

# **Australian Institute of Building Submission to the *Reforms to Deductions for Education Expenses* Discussion Paper**

## **Introduction**

The Australian Institute of Building (AIB) welcomes the opportunity to respond to the Discussion Paper on *Reforms to Deductions for Education Expenses*. AIB strongly believes that education should be a life-long process, and that the Federal Government should encourage this via tax incentives and other means.

## **Vision**

The vision of the AIB in regards to this review is to ensure that:

- The building sector in Australia is continuously improving through higher educational standards; and
- The building industry is a viable and growing sector for the benefit of Australia, consumers and builders.

## **Discussion**

The Australian Institute of Building (AIB) asks the Federal Government to reconsider the proposal to cap the tax deductibility of self-education expenses at \$2000.

Capping the tax deductibility of self-education expenses at \$2000 will have a significant impact on participation in continuing professional development through professional postgraduate courses in building and construction. Therefore, this will reduce the supply of skills to construction companies in Australia. The construction industry needs to remain competitive, safe, environmentally-compliant and technically up-to-date to support Government's desired safety, quality, environmental performance, and workplace relations agenda.

AIB is of the view that the Australian Government cannot on one hand impose considerable university tuition fees on students, and at the same time provide a tax deduction of a maximum of \$2000. Gaining further skills benefits not only individuals and companies, but also consumers and the country as a whole. If the Federal Government is serious about raising Australia's productivity, then placing a \$2000 cap on self-education expenses is not the means to do this.

Part-time and mature-aged students are often employed as construction and project managers, responsible for overseeing projects worth up to hundreds of millions of dollars each, and for over 50 years have often progressed straight to master degree programs without bachelor degrees.

Further, many undergraduate students of our construction management degrees come from the TVET sector as part-time students. This tradition of equity and access is put at risk by these proposals. Advanced standing and articulation have long been, and shall remain, a central tenant of the Australian Institute of Building.

The Government's proposal will restrict continuing professional development, one of the cornerstones of professional practice, and will undermine the expectation of 'lifelong learning'.

Further, as the changes will be applied retrospectively to current students, this will impose costs unexpected when they commenced their courses, and possibly prolonging or disrupting their studies, or perhaps turning them away from study altogether.

The proposed change to tax concessions may harm the building profession, and therefore we ask the Government to reconsider this proposal.

The questions from the discussion paper will be answered in order.

## **1. In your industry or field, are there studies or courses that are compulsory and must be completed in order to meet licence requirements?**

Yes, in the building and construction industry there are qualifications that are compulsory and must be completed in order to meet licence requirements. A Cert IV is required for the lowest type of building licence, a diploma is required for medium licence, and a degree is required for an open licence to build structures of three stories and higher.

### **a) What is the average amount of the expense?**

The average amount of the expense is \$6000 to \$8000 per semester for TVET qualifications, and a minimum two semesters are required.

### **b) What is the highest amount of the expense?**

The highest amount of the expense is a minimum of \$17,000 over two years for Masters degree.

### **c) What is the nature of these courses?**

The nature of these courses are TVET and university level, AQF levels 4-10. AIB also encourages its members to undertake continuing professional development (CPD), and believes that this should be the industry standard.

## **2. Is training undertaken in your industry predominantly held in Australia or overseas? Can you provide examples?**

Training in the building and construction industry is predominantly undertaken in Australia.

## **3. In employment relationships, are employees largely obliged to incur work-related education expenses themselves or are they employer provided?**

In the building and construction industry, employees are largely obliged to incur work-related education expenses themselves.

## **Do you anticipate this changing in response to this measure?**

Yes, if the tax deduction is capped at \$2000, employees will be less able, and less likely, to incur work-related education expenses themselves.

#### **4. Are you aware of examples where education expense deductions can be claimed under the current arrangements, even where significant private benefits are enjoyed?**

AIB is not aware of “significant private benefits being enjoyed” amongst building and construction professionals from claiming education expense deductions. AIB are of the view that significant national benefits are accrued through continuous education and development of those in the industry. Continuing education makes the industry a strong, more professional, safer, responsible and competitive industry.

#### **5. Are there any lessons for Australia in the experiences of other countries with restrictions on education expenses deductions?**

Gaining further skills benefits not only individuals and companies, but also consumers and the country as whole. Restraining self-education and continuing professional development through caps on the tax-deductibility of expenses may inhibit Australia’s productivity and international competitiveness.

#### **6. Should the \$250 no-claim threshold under section 82A of the ITAA 1936 be removed when the \$2,000 cap is introduced?**

AIB does not agree with premise of this question, but if a cap is introduced then the \$250 no-claim threshold should be removed.

#### **7. How should this be prioritised?**

AIB reiterates that that there should not be a cap of \$2000 for deductions on self-education expenses.

#### **8. What types of assets that relate to an education activity are placed into a low-value pool or similar small business pool?**

AIB believes that such arrangements could mean businesses engaging in ‘double-dipping’, but not individuals undertaking study.

#### **9. What are the advantages/disadvantages of the ‘reasonable estimation’ method proposed above?**

AIB does not agree with the premise of this question.

#### **10. Is the use of low-value pools under these circumstances appropriate?**

AIB has no comment on this question at this point in time.

#### **11. Are there any unintended consequences from the proposed reforms?**

The unintended consequences from the proposed reforms are that far fewer people will undertake further study or CPD and the building professionalism will decline.

## **12. What practical aspects of the proposed reforms need further consideration?**

AIB suggests that if there is a cap introduced, then it should be set at \$10,000 each financial year. Further, the education being claimed must be highly relevant to the profession of the individual making the claim, and there must be a direct nexus between the two.

## **13. Are there any interactions with other areas of the tax law that need to be addressed?**

AIB suggests abolishing the Fringe Benefits Tax (FBT) where it is part of a salary package.

## **14. Do you consider that further amendments will be required to the tax law outside of those already mentioned in the discussion paper?**

AIB believes that further amendments may well be required to the tax law outside of those already mentioned in the discussion paper, because a \$2000 cap on self-education expenses is an ill-considered proposal.

## **15. Are there alternative approaches that you would like to see considered? How would they work in practice and are there any precedents in Australia or other jurisdictions?**

Educational expenses should only be tax deductible for studies at universities, registered training organisations (RTOs), chartered professional institutions and statutory bodies.

### **Further Information**

For further information, please contact the AIB Chief Executive Officer or Policy & Advocacy Manager on (02) 6247 7433 or [ceo@aib.org.au](mailto:ceo@aib.org.au) or [policy@aib.org.au](mailto:policy@aib.org.au)

## Appendix 1

### About the AIB

Founded in 1951, the AIB is the peak body for building and construction professionals, acknowledged for its ability to bring individuals together who share a common interest in improving the standing of the building profession and their career within Australia and overseas.

The AIB is incorporated by Royal Charter and is the pre-eminent professional body for building professionals in Australia and the Asia-Pacific region.

Recognised as the accrediting body for building and construction degrees at educational institutions, the AIB has a long and proud history of supporting and servicing the building profession. For more than sixty years, the Institute has worked with the building and construction industry, government, universities and allied stakeholders to promote the building profession, support the development of university courses in building and construction whilst promoting the use of innovative building techniques and a best-practice regulatory environment.

AIB is proud of its role in promoting the exchange of information amongst individuals and accomplishes this through publications including the *Construct* magazine and the Australasian Journal of Construction Economics & Building (AJCEB).

The AIB also has an extensive continuing professional development program in Australia and overseas and facilitates the annual AIB Professional Excellence in Building Awards Program.

For further information please go to [www.aib.org.au](http://www.aib.org.au)