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Productivity Commission
GPO Box 1428
Canberra City ACT 2601

6 February 2024

RESPONSE TO THE PRODUCTIVITY COMMISSION DRAFT REPORT, *FUTURE FOUNDATIONS FOR GIVING*

Introduction

The Productivity Commission's draft report, *Future Foundations for Giving* has provided a range of recommendations in relation to philanthropic giving in Australia and Canberra Girls Grammar School (CGGS) welcomes the opportunity to provide feedback.

This submission will focus on the recommendation to remove DGR status for school building funds on the basis that there is "the potential for a donor to be able to convert a tax-deductible donation into a private benefit."

We are extremely concerned that the Productivity Commission in its interim report has recommended the removal of Deductible Gift Recipient (DGR) status for School Building Funds and we believe that this action would have a significant negative impact on independent schools in Australia, and urge the Commission to reconsider.

Our School

Located in the heart of the nation's capital for nearly a century, the School has contributed extensively to the social and economic life of Canberra and surrounding areas. CGGS, or St Gabriel's as it was known in 1926, was the first non-government school in Canberra and has proudly served generations of students and families since its founding.

The CGGS School community is proudly diverse and includes students from across the ACT, as well as regional and rural populations in the ACT and NSW who benefit from the option to board at the only all-female Boarding School in the ACT. In addition, the School offers a comprehensive Scholarship and Bursary program to ensure access for students whose families may not otherwise be in a position to afford a CGGS education.

Schools as not for profit entities

Like the majority of non-government schools in Australia, CGGS is a not-for-profit entity, registered with the Australian Charities and Not-for-Profits Commission (ACNC) with the charitable purpose of 'advancing education'. This purpose is in recognition of the importance and public benefit of the work of schools in educating



Australia's children and young people. The collective purpose of schools – government and non-government, underpins the DGR status of school building funds.

The importance of building funds for schools

Across Australia, independent school families, alumni and communities collectively contribute 86 per cent of school capital income nationally. Two-thirds of independent schools receive no government funding for capital expenditure. In many schools, capital funding is 100 per cent sourced from parents and school communities.

In 2021, the value of this contribution from independent school families, alumni and communities was around \$1.14 billion for school building and capital works. These same families contribute around \$5.7 billion annually to the ongoing costs of educating their children, with their after-tax dollars.

Private Benefit

The Productivity Commission has argued in its report that in the case of school building funds, there is “the potential for a donor to be able to convert a tax-deductible donation into a private benefit is especially apparent for primary and secondary education, particularly where students are charged fees.”

However, the Productivity Commission has shown no real evidence to support the argument that there is a material risk of tax-deductible donations to school building funds being converted into a private benefit.

School Building Funds support capital works programs and develop assets with a life that extends far beyond the 12 years a child spends at school. Further, it is not only the families of current students that contribute to school building funds, but alumni, community groups, and others through a range of fundraising activities. It is extremely unlikely that a member of the community, or a school alumnus – who may have left the school many years ago – could benefit directly from these donations.

And while the draft report raised the possibility of there being a link between donations and fees charged for education services, this is not the case in schools. Capital works are funded separately to the recurrent operating costs that are recouped through fees, and deductible donations to a School Building Fund therefore do not materially reduce the fees payable by parents.

In addition, many independent schools provide community access to their built environments at low or no cost and in so doing, provide a broader community benefit than the report acknowledges.



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Impact of the removal of DGR status for school building funds

Removing DGR status for non-government school building funds will shift more financial burden onto families, who already make significant sacrifices to support their children's education and are doing their best to manage the ever-increasing cost of living pressures.

Conclusion

CGGS does not support the Productivity Commission's recommendation to withdraw DGR status from school building funds and is concerned about the very detrimental impact it could have on the provision of quality education nationally.

On behalf of our students, families and the wider school community we ask that the Commission reconsider this recommendation.

Thank you for your consideration of this submission.

Yours sincerely

Sue Hart
Chair of the Board