

AUSTRALIAN EDUCATION UNION

SUBMISSION

TO

THE SENATE SELECT COMMITTEE ON

A NEW TAX SYSTEM (GST)

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Summary

1. The AEU supports tax reform but does not support a GST being introduced. Its introduction will increase inequities, create uncertainty and unnecessary change, and not lead to the claimed improvements. Australia needs a tax more suited to the next century.
2. If the legislation is to proceed then food, books and other learning materials, voluntary associations and all professional development and training should be excluded.
3. If the legislation is to proceed, there are a number of areas within education which need addressing.
4. Whilst the Government claims that education is GST free, there are clearly a number of areas where this is not the case.
5. The effect on Commonwealth and state/territory relations needs further consideration, debate and clarification.
6. The government costings in regard to education are too general and vague to be of any use. There is a need for disaggregation by sector and for the effects on students, parents, teachers and parental organisations to be examined.
7. The effect of the GST on young people, especially those in education not receiving either a grant or paying income tax, should be specifically examined.
8. A more practical approach to administration, particularly in the areas of course definition, course materials and excursions, and a Wholesale Sales Tax type approach could do much to alleviate the administrative burden.
9. The AEU recommends that if the legislation is to proceed the following changes be made in the education area:
 - 9.1 That educational institutions be granted general exemption except in specified circumstances.
 - 9.2 Membership of all voluntary associations, including professional associations and unions should not incur a GST.
 - 9.3 All professional development and training should be GST free.
 - 9.4 There should be specific exemptions in the legislation for all fundraising and similar parental organisation activities.
 - 9.5 Books, other learning materials, transport to and from educational activities and uniforms should be excluded from the GST to alleviate increased costs in education.

The Australian Education Union (AEU) is the union representing approximately 155 000 members in early childhood, public schools, TAFE and Adult and Community Education. As such, we have considerable concerns about the way the GST will be implemented in regard to education.

The AEU, as a registered union, also has considerable concerns about the application of the GST to unions. These are not dealt with in this submission which focuses on the impact of the GST on matters related to education and Australian society in general.

1. General position in regard to Taxation

1.1 Revenue Base

The AEU believes that the first priority in any changes to the tax system must be to secure an adequate revenue base. In 1997 the Australian Education Union adopted a policy entitled “Raising the Revenue Base” (Appendix 1). Its first section, printed below, clearly states this position.

The Importance of an Adequate Revenue Base

Revenue raising is a vital basis for the functions of government and is fundamental to its capacity to carry out its responsibilities. Properly administered, it is the foundation of an equitable, fair and civil society, and is an investment by Australians in the future of their country.

Through providing essential services and benefits and enabling governments to more fairly distribute wealth and income within our community, it can play a key role in maintaining a socially cohesive and fair nation.

It enables governments to fund and deliver necessary public services such as health, education, welfare, and child care.

It should also help create the conditions for responsible economic growth and development.

It is regrettable that governments have adopted an attitude in which they are seeking to divest themselves of responsibility for the provision of public services, and that achieving “small government” has become more important than the welfare of society and its citizens. They have been too willing to leave the provision of services to the market in a way which does not ensure their adequacy and which has undermined fundamental democratic principles.

As a part of this move, governments have tended to cultivate an attitude that taxation is inherently undesirable and to be resisted. It is continuously portrayed as an onerous and largely unnecessary burden. The major political parties have been too willing to commit themselves not to raise taxes as part of election platforms, and consequently have severely limited their capacities to address major social issues and ensure the necessary social infrastructure in society.

Often governments have resorted to the selling of publicly owned assets as a way of raising revenue and/or diminishing government debt. This has been to society's detriment.

Governments also have placed a greater burden on users of government including community services by introducing user pays principles. This has greatly affected the social wage of many ordinary citizens who can ill afford these imposts.

The AEU condemns governments and politicians for the poor level of the debate on revenue raising and calls on them to encourage a much greater depth of understanding of the relationship between taxes and services.

Despite this poor leadership Australians have generally shown a more sophisticated understanding of the need for taxation, and the relationship between taxation and the services it provides. Research shows that the majority of Australians want higher taxation in order that better services can be provided. They have been poorly served by the contest between the major political parties to be the party offering the lowest taxation and consequently the most inadequate services.

As a result essential services such as education, which should be viewed as a public good, are being deleteriously affected. The gap between needs and resources is growing, and there is increasing impetus towards private resourcing, fees, levies, user pays, sponsorship and other commercialisation. Inequities are increasing, and the quality of teaching and learning is being seriously affected by the inadequate resources and the diversion of energy to fundraising and money collecting.

Later sections of this policy consider the principles of a good taxation system, the problems with the current system, and the areas in need of reform.

This policy forms a background to the reaction of the AEU to the new tax proposals.

