

Productivity Commission review of philanthropy Draft Report – Future Foundations for Giving

Submission - Canberra Grammar School / Canberra Grammar School Foundation

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 donors would no longer receive a tax deduction for the voluntary donations that 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The draft report's rationale for removing DGR status appears to be based on incorrect and outdated assumptions about non-government schools.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 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 the recurrent Government funding – which all not-for-profit schools receive to help fund their annual operating costs – with capital grants, which are available to only a small number of the most needy non-government schools. In 2023, the Australian Government Capital Grants Program (CGP) provided just \$4.3 million¹ in capital grants to be shared among the entire 47 schools comprising the Catholic and Independent sectors in the ACT (only 5 schools had successful submissions), which according to the 2023 Census of ACT Schools (Feb 2023)² provided education to some 38.6% of the Territories total school students.

¹ <https://www.education.gov.au/school-funding/resources/capital-grants-program-2022-approved-projects>

² https://www.data.act.gov.au/Education/Census-Data-for-all-ACT-Schools/8mi2-3658/about_data

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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 a variety of people connected with their communities and this may include parents, alumni and the wider community at large. These donations are often being sort well before a specific development has been identified, planned and approved. In most cases, a new building is completed well after the child of the current parental community 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, foundation and those who support us.

Canberra Grammar School enrolls 2,230 students and employs 425 teachers and other staff. The school has contributed to social and economic life of the local community since its establishment in 1929.

Canberra Grammar School has always taken the approach that it is an active participant in its local and wider Canberra community and as such provides venues for a number of community groups, many of which are vital not-for-profit organisations, at only a notional or in some cases at no cost. These facilities are only available due to the generosity of donors in years past. If these facilities were not available at the School, then additional pressure would be placed on what are already stretched community facilities.

Like the majority of non-government schools, Canberra Grammar 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 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.

Canberra Grammar School relies on the school building fund to assist in financing its capital works projects, which are essential to meeting the demand from families for places and ensuring educational facilities are upgraded to meet ever increasing level of regulatory requirements.

In the ACT 38.6% of students attend a non-government school. The Territory Government relies on schools like ours to ensure there are enough places for all ACT students.

To date, the buildings and resources needed to accommodate the growth of the 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 Building the Education Revolution (BER) program over a decade ago.

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 significantly jeopardise our school's ongoing ability to raise the funds necessary to provide and improve our teaching and learning infrastructure.

In recent years the school building fund has been instrumental in assisting to fund significant projects in the school including a significant classroom development in the Secondary School (accommodating 300 students), a significant classroom development in the Primary School (accommodating 300 students), providing critical infrastructure required to meet the challenges of managing the COVID-19 pandemic, a new music classroom and practice room facility together with a concert hall which can seat the respective Secondary and Primary Schools for assemblies and other gatherings, including public concerts for the broad community of the capital city.

Canberra Grammar School is also a boarding school and is unique in that it provides boarding accommodation options for both boys and girls. It has been a boarding school since its foundation in 1929 and the funding of the significant capital investment required to establish, maintain and redevelop this infrastructure is largely underpinned by having a school building fund.

This boarding infrastructure is a critical factor in serving our rural communities, defence force (postings), DFAT (postings) and a growing Indigenous Scholarship program which is providing life changing opportunities currently to 25 current students. In providing this critical boarding infrastructure we cannot justify charging the families of day students and the boarding families make a significant investment in sending their children to boarding school often out of the necessity of not having suitable schooling options in their local communities. There is no Government funding available to assist with any aspect of boarding provision and as such the only option is philanthropic giving – facilitated through DGR funds such as the school building fund.

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 ‘potential’ private benefits needs to be weighed up against the *actual* benefit of donations that have helped to deliver school infrastructure with an effective lifespan of use that extends well 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 directly benefit 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.

CONCLUSION

The removal of DGR status will shift more of the financial burden of providing the necessary classroom places for our territories children onto governments, who will be forced to build new capacity in government schools at a higher cost to taxpayers than the current DGR system.

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

9th February 2024