

## Payroll tax exemption for schools

*Payroll Tax Act 2007*  
Revenue Ruling PTA032

### Preamble

The *Payroll Tax Act 2007* (the Act), which commenced on 1 July 2007, rewrites the *Pay-roll Tax Act 1971* and harmonises the payroll tax legislation in Victoria and NSW.

Section 49 of the Act provides an exemption for the wages paid by organisations set out in Division 1 of Part 3 of Schedule 2 of the Act. Division 1 of Part 3 of Schedule 2 of the Act provides an exemption in Victoria for wages paid by certain schools, school councils, educational service providers and Group Training Organisations.

Clause 10(a) of Schedule 3 of the Act extends the exemption to certain private schools or colleges that do not fit into Division 1 of Part 3 of Schedule 2 of the Act. In addition, Clause 10(b) of Schedule 3 of the Act preserves an exemption offered under section 10(1)(da) of the *Pay-roll Tax Act 1971* before it was amended in 2002.

These provisions represent one of the minor areas in which the Victorian and NSW legislation are not fully harmonised. Therefore, the exemption for schools provisions only apply in Victoria.

The purpose of this Revenue Ruling is to explain the operation of the payroll tax exemption in Victoria for wages paid by certain schools, colleges and educational service providers.

### Ruling

#### **Clause 14(1) of Schedule 2 – registered private primary and secondary schools**

Non-Government schools within the meaning of the *Education and Training Reform Act 2006* that are registered under that Act are eligible for the exemption provided they operate on a not-for-profit basis. The exemption is restricted to wages paid or payable to a person in relation to the provision of education within that school.

Examples of schools that would be eligible for exemption under this clause would include most conventional private primary or secondary schools.

#### **Clause 10(a) of Schedule 3 – schools and colleges**

Clause 10(a) of Schedule 3 of the Act extends the exemption for wages paid by certain private schools or colleges that do not fit into the category contained in clause 14(1) of Schedule 2 of the Act. The exemption applies to a school or college that satisfies the following conditions:

- It operates on a not-for-profit basis
- It is not carried on by or on behalf of the State of Victoria
- It provides education at or below secondary level
- The majority of students are aged under 19 years, and
- It must have been in existence as a school or college that conformed to the above criteria before 27 May 1997.

The exemption is limited to wages paid or payable to a person in relation to the provision of the secondary level education.

An example of a school or college that would be eligible for exemption under this clause would be an organisation offering specialist career tuition in drama for school age students and providing education at or below secondary level.

#### **Clause 10(b) of Schedule 3 – schools and colleges**

Clause 10(b) of Schedule 3 of the Act preserves an exemption offered under section 10(1)(da) of the *Pay-roll Tax Act 1971* before it was amended by the *State Taxation Legislation (Further Amendment) Act 2002*. The amendment took effect from 1 July 2002.

The exemption applies to wages paid or payable to a school or college that satisfies the following conditions:

- It operates on a not-for-profit basis
- It is not carried on by or on behalf of the State of Victoria
- It provides education predominantly at or below the secondary level
- It is not a technical school or technical college, and
- It must have been in existence as a school or college that conformed to the above criteria before 27 May 1997.

The exemption is limited to wages paid or payable to a person in relation to the provision of the secondary level education.

An example of a school or college that would be eligible for exemption under this clause would be an adult educational service that provides predominantly secondary education, such as Victorian Certificate of Education (VCE) subjects.

#### **Clause 15 of Schedule 2 – educational service providers**

Clause 15 of Schedule 2 of the Act provides an exemption for wages paid by a not-for-profit educational service provider that provide an educational service in connection with the curriculum of schools or colleges that are exempt under the previously-mentioned provisions of the Act. The exemption is restricted to wages paid or payable to a person for the provision of the educational service.

An example of an organisation that would be eligible for exemption under this clause is an organisation that provides services such as outdoor education, music, drama, vocational or life skill programs to exempt private primary and secondary schools.

#### **Meaning of not-for-profit**

For the purposes of this exemption, not-for-profit means that the school, college or educational service provider must not conduct its activities for the profit or gain of the individual members of its governing body or organisation. In addition, assets must not be distributed to the individual members of its governing body or organisation in the event of the winding-up or dissolution of the school, college or educational service provider.

If there is any doubt regarding the status of a school, college or educational service provider, please apply to the Commissioner of State Revenue for a private ruling in accordance with Revenue Ruling GEN.009.

This Revenue Ruling is effective from 1 July 2007.

**Please note that rulings do not have the force of law. Each decision made by the State Revenue Office is made on the merits of each individual case having regard to any relevant ruling. All rulings must be read subject to Revenue Ruling GEN.001.**



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Commissioner of State Revenue