2. The AEU and the Coalition Package

- 2.1 In the policy referred to above the AEU adopted a position opposed to a goods and services tax (GST). The policy states that such a tax is intrinsically regressive, would boost inflation but not employment; and would do nothing to stop the 'black' economy and in fact may stimulate

faster growth in illegal economic trade.

- 2.2 During the recent Federal Election the AEU campaigned against the Coalition's proposals contained in "Tax Reform, Not A New Tax A New Tax System". (This is generally referred to in this submission as "the package").
- 2.3 The package was introduced with too little time before the election for a full debate of all the issues. Consequently, the so called "mandate" is of dubious validity, and certainly should not preclude full examination of the issues prior to introduction.
- 2.4 These proposals were also framed primarily within an election context and are insufficiently rigorous for adoption without further examination.
- 2.5 The AEU therefore congratulates the Senate in convening this Inquiry, and urges it, despite the tactics of the government, to ensure that all aspects of the proposal are investigated, debated, and publicised. We also believe that the Senate has the right and the responsibility to reject the legislation or to make appropriate amendments.
- 2.6 The AEU remains opposed in principle to such a tax and to the specific proposals contained in the package and the ensuing legislation. Its strong view is that it would be better if the legislation were rejected.
- 2.7 However, this submission also acknowledges there is a strong likelihood that a GST will be introduced and therefore deals with problems and objections to specific parts of the government's proposals which we believe should be amended should the legislation proceed. If the legislation is not rejected, we urge that this be done to ensure that if Australia is to have a GST, it is in the most equitable and desirable form.

3. General Concerns with the Package.

- 3.1 The total tax package fails to address the major shortfall in the revenue base. In fact, it will reduce tax revenue by \$17 billion over three years. The tax cuts are largely funded out of the projected surplus. The surplus was created through the \$10 billion black hole myth and the resulting cuts to public services. If the projected surplus is not realised, the government will again slash public expenditure in order to balance the budget.
- 3.2 The AEU calculates that public schools alone require an additional \$2 bn in order to meet current existing needs and address shortfalls in areas such as literacy, technology provision and professional development. The major priority of any new tax system should be to provide a revenue base adequate to ensure that Australia provides public services such as education and health are of the highest standard.
- 3.3 The so called compensation package is inadequate for many at the lower end of the income spectrum. The case presented by the Government is unconvincing. The AEU's calculations in regard to education alone suggest that extra outgoings will eat away over half of the compensation for a considerable number of people and families. The AEU urges the Senate to

look fully at the potential effect of the GST on individuals and groups in a more detailed and specific way than was done in the government's election propaganda.

- 3.4 Even Treasury now admits that the inflation rate of 1.9% used as the basis for the compensation package is incorrect, and is likely to be more than 3%.
- 3.5 The distribution of the tax cuts is inequitable and clearly favours those already better off. There are many instances in the package which favour those already well off and disadvantage those already disadvantaged.

There is therefore a need to address the equity of the tax cuts. The concept of a tax credit system is one very supportable way of doing this.

- 3.6 Modelling by the Centre for Policy Studies at Monash University shows that the package will actually shrink the economy after 2007 AD, cause a fall in living standards after 2004, and cause substantial job losses in job creating industries such as tourism, entertainment and construction.
- 3.7 There is absolutely no evidence that introducing a GST will capture "black market" activities. Indeed there is considerable evidence that it can increase such activities.
- 3.8 The package fails to address many of the major anomalies in the current system which allow individuals and companies to pay only minimal tax in relation to income and turnover, and leave the major burden on PAYE earners. The AEU believes that much more should be done to ensure that the tax system is fairer and that "minimisation" which is in fact evasion could be prevented and the revenue base thus considerably enhanced. This is dealt with in greater detail in the attached policy. The proposals within the package around salary sacrifice, for instance, acknowledge that problems exist, but take only minimal measures against it. This does little to deal with the real extent of the problem and inequity involved.
- 3.9 At every turn, the package favours capital intensive industry such as mining and disadvantages labour intensive industry such as tourism. It is not job friendly.
- 3.10 At every turn, the package favours resource consumption over conservation. For instance, it lowers the price of private transport whilst increasing the cost of public transport. It is not environment friendly.
- 3.11 Only five other countries have a single flat rate value added tax. Only four apply the GST to food.
- 3.12 For these reasons, the package is outdated before its introduction. The GST as proposed is not an appropriate one for an economy in the next century.
- 3.13 Should the GST proceed, there are four areas which incur GST within the proposals which the AEU strongly advocates should never have a GST imposed on them.

- 3.13.1 The inevitable regressive nature of a GST type tax is considerably enhanced by the inclusion

of basic items, particularly food, within the scope of a GST. Food must be excluded as a first step to making the package more equitable. Arguments against this based on the problem of definition are largely spurious and far from insurmountable.

