Building Funds

Do Schools need to comply?

Yes if you want gifts to your school building fund to be tax deductible.

Conditions of compliance:

For gifts to a school building fund to qualify for a tax deduction, the school building fund must be endorsed as a Deductible Gift Recipient (DGR) by the Australian Taxation Office.

The fund must be:

- a public fund
- a public fund established and maintained solely for providing money for the acquisition, construction or maintenance of a building

A fund will be a public fund where:

- it is the intention that the public will contribute to the fund and they are invited to do so
- the public in fact contribute to the fund
- the fund is administered or controlled by persons or organisations that have a degree of responsibility to the community as a whole.

For the Australian Tax Office (ATO) to accept a fund as a public fund, the founding documents must reflect the following:

- the objectives of the fund must be clearly set out and reflect the purpose of the fund
- gifts to the fund must be kept separate from any other funds
- a separate bank account and clear accounting procedures are required
- the public must be invited to contribute to the fund
- the fund must operate on a non-profit basis, that is, money must not be distributed to members
- the fund must be managed by members of a committee, a majority of whom have a degree of responsibility to the general community.

The term ‘building’ includes one building, a group of buildings, a part of a building or additions to a building. The building must be used as a school or college, principally as part of delivering the curriculum for the school or college.

Guidance provided by the ATO is specific as to what does NOT constitute a building and includes:

- sports grounds, tennis courts, covered play areas, car parks and landscaping
- land acquired for such purposes as described above
- furniture and equipment, unless they are actual fixtures of the building.

A school building fund is solely for providing money for acquiring, constructing or maintaining the school or college buildings. It cannot be used for any other purpose. Expenditure on capital improvements and maintenance, as well as installing and maintaining fixtures, are accepted outlays of a school building fund. Costs payable from a school building fund include:
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- purchase of land for which there are definite plans to construct a building to be used as a school or college
- construction or purchase expenses and associated financing costs
- painting and general maintenance of school buildings, and building insurance
- expenditure on carpets that are fixed to the floor of the school building
- administration costs of the fund, including bank fees, accounting costs and fundraising expenses.

Costs that cannot be paid by a school building fund include running expenses of the school, paying teachers, buying furniture and materials, buying land to be used for buildings which are not to be used in connection with the curriculum or are for providing recreational space, and maintaining sports grounds and car parks.

A school building fund may invest or lend its money if this is a bona fide and temporary arrangement and is consistent with achieving the fund’s objects with all reasonable speed. If your fund meets the above characteristics you are then able to apply to the ATO for endorsement as a DGR.

If you have to comply, what do you have to do?

Your organisation can apply to the Australian Tax Office for endorsement as a DGR if:

- it (or a fund, authority or institution it operates) falls within a general DGR category
- it is in Australia
- it has an Australian business number (ABN)
- it maintains a gift fund.

Organisations that want to be endorsed as DGRs must apply to the Australian Tax Office for endorsement. You will need to complete the Application for endorsement as a deductible gift recipient (NAT 2948) which can be obtained from the ATO website or by phoning the ATO on 1300 130 248.

To be tax deductible, gifts must have the following characteristics:

- they are made voluntarily
- they do not provide a material benefit to the donor
- they essentially arise from benefaction.

For a school building fund, material benefits to the donor would include:

- a reduction in school fees
- no longer having to pay a building levy
- the grant of scholarships to nominated students
- raffle tickets
- tickets to functions.

Items of insubstantial value such as plastic lapel pins or bumper stickers would not be a material benefit. Mere public recognition such as donor’s names on honour boards, in school newspapers or on bricks or pavers would not be material benefits unless they amounted to advertising.
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Only certain types of gifts are tax deductible. These include money gifts of $2 or more and certain gifts of property to the building fund.

Receipts for gifts must state the name of the fund to which the gift has been made and the ABN of the fund. If the DGR is an organisation then its ABN as well as the fact that the receipt is for a gift must be included.

You must conduct an annual review to ensure the Building Fund still complies with the conditions of endorsement.

**What are the consequences if you don’t comply?**

You may be in breach of Australian taxation law and penalties may apply.

Donors may not be eligible for a tax deduction for their gift.

**Useful links:**

[Australian Taxation Office - School Building Funds](#)

Australian Taxation Office Non-profit Organisation Enquiries line - 1300 130 248

Your own professional taxation advice