

SCHOLARSHIPS – Is your scholarship exempt from tax?

Assessable scholarships

Any payment made to a student for research, board or living expenses (non-education purposes) is an assessable payment which must be included in the student's tax return.

This is because the payment is not provided principally and directly for education purposes. According to the Australian Taxation Office (ATO), the fact that the recipient is a full-time student is irrelevant and does not change the nature of the payment.

Educational benefits provided under a friendly society scholarship plan are also assessable. The student will need to pay tax on both the above payments.

Non-assessable scholarships

Payments from the Australian/American Educational Foundation grant and Commonwealth scholarships/bursaries provided to foreign students are exempt from income tax.

Exemptions for other scholarships, bursaries, grants and other educational allowances are limited. If you are not sure about a payment, contact the organisation which made the payment.

The student may not need to pay tax on the above scholarship payments.

Please note that, regardless of whether they need to pay tax or not, it is the student's responsibility to ensure Centrelink has been notified of this income if they are receiving Centrelink benefits.

The ATO has also provided tools on their website (www.ato.gov.au; type Scholarships in their search engine). This will help you work out the status of the scholarship

The above information was adapted from the ATO website.

For further information about when scholarships are exempt, please phone the ATO on **13 28 61**.

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Any questions? Call 1800 046 166 or visit: www.moneysolutions.com.au