- 3.13.2 As an organisation dedicated to education, knowledge and learning, the AEU is totally opposed to the GST being included on any books and other learning materials. It is outrageous and highly inappropriate that a government would seek to tax materials which are so vital to the development of basic skills, the intellectual development of the country and to our democratic framework.

If the GST on books proceeds, Australia will become one of only five countries in the world to impose a tax on knowledge and information in the form of books, periodicals, newspapers, and educational software and Internet access. Education cannot be considered GST free whilst there is a tax on information and knowledge.

The AEU understands that the arguments against a GST will be articulated in considerable detail in the submission of the Australian Society of Authors and the Australian Booksellers Association. The AEU supports these arguments and their campaign “No Tax on Learning, No Tax on Knowledge - No GST on Books”.

- 3.13.3 Similarly, it is totally iniquitous that a government would seek to tax the private and voluntary efforts of citizens through a GST on non profit organisations. The proposed legislation treats non-profit community organisations as if they are businesses. Many small organisations (under the \$100 000 cut off) will pay GST on inputs, those over the limit will also pay GST on outputs judged to be “commercial”. In either case, the extra work involved will act as a disincentive to community service. The AEU is vehemently opposed to the GST being imposed on any non profit organisation. Within its area of interest it is therefore particularly concerned about the impact on parent associations, professional associations of educators, and of unions in general. This will be considered more fully below.
- 3.13.4 One of the most inexplicable distinctions made in the legislation is that between “courses undertaken to obtain qualifications” and “courses undertaken to maintain them” (5.44). It is not only unjustifiable, but against the national interest and counter to the stated intentions of all recent governments, including the present one, to impose a disincentive to workers increasing their knowledge and upgrading their skills. (This is considered more specifically in relation to education below).

4. Education and the GST

- 4.1 The package claims that education will be GST free. This is a gross exaggeration. Whilst many educational activities will be GST free, some will not. Many educational costs to parents and students, to parent organisations, and to teachers and professional associations will incur a GST. In most cases this will increase existing costs.
- 4.2 The rationale given for making education GST free was nothing to do with an appreciation of the fundamental intrinsic value of education to the lives of people. As stated in the package it was because “applying the GST to education would discriminate against private providers”.

This sentiment was reflected in the Terms of Reference of the Tax Consultative Committee, chaired by Mr. David Vos (Consultative Committee).

The AEU believes that this is a poor rationale for making education GST free. It is an approach which is limiting and inhibiting the extent to which education is being made truly GST free.

For instance, there is an unwillingness to distinguish between not for profit and for profit educational institutions, even though this clearly has a fundamental relevance to purpose. As a result, obvious solutions which would increase simplicity and lower compliance costs for public and not for profit institutions are rejected, on the grounds it may disadvantage private institutions, even though the latter make up only a tiny proportion of any area.

Most educational institutions are greater than the sum of their courses. Basing exemption considerations on a course by course basis excludes consideration of institutional purpose. There is a very real possibility that activities of the institutions related to a range of value and ethos considerations can slip through the GST free net.

Whilst the rationale for making education GST free is based primarily on a determination to protect the interests of the private sector, it is not possible to make education truly GST free, and many of the problems and anomalies with the proposals are created by this approach.

An approach based upon the importance of education to the individual, society and the country would create entirely different proposals which would be more in keeping with a sincere intention to make education GST free.

- 4.3 The AEU was one of a number of organisations which proposed that GST free status be granted to particular classes of institution. This was rejected by the Consultative Committee as being inconsistent with its Terms of Reference and the overall design of the GST. This rejection raises a number of problems, and the AEU believes that this issue should be further considered. (The AEU submission to the Consultative Committee is at Appendix 2).

It is surprising that some reasonably practical solutions which appear to be within the spirit of the government's intentions should be rejected on the grounds of what seems to be largely some desire for philosophical purity. The effect of this is to create extra work and arbitrary and undesirable dividing lines between areas of educational provision and support.

The AEU believes that it is highly desirable and quite practical to suggest that certain institutions be largely exempt from any requirements in regard to GST except in certain specified circumstances.

Doing so enables the issues of the administrative burden to be more effectively addressed and enables the demarcation of GST-free courses to be addressed in more educational terms.

5. Federal state/territory relations

- 5.1 The AEU puts little faith in the so-called guarantee that the GST rate will not rise. The mechanism whereby this is done has been exposed as easily subverted in a number of ways.
- 5.2 There are some advantages in giving states/territories a more predictable and broader revenue bases. However, it should be noted that this predictability is conditioned by a number of factors. The Fringe Benefits Tax operates in a way which can under certain circumstances transfer money away from the states and territories. The Commonwealth will continue to determine the goods on which a GST is levied.
- 5.3 In this regard, the AEU notes the September 1997 Report by the British Treasury, "*The Vat Shortfall*", which suggests that the effective rate of a VAT type tax can be expected to shrink over time because of more sophisticated tax planning, tax avoidance, successful legal challenges, etc.

