



[Print whole section](#)

## Scholarships prizes and awards

What to declare in your tax return and tax you pay on scholarships, prizes and awards.

### Scholarship payments

Scholarships you receive or made on your behalf as a student at a school, college or university may be exempt income.

### Prizes and awards

You must declare certain prizes and awards you receive in your tax return.

QC 102699

## Scholarship payments

Scholarships you receive or made on your behalf as a student at a school, college or university may be exempt income.

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## What is a scholarship?

When we say 'scholarship' we mean the following types of payments:

- a scholarship

- a bursary
- an educational allowance
- educational assistance.

A scholarship can be a one-off payment, or a series of payments over one or more years as either:

- an amount of money you receive
- a payment made on your behalf.

Scholarship payments help you with your educational expenses or other requirements. For example, payments may include:

- offsets for tuition fees
- a regular amount for general living costs – such as travel or boarding
- allowances to cover particular costs – such as uniforms and textbooks.

Scholarship payments may be [exempt income](#) (not taxable income). You need to work out if your scholarship payment is either wholly or partially assessable or exempt income.

If your scholarship is **not** exempt, you need to include it as income in your tax return.

Scholarship money comes from any number of sources such as a university, government, a business or an individual philanthropist. You might receive your scholarship payment directly from the source or through an administrator which is often your university.

Your scholarship agreement will set out:

- the amounts you receive
- when you will receive payments
- any conditions that apply to continue to get the scholarship
- what you can spend the money on (in some cases).

You generally apply for a scholarship by submitting an application. It is usually granted on merit or some process involving specific criteria.

A scholarship is not a loan. There are no repayment requirements.

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## Example: scholarship arising from charitable bequest

Jenny is a full-time student doing an undergraduate degree. She applies for and wins the 'Fearless Journalist' award. This gives her fortnightly payments over the course of her degree which she uses to pay for her HECS-HELP debt and text books.

The 'Fearless Journalist' award is from investment income that comes from capital donated in the Will of Jack Jones. The payments go to the most meritorious applicant in the journalist course at Williams University, who shows the most potential to succeed in fearless journalism.

The money Jenny receives for the award is a scholarship.

## Exempt income from a scholarship

For a scholarship payment to be exempt from paying tax, you must meet **all** of the following conditions:

- The payment can't be an excluded government payment (for example, Austudy, Youth Allowance or ABSTUDY).
- There is no requirement for you to do work (either as an employee or contract for labour, now or in the future).
- You are a full-time student at a school, college or university.
- The scholarship is provided to you principally for educational purposes.

Your scholarship provider may be able to tell you if your scholarship is exempt or assessable income. In some cases, they will already have sought advice from us.

To help you work out if your scholarship is exempt or assessable income you can use the [Is my scholarship taxable?](#) tool.

## Work requirement

Your scholarship payment is not exempt income if, as a condition of the scholarship, you work or will work in the future for the person or organisation funding the scholarship. This includes work:

- as an employee or under a contract for labour
- that is done without a contract or any other form of legal relationship.

### **Example: requirement to work as employee – not exempt income**

Henry receives a Delilah Limited scholarship for university students. The scholarship has certain conditions. The payments are conditional on Henry achieving a minimum grade each semester. Henry must submit a copy of his academic record to Delilah Limited each semester.

There may also be a requirement for Henry to complete paid vacation employment with Delilah Limited during the scholarship term. The scholarship payment depends on him working under the terms set out by Delilah Limited.

If Henry completes his studies successfully, Delilah Limited may offer him a position. If Henry does not accept the position, he may need to repay some or all of the scholarship. Delilah Limited also has the right of first refusal should Henry need to do other work experience as part of his course.

The scholarship payments are not exempt income. Henry may need to become Delilah Limited's employee, at their discretion, for a period set out in the scholarship agreement.

### **Full-time student at a school, college or university**

For your scholarship payment to be exempt income you must be studying full-time at a school, college or university. You do not need to be physically at the school, college or university but must be studying a full-time load.

### **Example: part time university study – scholarship payment not exempt**

Kirra receives a scholarship from her local government. The scholarship is available to women in their second or third year of study who are doing a science degree at a local university.

Under the scholarship agreement, Kirra receives \$1,000 to assist her to pay for education expenses.

Kirra studies part-time.

