

Submission on Tax White Paper

1 June 2015

About the National Catholic Education Commission

The National Catholic Education Commission (NCEC) is established by the Australian Catholic Bishops Conference through the Bishops Commission for Catholic Education to maintain effective liaison with the Commonwealth Government and other key national education bodies. The NCEC complements and supports at the national level the work of the State and Territory Catholic Education Commissions.

Learn more at: www.ncec.catholic.edu.au

Introduction

The NCEC acknowledges that Australia's tax system is confronting challenges against the backdrop of an economic environment that has changed significantly in recent decades.

As an agency of the Australian Catholic Bishops Conference (ACBC) the NCEC endorses the submission provided to the Tax White Paper Taskforce by the ACBC. The NCEC submission is intended to provide additional information specifically related to Catholic education. It also reiterates the position outlined in the NCEC *Public Statement on the Goods and Services Tax* (Attachment A), which was published in the context of the Tax Consultative Committee's deliberations in 1998.

Catholic education is concerned with the whole person, including the academic, personal, social and spiritual development of the student. A school is a non-profit partnership for the common good between government, parents and the community. It is not a business enterprise.

Education is more than a personal investment by families; it is a national investment for all Australian governments. The better educated a nation is, the more prosperous it is socially and economically. The NCEC has consistently held that all school income and expenditure which contributes to school-generated educational activities should be exempt from tax.

Rationale for GST-free schools

The then-Treasurer, the Hon Peter Costello MP, appointed the Tax Consultative Committee to advise the Commonwealth Government on the design of the Goods and Services Tax (GST). The committee recommended that schools should be GST-free. At that time, concerns were raised about the impact of a GST on education, health and other services because it would discriminate against non-government providers. That concern would be even more acute today in a community in which the number of students in non-government schools is much higher – proportionally and numerically – than it was in 1998.

The NCEC notes that the Commonwealth's [Tax Discussion Paper](#) does not envisage changes to the GST rate or base without national agreement. The unanimous position of Catholic Education Commissions across all Australian jurisdictions is that a GST on schools should be opposed. Any extension of the GST base to include education and impose additional costs on Catholic education would be of great concern.

Catholic schools are charitable and contribute to common good

Catholic schools are charitable organisations by definition and in the context that they exist for the benefit of the public and contribute to the common good through advancing the education of Australia's young people. Indeed, there is no reason why schools, which perform functions to benefit the public, should be subject to taxation when governments, which perform public benefit functions, are not.

Unlike some other activities that are GST-free, school education is an activity that is compulsory by law. Parents are able to choose to enrol their child in a non-government school and pay fees to supplement the government funding that students receive. The imposition of GST would see parents of children in non-government schools subject to an additional financial burden that parents in government schools would not face. This would be a source of inequity in Australia's education system.

As well as being compulsory, school education is a public good in the short and long term. Education is critical to increasing the productivity of individual workers and the economy. Given that the

Council of Australian Governments is committed to improving education standards and the quality of schools, investment in Australia's schools, as well as promoting social inclusion, has far-reaching economic benefits. This nationally significant project should not be subjected to a GST.

GST on non-government school fees would be inequitable

If the GST is imposed on non-government schools but not government schools parental choice would be impaired by the new tax. Government schools would gain an advantage over the non-government sector. Diversity, choice and responsiveness of the education system will be compromised, as the Tax Consultative Committee warned in 1998. Multiple providers enhance innovation, allowing schools to respond flexibly to local issues and the interests of families.

GST on school education would limit school choice

A GST on schools would impose a new tax on the families of more than 750,000 children currently in Catholic education. This additional cost would force many Catholic school families to remove their children from their local Catholic school and enrol them in government schools. Hence, this eventuality could lead to a scenario where any revenue from GST on school fees would be lost by the increased cost of government funding for government schools. On average, Catholic schools receive 80 per cent of the government funding of a student in a government school.

A report from The Australia Institute predicted that a GST on non-government school fees could raise \$790 million annually, but each student moving from a Catholic school to a public school – as would inevitably happen if a GST was introduced – would cost governments around \$2,600 per student. The per-student cost difference would likely be higher for each student moving from an independent school to a government school.

Such estimates do not include the cost of additional capital infrastructure such as additional classrooms and schools in the public school system required to accommodate students moving from non-government schools.

GST would create sectoral division

A GST on non-government schools could also reignite an adversarial approach to education in Australia: government schools versus non-government schools. For several decades, governments have seen the importance of funding both government and non-government schools because of the important place of both as part of Australia's educational landscape.

Catholic schools, which operate in all Australian states and territories, are also welcoming and inclusive and educate students from all socioeconomic backgrounds, students from all faith traditions and of no faith, and students with diverse educational needs.

A GST on education would adversely impact Catholic schools that cater for families in many remote and regional areas of Australia. The number of Indigenous students in Catholic schools has increased by more than 100 per cent since 2002. The number of students with disability in Catholic schools has increased by more than 50 per cent since 2007.

Conclusion

The NCEC encourages the Tax White Paper Taskforce to carefully consider how a GST on non-government schools would create an unequal education landscape in Australia. It remains the position of the NCEC that the Tax Consultative Committee was correct to exempt schools, among other service providers, from the GST in 1998. This exemption should not change in any way through the current deliberations.