



Waverley College  
131 Birrell Street, Waverley NSW 2024  
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5 February 2024

**Re: Providing feedback to the Productivity Commission – Maintaining DGR Status for School Building Funds**

Dear Members of the Productivity Commission,

**BACKGROUND**

On 1 December 2023, the Federal Government released a draft report by the Productivity Commission called [Future Foundations for Giving](#).

One of the report's recommendations is the removal of deductible gift recipient (DGR) status for school building funds.

If implemented, parents and other donors would no longer receive a tax deduction for the voluntary donations they make to registered school building funds. This would have the potential to substantially reduce such contributions and make it more difficult for schools to undertake much-needed capital works.

The draft report's rationale for removing DGR status appears to be based on incorrect and outdated assumptions about non-government schools. For example:

*There are also some charitable activities where the reasons for DGR status have lessened over time. School building funds – which are widely, but not exclusively, used by non-government schools – are a case in point. School building funds were given DGR status in 1954 when government support for non-government schools was very limited. Since then, government support for non-government schools has expanded considerably. (p15)*

The report confuses the expansion of recurrent Government funding - which all not-for-profit schools receive to help fund their annual operating costs - with capital grants, which are available only to a small number of needy non-government schools. This year, the NSW Government will provide just \$17 million in capital grants to be shared between the entire Catholic and Independent sectors, which comprise more than a third of the state's schools.



The report also states:

*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. Potential donors are most likely to be people directly involved with the school and benefit directly from donations, such as students, their parents or alumni. (p18)*

This is also an incorrect assumption and dismisses the benefits provided by donors to future generations of students. Schools seek donations to building funds from parents annually, well before a specific development has been identified, planned, and approved. In most cases, a new building is completed well after their child has left the school.

## KEY POINTS

- The recommendation of the Productivity Commission's draft report, Future Foundations for Giving, to remove deductible gift recipient (DGR) status from school building funds is flawed and has caused significant anxiety for our school and those who support us.
- Waverley College enrolls 1,547 students from Years 5 – 12 and employs 185 teachers and other staff. It has contributed to the social and economic life of the local community since 1903.
- Like most non-government schools, Waverley College Foundation 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 non-government schools in educating Australia's young people underpins the DGR status of the school building fund at our school and others around Australia.
- Waverley College relies on the school building fund to finance its capital works projects, which are essential to meeting demand from families for places and ensuring educational facilities are upgraded.
- More than one-third of all students in NSW attend a non-government school. The State Government relies on schools like ours to ensure there are enough places for all NSW school students.
- To date, the buildings and resources needed to accommodate the growth of our school – like almost all non-government schools – has been substantially funded by families, alumni and other donors through our school building fund.



- Our school has received no capital funding from government since the BER program.
- The removal of DGR status from school building funds would, therefore, have a significant negative impact on our school community and on thousands of others around Australia. It would seriously jeopardise our school's ability to raise the funds necessary to provide and improve our teaching and learning infrastructure.
- The Productivity Commission's report alleges 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."
- This claim is not supported by any evidence or data - and it is highly unlikely that such a benefit would accrue to donors. Obtaining a benefit from a donation is expressly excluded in the Australian Taxation Office rules for Tax Deductible Gift Recipient Funds; if it did occur, it would be grounds to deregister the DGR fund through existing compliance mechanisms.
- The report's concern for any 'potential' private benefits needs to be weighed up against the actual benefit of donations that have helped to deliver school infrastructure with a life that extends far beyond the 13 years a child spends at school. In most cases, an asset will be completed well after the child of the donor parent has finished their schooling.
- It is not only the families of current students who contribute to school building funds but alumni, community groups, philanthropic donors and others through a range of fundraising activities. It is therefore extremely unlikely that a community member or a school alumnus – who may have left the school many years ago – could benefit directly from these donations.
- Removing DGR status for non-government school building funds will only reduce contributions from donors and restrict non-government schools' capacity to meet future demand for student places.
- The removal of DGR status will shift more of the financial burden of providing the necessary classroom places for our state's children onto governments, who will be forced to build new capacity in government schools at a higher cost to taxpayers than the current DGR-based system.



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On behalf of our students, families and the wider school community we ask that the Productivity Commission withdraw this recommendation from its final report.

Warm regards,

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