11 July 2013

The Manager
Individuals Tax Unit
Personal and Retirement Income Division
The Treasury
Langton Crescent
PARKES ACT 2600

Via email: selfeducationtaxreform@treasury.gov.au

ACPET’s opposition to the cap on tax deductions for self-education expenses

The Australian Council for Private Education and Training (ACPET) takes this opportunity to express its opposition to the $2,000 a year cap on tax deductions for work-related self-education expenses, and to call on the government to reverse its decision.

ACPET’s membership is comprised of more than 1,000 private, post-compulsory education and training providers, delivering higher education; vocational education and training; English language courses; senior secondary studies; and, foundation studies to Australian and international students across Australia.

On 13 April 2013 the Australian Government announced new reforms to self-education expenses to be introduced from 1 July 2014. No consultation prior to the approval and release of the reforms was undertaken with peak professional and educational bodies to determine the need for a change to existing policy. ACPET takes this opportunity to voice its concern at this process. It is ACPET’s view that:

- It is a short-sighted measure and bad tax policy that fails to take account of the long-term national economic and productivity consequences
- There is no sector-by-sector analysis and the level of information and evidence supplied in Treasury’s discussion paper is inadequate
- It is a tax on learning, innovation, aspiration, and continuing professional development
- It is incompatible with achieving a smarter Australia built on a knowledge economy and undermines the nation’s key advantages in terms of the safety and quality of services that it provides
- Regional Australia will be particularly disadvantaged because of the higher costs involved in further study and professional development

ACPET is particularly concerned that the cap restricts and discourages continuing professional development and skilling. The cap will escalate the cost of education to individuals and will inevitably discriminate against students studying at tertiary education across the full gambit of providers delivering VET, undergraduate and post-graduate education.

The $2,000 per annum cap will discourage many people from progressing professional careers, impacting severely on the self-employed. The impact of the introduction of the cap will be felt in...
those industries that are heavily reliant on ongoing knowledge and skills development, such as the services sectors.

The government is widely promoting a strategic vision and policy aimed at building Australia as a knowledge economy. Only a few weeks ago, 15 new government priorities (the Strategic Research Priorities - SRP) were released to encourage Australia's ability to become a productive, innovative, contemporary knowledge-based economy, including “developing skills for the new economy” and “maximising competitive advantage”. These research priorities aim to drive investment in those areas which can help address Australia's most important economic, environmental and social challenges, supporting and encouraging the need for ongoing reskilling and post-graduate education. The cap reforms however, work against these priorities, ignoring the importance of self-education and mandatory continuing professional development.

Of great concern is that the cap will also disadvantage those in the lower economic bracket, whether they are employees or small business owners, who are unable to meet the increased costs of undertaking education, training and professional development. Most sole traders have high costs in upgrading and refreshing their knowledge and skills regularly, and on a long-term basis, as these are their main assets. Policy that erects barriers to accessing professional development may stifle innovation and adaptability in the Australian economy.

The reform, and the paper, groups together various issues related to tax deductions for work-related self-education, putting them ‘all in one basket’, such as academics rorting the system, and employee-students, who will be greatly disadvantaged as a result of reforms. This is the fundamental flaw of the reform. More consideration needs to be given to identifying the ‘problem’ issues, and attempt to find appropriate solutions for these issues.

It could be argued that there should be greater liberalisation of the tax deductibility to support people who want to further their education, to the benefit of both the individual and the community through a better qualified workforce. Trades people who purchase tools for their trade are allowed full tax deductions for these items. Better tools, it may be argued “deliver significant private benefits to the employee” (Reform to deductions, Discussion paper p. V), just as self-education does, and trades people are “investing in their own earning capacity” (p.V) just as employees who undertake tertiary education are “maintaining or improving the specific skills or knowledge required for the employment” (p. 1), which may, or may not “result in an increase in income”. ACPET questions what is the difference between upgrading practical tools, and educational skills and knowledge?

ACPET supports the call for the abandonment of the cap on self-education expenses, and would welcome extensive consultation on these issues, leading to the development of reforms that target those who misuse the system rather than penalise those committed to self-improvement.

Contact:
Ben Vivekanandan
General Manager, Policy and Research
Ph: 03 9412 5912 email: ben.vivekanandan@acpet.edu.au