Even though Kirra is doing a university degree, her scholarship payments are not exempt income because she is not studying full-time.

## **Educational purposes**

For your scholarship payment to be exempt income, it must be provided to you principally for educational purposes. This includes education at a place of learning such as a university campus or a full-time degree provided online, and can also include a component of work experience.

Work experience at the premises of an organisation is for your education as long as your education is the most important factor for the work experience (and not the output you are producing). If you are working alongside employees and producing outputs that a similarly experienced employee or contractor would produce, your scholarship would generally not be considered as being provided principally for educational purposes.

## **Example: work experience requirement as part of the course – exempt income**

The AAA University has a veterinary course that requires all students to complete work experience with a qualified practitioner as part of the course's qualification requirements.

A select number of students in the course receive a scholarship from the university. The scholarship payments go to students throughout the length of the course, including when students do their work experience.

The students gain work experience from their participation at the practitioner's clinics in a six-month period. Students do not provide normal vet services to the owners of the animals.

The scholarship payments are exempt because they are provided principally for educational purposes.

### **Example: scholarship requires work experience – exempt income**

Megan receives a vacation scholarship from her university funded by WalesCo, an external organisation. A panel consisting of representatives from both the university and WalesCo, select the scholarship recipient.

Under the scholarship agreement, Megan receives 4 equal payment instalments over 2 years. In return, she must complete 10 weeks of professional vacation work experience with WalesCo each year. Megan can select when she will carry out the work experience and the hours she will attend. She rotates between departments within WalesCo to give her an insight and enable her to observe and learn from the various projects WalesCo undertakes.

The scholarship agreement states there is no requirement for Megan to become an employee of WalesCo, and nor is Megan an employee. She remains enrolled in full-time study during the time she is doing the work experience.

Megan's scholarship is exempt income. The benefit of Megan's work is limited (both by time, and is not concentrated on one project). This demonstrates that WalesCo is not engaging Megan for her work output, but to assist her in her education by providing work experience.

### **Example: company sponsored PhD study – not exempt income**

Diego resigns as an employee of Alpha Co to do a full-time study course. He is completing research for a PhD which involves an area in which Alpha Co has a commercial interest. Diego had been part of a team working on this project before resigning.

Diego applies for and wins a research scholarship that Alpha Co funds. The scholarship administration is done by the university. The university pays weekly support for Diego during his study.

Diego works alongside Alpha Co's current employees. Alpha Co's expectation is for him to produce the same output and contribute in the same way as those employees.

Diego's weekly support payments are not exempt income. The scholarship is not provided principally for educational purposes. Instead, Alpha Co benefits from his participation as Diego is producing outputs that an employee or contractor with similar experience would produce while he is completing his PhD.

## Scholarship payments specifically exempt from tax

The following education and training payments are specifically exempt from tax. You don't need to include these in your tax return.

- Payments under a Commonwealth scheme for assistance of secondary education or the education of isolated children.
- Grants from the Australian-American Educational Foundation – the Fulbright Commission.
- Endeavour research fellowships and Executive Awards.

## Scholarship payments and your tax return

If your scholarship is **taxable**:

- you need to show your scholarship amount as assessable income in your tax return
- you should advise your scholarship provider that your scholarship is assessable income for tax purposes.

The scholarship provider may need to withhold tax from your periodic payments depending on:

- the information you provide on your tax file number (TFN) declaration

- the amount paid to you.

If your scholarship is **not taxable** (exempt income):

- you don't include your scholarship amount as assessable income in your tax return
- you should advise your scholarship provider
  - that your scholarship is exempt income
  - they don't need to withhold tax from your periodic payments.

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## Prizes and awards

You must declare certain prizes and awards you receive in your tax return.

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This includes the value of any prizes or benefits you receive from a prize draw or lottery run by your:

- bank
- building society
- credit union
- investment body.

Prizes may include cash, low-interest or interest-free loans, holidays or cars.

However, you don't need to declare prizes won in ordinary lotteries such as lotto draws and raffles.

If you win prizes as a game show contestant, you only declare prizes you win if you receive regular appearance fees or game-show winnings.

If you sell or otherwise dispose of an asset that was a prize from a lottery, you must declare any capital gains you make in your tax return.

QC 72115

## **Our commitment to you**

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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