

# Scotch College 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 Scotch College in Western Australia 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 our community and thousands of others around Australia and urge the Commission to reconsider.

Scotch College is located in Swanbourne WA and currently enrolls over 1500 students and employs more than 350 teachers and other staff. For over 125 years the school has contributed to the social and economic life of the local community in which we are based, as well as making our facilities available to many other community and sporting groups.

## Schools as not-for-profit entities

Like the majority of non-government schools in Australia, Scotch College 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 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.

### **Example:**

Between 2018 and 2022 the value of parents, alumni, and community donations to capital works at Scotch College was \$1.3 million and went towards the development or refurbishment of much-needed school infrastructure and heritage buildings. This contribution is a very important supplement to help minimise the amount of capital the school must borrow to undertake such projects. In the last two decades, this philanthropic funding was used to help build a new Mathematics and Commerce building, contribute towards a new Middle School Centre for Years 6-8, and revitalise sporting facilities used by school and local communities alike.

Any building work at Scotch is for the use of future, as well as current, students and is also very regularly utilised by the broader community, including use of Performing Arts Centres, sporting fields, lecture, and other learning spaces.

### **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 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 years a child spends at any particular primary or secondary school. Fundraising campaigns often pre-date actual planning and construction by many years, further removing current families from any likely benefit. Families recognise that their children are enjoying the fruits of previous capital works that pre-date them by many years, and their contributions are as much about ‘paying it forward’ much like the previous generations or school cohorts.

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.

### **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 Scotch College in WA, 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.

## Conclusion

Scotch College in WA 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.

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Scotch College