There do not appear to be any guarantees to the states/territories that the Commonwealth government will devote the energy and resources necessary to prevent erosion in the effective rate.

- 5.5 The effect on fiscal imbalance has not been addressed
- 5.5 Moreover, the question of Commonwealth and state/territory relations is not just one of dollar gains and losses, but of the constitutional relationship and the way in which Australia develops as a Federation into the next century.
- 5.6 The AEU believes that both levels of government have responsibilities in regard to services such as education. (See "Principles of Commonwealth and State/Territory Relations in Schools", Appendix 3). This is a result both of practice and of the Constitution. These dual responsibilities are best carried out through a partnership that is based on negotiated common objectives.

In regard to education, in the past the financial inter-dependence has often been the catalyst to increased cooperation in this partnership. The increased financial independence of the states and territories may result in them approaching this partnership with increased reluctance or recalcitrance. This would be to the disadvantage of Australian education.

- 5.7 Over recent years there has been an emerging sense of a nationally consistent education system. There are concerns that we could return to a national picture of increasing inconsistency, petty differences and considerable inequities in the treatment of both students and education workers.
- 5.8 The AEU is also concerned that, whilst Specific Purpose Payments are not included in the arrangement at present, they are by nature far from guaranteed or predictable in the long term. The Prime Minister has declined to give a clear undertaking. The medium term effect of increased state/territory independence and revenue will almost certainly be for the Commonwealth to accept less responsibility for education, and particularly schooling. This will be to the detriment of education.

- 5.9 It should be remembered that the Commission of Audit which the Coalition set up soon after coming to government recommended that schools be made purely a state/territory matter. Without an adequate framework of guarantees, the receipt by the states and territories of GST revenues can be seen as a step in this direction, a direction which is highly undesirable.
- 5.10 Over the period of time the Commonwealth has been active in schools, it has played a key role in the areas of emerging national priorities, in greater equity in schools and the education of indigenous students. The importance of this national leadership must be acknowledged.
- 5.11 Commonwealth procedures, at least prior to the current government, also embedded a number of valuable features including:
- C community involvement
 - C professional consultation
 - C recognition of teacher professionalism
 - C program accountability and evaluation
 - C piloting and evaluation before implementation

If programs are handed to states/territories it is doubtful if these valuable features would be maintained or restored.

- 5.12 The states/territories, despite maintaining that schools are their responsibility, have shown no inclination to fulfill that responsibility in a manner which guarantees quality education to Australia's children. It would therefore be disastrous to allow them autonomous control of spending in schooling.
- 5.13 State/territory expenditure on schooling has been volatile and very much subject to political cycles. Commonwealth expenditure, whilst favouring private schools has, until recently at least, been more consistently growing.
- 5.14 Despite the poor record of the Howard government in this area, an analysis of the programs and history of Commonwealth involvement in education does suggest that this level of government is more likely to respond to emerging national priorities and to be more conscious of equity considerations.
- 5.15 There are concerns that education could become further politicised if state/territory governments respond to reasonable resource and salary demands by threatening to raise the GST.
- 5.16 There is also concern that state/territory governments will not give priority to educational expenditure.
- 5.17 They also have a tradition of giving away their revenue base as part of some short sighted competition with each other.
- 5.18 For these reasons, the AEU supports a much fuller debate about the full effects of the GST proposals on Commonwealth and state/territory relations.

6. Government costings

- 6.1 The government has claimed that the cost effect to education of the changes in the tax system will be a decrease of \$240 million (0.7%). This figure is produced using the Treasury's PRISMOD. No further disaggregation of the effects on education are available. There has apparently been no attempt to calculate a sector by sector figure, nor to consider a range of other aspects.
- 6.2 Most of the "saving" is through secondary flow through effects.
- 6.3 The costs are only for institutions and not for individuals.
- 6.4 This, combined with the small "saving" and the possible margin of error make the figure of dubious validity. It does nothing to counter the arguments that many aspects of education will be more expensive.

7. Course Eligibility for GST free Status

- 7.1 Since the release of the package there have been some developments in relation to the definition of courses eligible for GST free status. It is helpful to consider those developments chronologically to better understand the current position.
- 7.2 The original definition of educational services which would be GST free appeared to exclude many valid educational activities conducted by schools and other educational institutions.
- 7.3 These concerns were confirmed and exacerbated by statements by Coalition Ministers and particularly by a media release by Senator Chris Ellison "The Facts About GST and Education" (25 August 1998) which suggested that the criteria for GST-free status would be linked to curricula assessment, compulsory activities and graduation requirements.
- 7.4 On the 24 September, Prime Minister Howard, in a reply to a letter on behalf of several national education and parents organisations, responded to several of these concerns. In doing so, he considerably broadened the meaning of many previous statements. He referred to those activities which are encompassed by the National Goals of Schooling as being GST free, and also included courses which are preparatory to those courses leading to qualifications.

