



EDUCATION FINANCE

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Fundraising Groups:

Fundraising Groups (FRG) that are separate entities need to be registered as a charity.

1/ If the FRG associated with your school is not formally part of the school then they do not have the exemption from registering for the Charities Act that the school has (schools are automatically covered)

This applies to many fundraising groups.

i.e. if the fundraising group is not specifically a subcommittee of the BOT then they are likely an independent group. A good test is “who Controls the Bank Account”. If the bank account used for fundraising is not part of the schools audit then the fundraising group is not part of the school.

If the Fundraising group is a part of the school then they are covered by the schools exempt status and need take no further action – although they may be advised to check their rules etc to make sure they fully comply e.g. all transactions must go through the schools bank accounts.

Options for FRG’s outlined in Number 1 Above:

1/ Become a Sub-committee of the BOT.

As a subcommittee of the BOT the FRG gains all the exemptions the school has so does not need to register under the Charities Act. Another benefit is that the activities of the FRG are then automatically included in the schools audit.

There are GST Implications (explained below)

2/ Register with the Charities Commission.

To do this you need written rules, to register with IRD, and file an annual return with the charities commission.

NOTE: as long as your turnover is less than \$60,000 per annum when you register with IRD for an IRD number, you do not need to register for GST

(If you need a set of rules we have a template set you can use)

SUMMARY

Option 1 provides a number of benefits, but due to the GST issue means a potential loss in revenue

Option 2 will take some work in registering, but mean's that ultimately you can effectively continue as separate body.

What is best ?

There is no single answer. There are benefits to both.

Being a subcommittee of the BOT means:

No accounting required as it goes through the schools accounts
Automatically audited as part of the school
No Annual Returns to Charities Commission

Being separate means:

There is usually a GST benefit. FRG is not registered for GST (as long as they stay under the threshold) and they can donate funds to the school who can purchase items and claim the GST

How does this work?

Assume the PTA does a fundraiser that involves buying and selling chocolates. The PTA Purchases the chocolates and cannot claim GST on the Purchase. However, when they sell the chocolates, they do not have to pay GST on the income. (If the school runs the same event they can claim GST on Purchases but also pay GST on the Income).

Assume a purchase of \$1,000 of chocolates , sold for \$2,000

The PTA profit would be \$1,000 where-as the School Profit would be \$869 (The GST effect)

Thus a key consideration is how much Income is generated from activities that attract GST. If you raise \$10,000 a year through activities that involve GST, done through the PTA your make \$10,000, but through the school this would be \$8,695

Of course not all activities you run will incur GST. You also need to check funds are not being paid to the FRG that legally should be paid to the school (eg livestock sales where the Meatworks issue a buyer created tax invoice in the schools name – check if the schools GST No. is included)

In short one main consideration is weighing up any GST “Cost” of running everything through the school, against the time and effort involved in maintaining separate accounts, filing returns to Charities commission and so on.

Note: In the above chocolate example (assuming the FRG is Separate) you cannot pay for the chocolates through the school, but bank the money to the FRG (This is called Tax Fraud!)

CHARITIES COMMISSION www.charities.govt.nz

Note: The information outlined above is only intended as general outline of the options. PTA's ,fundraising group's, etc need to determine which options best suits their individual needs. Education Finance Ltd can provide an opinion on the impacts for individual schools on request.