australian business numbers

Australian business numbers (ABN) are unique numbers used to identify businesses. When NT Government schools are created, or gazetted, the school bodies are registered for an ABN as NT Government entities registered for GST.

School bodies must not:

- form or become a member of a corporation
- have more than one ABN.

21.3.2. Deductible gift recipients

School bodies must:

- at the first or second meeting after the AGM, record in the school body meeting minutes and in the school body's decision register that an annual self-assessment of the school's DGR status and compliance has been performed and record any change in DGR status
- provide general oversight for the school's compliance with DGR requirements by reviewing financial reports to determine if DGR funds have only been spent for DGR purposes and ask the principal questions where compliance is unclear.

21.3.3. Goods and services tax

GST is a broad-based tax on most goods, services and other items sold or consumed in Australia. School bodies must collect GST when they receive payment for sales with GST and make payment for purchases made with GST.

School bodies have options to not charge GST on their canteen sales or sales for specific fundraising events. These options are called input tax elections. If schools make an election or elections, they cannot claim back any GST on purchases they have made to make the sale. To make an input tax canteen election, the canteen must be run by the school body, not an external contractor.

Input tax elections can be made for individual fundraising events or for a series of similar events if there are 15 or fewer similar events. If there are more than 15 similar events, it is considered a normal part of the school's business and GST must be charged.

School bodies must:

- record in meeting minutes motions considered, and the decision outcome, regarding input taxed fundraising event elections for individual fundraising events or groups of events if sales are to be treated as input taxed.
- at the first or second meeting after the AGM:
    - record in meeting minutes the decision for a motion considered, that a review of input taxed elections for canteen and fundraising events has occurred
    - record in meeting minutes the decision for a motion considered, approving or revoking input taxed elections for canteens if the input tax election is changed.

All motions considered must be recorded in the meeting minutes and all decisions must be recorded in the school's decision register.

21.3.4. Fringe benefits tax

School bodies must:

- ensure all FBT is lodged for school body employees.

21.4. Resources

Resources	
ABN Lookup	https://abr.business.gov.au/
Auditors and Bookkeepers panel contract	https://confluence.nt.gov.au/display/SFSH/Auditors+and+Bookkeepers+Panel+Contract
Australian Business Register	https://www.asic.gov.au/for-business-and-companies/business-names/register-a-business-name/
Australian Taxation Office	https://www.ato.gov.au/
Australian Taxation Office – Access Manager	https://www.ato.gov.au/online-services/access-manager
Australian Taxation Office - GST	https://www.ato.gov.au/businesses-and-organisations/gst-excise-and-indirect-taxes/gst
Australian Taxation Office – Online services for business	https://onlineservices.ato.gov.au/business/BusinessLogin.html
Ci Anywhere	https://ntdoe.t1cloud.com/
Defence Force Reserves – Employer support payment scheme	https://www.reserveemployersupport.gov.au/employers-of-reservists/employer-support-payment-scheme/
Deductible Gift Recipient Categories	https://www.ato.gov.au/businesses-and-organisations/not-for-profit-organisations/getting-started/in-detail/types-of-dgrs/dgr-table-deductible-gift-recipient-categories
FARMS risk assessment – CiA - forms	https://ntdoe.t1cloud.com/T1Default/CiAnywhere/Web/NTDOE/Forms/MyFormsDefinitionEnquiry/Index?f=$TB.FRM.MYFRMDEF.ENQ&h=eAMDdnTRxF&t=1A5AA3CD&suite=CES&pagekey=20260309140955
Integrated Revenue Application (INTRA)	https://treasury.nt.gov.au/dtf/territory-revenue-office/intra
InvoiceNTG	https://invoicentg.nt.gov.au/
Jira Portal	https://jira.nt.gov.au/servicedesk/customer/portal/115
myGov and MyID	https://www.myid.gov.au/using-myid-with-mygov
RAM | Relationship Authorisation Manager	https://authorisationmanager.gov.au/#/login
School vehicles - procedure and guidelines	https://elearn.ntschools.net/media/file/18565
Territory Revenue Office – payroll tax	https://treasury.nt.gov.au/dtf/territory-revenue-office/payroll-tax
Vehicle Booking System	https://ntgcentral.nt.gov.au/online-systems/vehicle-booking-system
Vocational education and training (VET)	https://nt.gov.au/learning/adult-education-and-training/vocational-education-and-training-VET
VET Portal	https://vocationaltraining.nt.gov.au/Pages/Register/User

21.5. Related policies and guidelines

Policies and guidelines	
Accounting Treatment of grants paid to schools	https://elearn.ntschools.net/policies/7979
Hospitality - entertainment and work refreshment policy	https://elearn.ntschools.net/policies/4317
School Vehicles	https://elearn.ntschools.net/policies/4308

21.6. Content referenced in other FARMS chapters

Content referenced in other FARMS chapters
Accounting
Cash management
Funding – Self generated
Funding – Additional sources
Infrastructure
Procurement and expenditure management
Reporting

21.7. Governing legislation

Governing legislation	
Education Act 2015	https://legislation.nt.gov.au/en/Legislation/EDUCATION-ACT-2015
Education Regulations 2015	https://legislation.nt.gov.au/Legislation/EDUCATION-REGULATIONS-2015
Income Tax Assessment Act 1936 (Cth)	https://www.legislation.gov.au/C1936A00027/2021-04-04/text

21.8. Acronyms

Acronym	Full form
ABN	Australian business number
ABR	Australian Business Register
AGM	Annual general meeting
ATO	Australian Taxation Office
BAS	Business activity statement
CE	Chief Executive
CiA	Ci Anywhere
DCDD	Department of Corporate and Digital Development
DGR	Deductible gift recipient
DH	Department-held
FARMS	Finance and resource management for schools
FBT	Fringe benefit tax
GST	Goods and services tax

Acronym	Full form
INTRA	Integrated revenue application
MSMSC	Multi school management councils
NT	Northern Territory
PAYG	Pay as you go
RAM	Relationship Authorisation Manager
SBS-Finance	School Business Services - Finance
SDE	Senior Director Education
SG	Superannuation guarantee
SH	School-held
SMC	School management council
TFN	Tax file number
TRO	Tax Recovery Office
VET	Vocational education and training