This latter is a far broader definition, which could be interpreted as covering virtually anything that is carried out in schools, and therefore by extrapolation, in other educational settings.

It was a significant assuaging of some of the concerns of the AEU and the education community, particularly those concerned with which courses and activities would be GST free.

- 7.5 The recommendations of the Consultative Committee appeared to further broaden and clarify the extent to which educational courses would be GST free.
- 7.6 As pointed out above, it did not, however, satisfactorily address the issue of institution, rather than course, status. It has left the situation in which some educational activities may be GST free

whilst equally legitimate activities incur GST. This also means that the way educational institutions structure their activities may affect the GST status, and that the differential capacities of different institutions to do this may benefit some and disadvantage others. (These issues are further developed below.)

- 7.7 Nevertheless, despite these reservations, the government and its Consultative Committee had, in response to pressure from the education community, publicly gone some way to meeting the initial concerns of the AEU in regard to definition of courses and activities which would be GST free.
- 7.8 However, the legislation does not always appear to reflect these other public statements and documents.
- 7.9 For instance, the letter from Prime Minister Howard referred to above stated, “school provided services which contribute to the achievement of the National Goals of Schooling are all GST free.” However, there is no reference to the Goals or similar documents in the legislation or accompanying Explanatory Memorandum. Instead, there are numerous references to courses and also references to the “curriculum”. Whilst the former is defined in the Dictionary, the latter is not.

This raises concerns that some latter definition of “the curriculum” will specify particular courses, making them GST free, whilst other educational activities clearly within the scope of the current National Goals of Schooling are not.

In this regard, the AEU notes that within the current draft of the proposed revised Goals of Schooling it is possible to differentiate between “curriculum” goals and “student” and “social justice” goals. Indeed, DETYA has made such a differentiation explicit.

The so-called “curriculum goals” are restricted by and large to the eight key learning areas, and a later adoption of this definition would therefore exclude many of the current goals from GST free status.

- 7.10 This is illustrated in the possible contradiction in the exclusion of “predominantly recreational” activities from excursions or field trips (Sub Division 38-90). The National Goals of Schooling as they currently stand include the development of the social potential of the student and the goal “To provide for the physical development and personal health and fitness of students, and for the creative use of leisure time”. In pursuit of this, many schools and other educational settings have programs involving activities which may be considered as predominantly recreational. It is very difficult to distinguish when such programs cease to become educational. Indeed there is a strong argument that this is never the case. It would not be acceptable to exclude such activities from GST free status.
- 7.11 Similarly, the definition of educational course (subdivision 38-35) excludes recreation, leisure and personal enrichment courses. This will affect mainly the adult learning area. In practice it will reinforce an educationally outdated and irrelevant distinction between accredited and non-accredited education and training. It suggests distinctions between “real” education, which is for vocational purposes and “hobby and personal interest” courses which are essentially an

indulgence and therefore should be taxed.

Many courses conducted by TAFE and Adult and Community Education Centres may appear on the surface to fall into such a category. However, educationalists make no such distinction. In fact research suggests that such courses are instrumental in beginning a process of re-introducing individuals to educational habits. In particular, it should be noted that these courses are extremely important to those who are most removed from formal educational processes, and frequently lead on to more formal education and a change in the life circumstances of those most disadvantaged. There is a gender equity aspect in that a majority of the people in such courses are women who frequently go on to accredited courses. A wise government would encourage attendance at such courses, not seek to tax those attending.

Problems of definition, and particularly the need to distinguish between such courses and those offered by for profit organisations, is not a sufficient argument for making such courses taxable. Again, it simply needs some recognition that some activities should be GST free when conducted by not for profit organisations.

- 7.12 The situation in regard to TAFE courses is also far from clear, but it would appear that many courses in TAFE, particularly short courses and courses run for industry will incur a GST. The AEU recommends a specific investigation of the effects on TAFE courses.

8. Excursions

- 8.1 Imposing the GST on accommodation in association with excursions for tertiary students will increase costs in courses such as tourism and hospitality which frequently require students to move away from the normal place of residence for work experience.

Such accommodation is short term and students still have to maintain their normal place of residence. They are thereby incurring two accommodation costs and two associated GST costs.

9. Course Materials

- 9.1 There is still a lack of clarity and considerable confusion in regard to which course materials will be GST free, and how this may affect any levies, whether compulsory or voluntary, that an institution imposes.
- 9.2 Whilst the intention that course materials not incur GST is explicit (subdivision 38-95), this is then confused by the phrase “unless there is a hire charge separate from the course fee” in the Explanatory Memorandum.
- 9.3 There is considerable concern about the way this may operate in practice in regard to all materials. By way of example, consider the position in regard to three learning materials found in most schools - textbooks, calculators, and laptop computers.

