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Philanthropy Inquiry  
Productivity Commission  
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## **Carmel School's submission to the Productivity Commission's Draft Report *Future Foundations for Giving***

### **Introduction**

The Productivity Commission's draft report into Philanthropy – *Future Foundations for Giving* – has provided a range of recommendations in relation to philanthropic giving in Australia and Carmel School welcomes the opportunity to provide feedback.

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 Advancing Religion Funds. We believe that this action would have a significant negative impact on our community and thousands of others around Australia and urge the Commission to reconsider.

Carmel School is located in Perth, Western Australia and currently enrolls 420 students and employs 95 teachers and administration staff. The School contributes to the social and economic life of the community in which it is situated and is a beloved part of the local Jewish community in Perth.

### **Schools as not -for profit entities**

Like the majority of non-government schools in Australia, Carmel School 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 recognition of the importance and public benefit of the work of schools in educating Australia's young people underpins the DGR status of the school building fund at our school and others around Australia.

### **The importance of building funds for schools**

Across Australia, independent school families, alumni and communities collectively contribute 86 per cent of national school capital income. 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.

Any building work at Carmel School is for the use of future, as well as current, students and is also often utilised by the broader community.



### **Private Benefit**

The Productivity Commission has argued in its report that in the case of school building funds, “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 its 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. Furthermore, it is not only the families of current students who 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.

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 from the recurrent operating costs that are recouped through fees; deductible donations to a School Building Fund therefore do not materially reduce the fees payable by parents.

### **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.

For Carmel School, the removal of DGR status for school building funds will directly impact the capacity of the School to provide the best possible learning environment for our students. This will include future building projects.

### **The importance of advancing religious funds for schools**

The draft report (p. 18 states that religious organisations play an important role in many people’s lives and in communities across Australia. However, the Commission does not see a case for additional government support for the practice of religion through the DGR system. The report recommends the removal of the advancing religion category as a DGR use in that context, but recognises that religious organisations perform benevolent tasks, including wellbeing services. Carmel School suggests that the categorisation of activity into small boxes with each having a separate identity is not only difficult and confusing, but diminishes the overall benefit.

What is taught by Jewish culture and Judaism would, today, be classified as multiculturalism. The Jewish view is that members of the Jewish community should be productive, respected members of the Australian way of life who integrate into general Australian life, whilst adhering to Jewish values; integration, but not assimilation.

Judaism is not merely a set of religious rituals confined to sacred spaces or specific times; it is a comprehensive way of life that intricately interlaces religious practice into everyday existence. In Judaism, one's spiritual journey is inextricably linked to one's ordinary everyday activities. Cultural identity, understanding and knowledge have been demonstrated to benefit wellbeing. In the case of Judaism as referred above, Judaism and Jewish culture are identifiably inseparable.

A January 2010 article in the Psychiatric Times, entitled 'Religion, Spirituality, and Mental Health', found that studies among adults reveal fairly consistent relationships between levels of religiosity and depressive disorders that are significant and inverse. Religious factors become more potent as life stress increases. Koenig and colleagues highlight the fact that before 2000, more than 100 quantitative studies examined the relationships between religion and depression. Of 93 observational studies, two-thirds found lower rates of depressive disorder with fewer depressive symptoms in persons who were more religious. In 34 studies that did not find a similar relationship, only 4 found that being religious was associated with more depression. Of 22 longitudinal studies, 15 found that greater religiousness predicted mild symptoms and faster remission at follow-up.

### **Impact of the removal of DGR status for advancing religious funds**

Within that context the removal of the DGR status for advancing religion for faith-based schools would make understanding of components complex difficult and make compliance very difficult to monitor. The removal of the category would work against the transparency and simplicity proposals outlined as sound regulatory framework within the goals of the draft paper.

The DGR status although under the heading of advancing religion is in total concert with wellbeing programs and funding all be it indirect. A withdraw of the DGR status of advancing religion particularly in respect of schools where core cultural, spirituality, moral standards are transmitted could be in the longer term detrimental and ultimately require greater government funding at a reduced benefit.

In the case of Carmel School, no Religious Education Fund would result in redundancy of religious teaching and associated administration staff, and a decline in our valued religious offering that would in turn effect enrolments. We would have to cease our fee assistance program that helps 35% of families attend our school and they would have no option but to attend a government school instead.

### **Conclusion**

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

Both the DGR status for school building funds and the general DGR status for advancing religion have served our communities very well over many many decades. The benefits are noted throughout the draft report. Page 192 of the draft report in fact emphasises the discussion on the removal of the general category of advancing religion noting it is not based on a view that religious practice does not provide a benefit to the community, but rather that the additional net community benefits from extending the DGR system to include the purposes of purely advancing religion are not apparent. That absence of apparent benefit in the view of Carmel School is as a consequence to a narrow understanding of spirituality and religion and not one that incorporates culture and moral values and healthy way of life, both physically and mentally.

Carmel School contends the view to diminish and restrict the DGR status of school building funds and the general category of advancing religion are formed by dissecting the activity into small components or perhaps even individual transactions in an effort to improve a regulatory framework. In doing so in the context of these two categories it was found too difficult, and it appears the solution was to remove the category irrespective of the acknowledged benefits. DGR approved entities have defined goals. The benefits have been long standing and proved. Regulatory improvement and transparency are better options and longer-term better value than termination of the category.

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.

Dr Julie Harris  
**Principal**  
**Carmel School**