Different schools and different systems have a wide variety of practices in the way in which text books are provided to students. At one end of the spectrum, books are purchased by individual

students and used on a “one-off” basis. (They may then be passed on or sold to another student.). At the other end, schools purchase the books and lend them to the student as needed for a lesson, a term, or a year. In some cases there is a clearly identifiable “book levy”, in some a government book allowance, and in others a more general fee which includes books.

Almost all students have a calculator for most of their school years. These are often purchased by the individual through the school or parent shop at cost. They will be used in many courses over several years.

Laptop computers are a more expensive item. Like calculators they may be used in a variety of courses over a number of years; like textbooks, different schools have different arrangements, differing expectations, and different practices. Some schools may have pools of school owned computers for use as required, others may expect that all students own a computer. In between are a variety of leasing and purchasing arrangements. Some Independent schools provide a laptop as part of an all inclusive fee.

It can be seen from these examples that what appears simple in the legislation is going to be very complex in practice. This raises a number of concerns.

- 9.3.1 It would seem that the way in which a school, or other institution, structures the delivery of course materials can have considerable impact on whether the GST applies. Schools will then find themselves doing things because of the way the GST operates rather than for sound educational and administrative reasons.
- 9.3.2 Conversely, students in some courses may pay GST on materials whilst other students do not incur a GST.
- 9.3.3 It would appear that where an institution can set an inclusive course fee, materials which are supplied can be GST free. In effect, the more generic the charges are the less likely they are to incur GST. This clearly advantages private institutions which can include such costs within their fee structure and disadvantages public institutions where the basic tuition is free, and “extras” must be subject to a voluntary levy and therefore clearly identifiable.
- 9.4 The AEU considers that these provisions need considerable reconsideration and that there should be more emphasis on the use of the materials and where they are used rather than the way they are supplied. This is potentially the area where the greatest cost impacts will be made in education.
- 9.5 The pre-eminent principle should be that goods needed as part of education should be GST free. This should extend to books, learning materials, stationery, sports and arts materials, and clothing including uniforms. It should also apply to transport to and from educational courses.
- 9.6 The Consultative Committee also raised the issue of GST applying where ownership of materials passed to the student. Its recommendations in regard to this were a significant easing of original proposals, and are reflected in the legislation. This matter is therefore now satisfactorily resolved.

10. Private Tuition

- 10.1 Private tuition is another area in which the way it is provided determines whether GST is incurred. Where an institution incorporates the provision into its fee structure, the tuition is free. Where the same tuition is provided by direct transaction between the student and the supplier, it incurs a GST.
- 10.2 A student receiving tuition in say a musical instrument or horse riding, will not pay GST if it is arranged through the school but the same activity will incur a GST if privately arranged.
- 10.3 A similar situation arises in regard to sports and recreation activities.
- 10.4 Again, this raises the spectre of institutions organising their arrangements to minimise the impact of the GST, and creates a number of anomalies for parents and children. Further, there will be pressure on schools within a competitive market to take on the extra administrative work in providing arrangements which allow parents to avoid a GST.
- 10.5 Again, many independent and other private schools already have a tradition of such arrangements and will be advantaged by these arrangements.

11. Administrative Burden

- 11.1 Despite government protestations to the contrary, AEU members who will have to implement the legislation in educational settings remain convinced that the administrative burden and compliance cost will be considerable, and considerable concern about the cash flow effects remain.
- 11.2 It has been suggested that the cash flow effects can be minimised by making returns on a monthly basis. This clearly creates an equation where either cash flow or administrative burden are affected.
- 11.3 Education institutions will need to delineate between those transactions liable to GST and those exempt.
- 11.4 Again, the AEU was disappointed that the Consultative Committee rejected the suggestion that the current Wholesale Sales Tax Exempt system be used as a model, on what appear to be spurious ideological grounds. Using such a model would do much to relieve the administrative burden and any cash flow problems. Many institutions will, in reality, end up paying very little GST and yet will be engaged in a massive process of keeping and filing returns, and paying out and reclaiming money. This seems to be administratively unnecessary.
- 11.5 The AEU now also has concerns that the administrative burden may be increased by the fact that the inadequacies in the legislation highlighted above mean that the way in which fees and levies and the provision of course materials are structured may affect liability. As pointed out above, institutions will be encouraged to provide tuition through the institution rather than privately in order that the activities receive GST free status.

It would also seem to be the case that documentation dealing with the curriculum, goals and values may influence whether some courses are eligible for GST free status, particularly in the area of potential “recreational” activities.

There is, therefore, going to be pressure on institutions to take on an extra administrative burden to lessen the impact of GST on students and parents, at the same time as the GST itself will add to the administrative burden.

- 11.6 If the GST on food remains, it will be necessary to disaggregate food costs from excursions.
- 11.7 It is regrettable that some decisions in educational institutions will now be for GST based reasons rather than educational ones. A more common sense approach to the legislation could have avoided this.
- 11.8 It is also regrettable that at a time when workload is creating considerable stress in educational institutions the government should add to it when there is a way in which this could be avoided. Many educators are near breaking point in regard to workload. Work that does not relate to educational objectives is particularly stressful. It is imperative that this matter receive attention.
- 11.9 The inclusion of education amongst those able to gain access to the \$500 million earmarked for assistance in meeting compliance costs is welcomed. However, it is far from clear how this will be apportioned. Some analysis of the needs of educational institutions should be carried out, and practising principals and educators should be involved in this. Given the number involved, it would also seem appropriate to consider whether a sufficient sum has been allocated.

12. Professional associations

- 12.1 The educational value of professional associations in education is inestimable. Many such associations exist at local, state/territory and national levels. They distribute materials, act as forums for the development of ideas, play a vital role in the professional development of members, and are otherwise a very important part of the educational infrastructure.

Most exist through the considerable efforts of a few who dedicate much of their private time to supporting the organisation. They are supported by educators who use their own time and own resources to selflessly contribute to the profession.

Most operate on and are limited by a small and inadequate budget. Many have built themselves up by consistent dedication over a long period of time.

That a government would seek to tax such voluntary effort by imposing a GST on membership fees is simply outrageous. It is wrong in principle, will indicate that such voluntary effort is not valued by the government, and, in some cases, risks the viability of valued organisations.

The AEU urges that this issue be reconsidered, both specifically and in the context of voluntary associations generally.

- 12.2 The AEU is aware that some Associations, such as the National Education Forum and the

Australian Curriculum Studies Association are making their own submissions on this issue. The AEU supports those submissions, and the call for them to have access to the \$500 million compliance alleviation pool

- 12.3 All of the arguments which apply to other professional associations also apply to the AEU as an organisation which represents the industrial and professional interests of its members.

The right of voluntary association is fundamental to democratic principles, and therefore to tax this right is anti democratic.

13. Parent Organisations and Fundraising

- 13.1 The Consultative Committee did little to clarify the highly confused area of parent organisations and fundraising, claiming it was beyond their terms of reference. This area then remains of considerable concern as outlined in the submission to that Committee.
- 13.2 In conversations with officials the issue has been downplayed. It has been suggested that either the majority of organisations will not be over the \$100 000 limit, or that they will be able to structure the activities in a way which will avoid the GST, by creating separate bodies for different activities.
- 13.3 The majority of school parent organisations will have turnovers over the \$100 000 limit and this issue must be addressed.
- 13.4 If it is not the government's intention to tax lamington drives and other fundraising activities, this should be explicitly stated in the legislation.
- 13.5 This should include such activities as uniform and book exchanges, which are primarily fundraising rather than commercial in nature.
- 13.6 The GST will apply to the inputs of fundraising such as sausages for the sausage sizzle and the hire of rides for the school fete. Parent organisations should be able to claim these input costs even when exempt from output GST costs.
- 13.7 Parent organisations in disadvantaged areas sometimes run breakfast clubs to ensure school children start the day with a meal. If the GST on food remains, such clubs will have to pay GST on the food.
- 13.8 The AEU understands that the submission from the Australian Council of State School Organisations (ACSSO) will deal with this area in more detail. We add our support to this submission.

14. GST and Educators' Expenses

- 14.1 There has been no change in regard to the situation with the GST expenses that educators will incur as a result of purchases they make in the course of their duties. This leaves a situation in which educators, such as teachers, will incur GST on a range of expenses associated with the purchase of learning materials. The expenses which are incurred in this way are quite considerable and have increased as governments have become less and less willing to provide the educational essentials.

Such materials include expenditures on books, stationery, computer software, overhead transparencies, writing materials, and so on. It may also include major expenditures on items such as special clothing, sports equipment and musical instruments.

Under previous arrangements, some of this expenditure was WST exempt.

In many businesses, employers would be expected to supply such materials. It is a mark of the parsimoniousness of governments and the dedication of education workers that such expenditures are a fundamental part of education resourcing. That a government would seek to tax such expenditures is simply abhorrent.

- 14.2 As stated above, the AEU is surprised that the government would seek to tax any professional development and training.

The education industry compares very unfavourably with other private and public sector industries in the provision of professional development. As a result, many educators undertake professional development activities in their own time and at their own expense. Despite this, governments and the media are inclined to criticise educators for their failure to keep up to date. It is quite astounding that the government now feels it should add a further disincentive in the form of a tax!

- 14.3 The effect of this distinction in the TAFE/VET area is acute. In the vocational education and training sector there are almost no legal instruments for specifying teacher/trainer qualifications as essential prerequisites for employment. At the same time, there is a need for TAFE/VET teachers to maintain and upgrade their technical competence and teaching competence. The result of imposing a GST on this development will have a serious deleterious impact on this emerging and vital area.

15. Students/Parents and the GST

- 15.1 The Consultative Committee failed to make any changes to the situation with regard to the wide range of expenses that students and/or their parents will incur.

- 15.2 A wide variety of materials required for educational purposes will now incur a GST, which previously did not incur WST. There has been no specific modelling to account for this. Instead, the government has relied on arguments that the general compensation package will cover such increases.

AEU calculations suggest that the increased costs to parents with students in government schools arising from education related expenditure alone will be in the order of \$200 per child per year. In many cases this will eat away more than 50% of the “compensation”.

- 15.3 Several recent studies have shown that families in lower socio-economic groupings are finding it increasingly difficult to meet the costs of “free” education, and that this is having a devastating effect both on the children and the family.

One such study by Elizabeth Orr, (Free Education - Who Can Afford It?, The Smith Family) surveyed financially disadvantaged families. It found:

Many respondent families could not afford the most basic costs associated with schooling. Although all families surveyed received a yearly bursary of \$320 from TSF, 20% mentioned difficulties in paying General fees and levies, and another 20% said that they could not afford textbooks.

Whilst the majority of respondents said that they could afford school uniforms, many had difficulties buying more than one set of the appropriate clothing, or affording more expensive items such as school blazers. Other respondents pointed out that without the financial assistance they receive through the EDU-CATE program, it would be impossible for them to afford school uniforms at all.

Furthermore, many could not afford to let their children participate in the full range of socialisation experiences offered within the school system:

- *62% of those asked to purchase computer discs for a course their child was taking could not afford it;*
- *50% could not participate in school camps;*
- *24% could not afford to participate in sports activities; and*
- *15% could not participate in school excursions. (p. 4)*

The following items were included in the survey:

- Uniforms
- School camps
- Excursions
- Sports
- Text books
- Paper/photocopying
- Travel to and from school
- School photos
- Computer discs
- Materials for assignments
- Attendance at concerts or other entertainments given by the school
- Elective subjects
- General fees
- Voluntary levies

- Contributions to P & C Associations
- Purchase of fundraising items (p. 3)

Significantly, many of these items will themselves incur a GST.

The survey showed that some parents would have to pay up to \$2062 p.a. in primary and \$3103 p.a. in secondary if they were to provide their child with the opportunity to participate in the normal activities offered by the school as well as buy other basic school items (p. 5).

To impose an additional burden on these families through imposing a GST on this education related expenditure is totally unacceptable.

- 15.4 The first step in alleviating the GST burden associated with education costs on families and students is to not include books, other learning materials, transport to and from education, and uniforms within the GST framework.
- 15.5 The AEU is concerned that there has been inadequate analysis of the impact on young people. In particular, there is a need for analysis of the impact on young people who neither pay income tax nor receive grants. There are a substantial number of students in the latter part of schooling and in post school education who are at least partially financially independent and do not currently pay income tax or pay only minimal income tax and do not receive any government assistance. They will therefore receive no compensation but will incur increased GST costs. In many cases, it is most unlikely that they will receive additional support from their parents, and it is in fact totally unfair for the government to evade responsibility by passing the onus onto parents. It will make victims of many of those currently living around the poverty line.

The AEU is not able to provide figures for the number of students involved or the exact extent of the problem. However, we do believe that there is a potentially severe impact on a substantial number of students and urge that this matter be investigated.

16. Conclusion

The AEU believes that the best option is not to pass the GST.

If the GST is to proceed, the AEU has indicated a list of items it believes should be excluded. If these items are not generally excluded then consideration needs to be given to their impact in education.

The government has claimed that education will be GST free. There are number of instances where this is not true.

The AEU has made a number of suggestions which would more fully meet the governments stated intention. There are also areas in need of further investigation and debate such as the effect on Commonwealth and state/territory relations and the impact on young people.

APPENDIX 1

AUSTRALIAN EDUCATION UNION

POLICY

on

RAISING THE REVENUE BASE

As Adopted at the October 1997 Federal Executive

APPENDIX 2

AUSTRALIAN EDUCATION UNION

SUBMISSION

TO THE

TAX CONSULTATIVE COMMITTEE -

APPLICATION OF THE GST IN REGARD TO

EDUCATION

(November 1998)

APPENDIX 3

PRINCIPLES OF COMMONWEALTH AND STATE/TERRITORY RELATIONS IN SCHOOLS

AUSTRALIAN EDUCATION UNION

SUBMISSION

TO

THE SENATE SELECT COMMITTEE ON

A NEW TAX SYSTEM (GST)

January 1999