

AUSTRALIAN COUNCIL FOR THE DEFENCE OF GOVERNMENT

SCHOOLS

Press Release 751

PARENTS AND FRIENDS AT TOP PRIVATE SCHOOL:

RESIGN IN FEAR OVER BEING CAUGHT OUT GAMING THE SYSTEM

The Parents and Friends Association at one of Sydney's most expensive private schools has resigned en masse over concerns it had been structured to avoid paying GST tax on hundreds of thousands of dollars worth of fundraising activities.

Parents at the \$20,000-a-year Loreto Kirribilli school were told the association had been dissolved due to increasing red tape. But documents seen by *The Sun-Herald* reveal all eight members of the P&F executive sounded the alarm about the body's finances in March and resigned to protect themselves from potential prosecution over what they suspected were breaches of tax laws relating to its charity status.

<https://www.theage.com.au/politics/federal/parents-group-quits-at-top-private-school-over-tax-dispute-20180526-p4zhpd.html>

What is going on down the road from the Prime Minister's Sydney residence?

Founded in 1901 Loreto Kirribilli is an independent Catholic school for girls from Kindergarten through to Year The school is one of seven in Australia founded by members of the Institute of the Blessed Virgin Mary commonly referred to as the Loreto Sisters. The motto of the school is

Mary, Queen of Angels, as I Live I Trust in the Cross

Make no mistake. This is a very wealthy religious school. It costs \$26,771 in public and private funds to educate a girl there.

NB - no boys no poor, and no indigenous children in this place. However, 11% of the gals do not have English as their first language.

It costs the taxpayer more than \$9 million in running costs and an unknown figure in capital grants, to keep this exclusive school – exclusive. Yet, according to the ACARA website, its Naplan results are well below those of similar schools.

Perhaps the wealthy parents and middling wealthy parents of this school – all 100% of them – there are NO indigenous or children from the lower 25% of the Australian community at this school – are aware that the ATO is getting a bit bolshy in finding money to offset the Coalition tax cuts. At any rate, they are wary of getting caught up in church accountancy ‘schemes’. The Sydney Morning Herald reports indicate that the parents of this school have got themselves caught up in the resources race.

So- the school is religious with absolutely no pretence at being charitable for the poor.

But they have ‘charitable status’ for tax purposes . But they have to pay GST up front if they are registered for it, and then they can claim it back. But their administration don’t even want the fuss and bother of paying any tax in any way. Their parents however, noting the ATO’s recent aggressive stance on tax minimisation, don’t want to be caught up in any shams.

The news reports on the resignation of the parents organisation, give some insight into how the other half live, move around taxation concessions, and have their being on another planet to those attending public schools.

It certainly gives an insight into the stress suffered by wealthy parents as they attempt – not very successfully - to gain a competitive edge for their offspring.

The parents at Loreto have been raising money for capital expenses of which the school has spent almost \$6 million in the last four years. The figures, for are mouth- watering for principals of public schools. So, what is the worry?

Not split incomes, but split accounts – for GST purposes.

In a letter to principal Anna Dickinson, parent leaders said that three ABNs had been registered under its name by previous P&F committees “to avoid the compliance burden of registering for GST” despite total fundraising now exceeding the \$150,000 threshold required to pay the tax. This “presented an unacceptable level of risk”, they wrote, and they resigned “with immediate effect”.

“Furthermore, the statement by the members of the executive committee attest to the accounts having been prepared to give a true and fair view of the financial position and the performance of the P&F Association, and yet this is clearly not the case,” the letter said. “Instead, they appear to have been prepared to avoid having to register the P&F Association for GST.”

Accounts at the North Shore school – which on top of fees and the \$9 million a year in government funding – show the P&F raised \$200,000 in 2015 through its activities, including the spring fair and men’s dinner, and a further \$111,000 at the annual silent auction and winter dinner.

Confidential advice from Deloitte Private in 2016 said the P&F had registered a separate business number for each of its major events and treated them as separate sub-entities for GST purposes.

“Due to the growth of turnover off the combined silent auction and winter dinner, the P&F association is contemplating registering another separate ABN for the silent auction so as not to exceed the GST turnover threshold for the winter dinner,” Deloitte said.

The P&F had sought advice from Deloitte in 2016 as to whether it could register a fourth ABN. Deloitte advised it could not, and furthermore said the association “must register for GST”.

But a loophole in the law also meant the P&F could avoid GST if it held no more than 15 events a year and treated them as “input taxed”, Deloitte told Loreto’s business manager in a letter dated April 13, 2016.

Last year, it raised \$327,000 in donations and donated \$147,454 to the school for air conditioning, a new sound system and a school bus.

In her response to the P&F’s concerns, the Principal, Ms Dickinson warned them of their confidentiality obligations and said the allegations were false. In a letter to the P&F, she said she had been informed that four of the eight committee members were not comfortable with being linked with the report.

“I am saddened and disappointed that things reached a point whereby members of the executive committee felt the need to resign from their positions, particularly where this may well be due to a misunderstanding,” she said.

“Given the serious nature of the matters you raise in the report, I am committed to having these matters investigated and resolved and don’t need to remind you of the importance of your continuing confidentiality obligations.”

Further Fairfax reports indicate how the school’s administration have gone into risk management mode.

Minutes of a teleconference between the former P&F, board members and legal advisers in March claim Ms Dickinson suggested a “new gift policy” would be a good excuse for a community meeting to announce the dissolution of the P&F, using language that “won’t surprise or startle parents so that the terms won’t be misconstrued”.

She urged the P&F members to return to the new body. “If you want to be the leaders of the next entity I’d be greatly appreciated because it will appear at the surface that it’s no change,” she said.

“The ACNC knows that the Charity is trying to do the right thing, non-compliance is common and can be managed not usually penalised against individuals,” she said.

As an unincorporated association, the P&F was structured so that liability for its debts and defaults fell on its members, not the school – leaving some of the members concerned they could be found in breach of the Corporations Act if it became insolvent.

“There have been significant changes in laws and regulations which have made it increasingly burdensome and onerous for parents wishing to be involved in official roles in the P&F association,”

Ms Dickinson said in a newsletter to parents explaining the decision in April.

“Under this new model, the school will take on the legal responsibility for the administrative, financial and compliance obligations, and the parents and volunteers will be freed up to focus on what they do best – building relationships within our community and undertaking fundraising activities to enrich our school,” she said.

Up to 2000 school parents and citizens associations are registered separately as charities with the regulator, an ACNC spokesman said. To date, the charities regulator has not revoked the charity status of any such organisation.

Federal Education Department figures show Loreto Kirribilli is one of the most overfunded schools in the country, netting an extra \$5 million in 2014, 187 per cent of its allocated schooling resource standard.

It submitted plans for a \$103.3 million redevelopment in February, including a five-storey “innovation centre” and outdoor rooftop learning terraces, and asked parents to help fund the redevelopment.

DOGS NOTE THAT WEALTHY PRIVATE SCHOOLS LIKE LORETO ARE UP TO ALL THE TRICKS OF THE TAX TRADE. THERE IS NO BOTTOM TO THE SCHOOL YARD SCHEMES UNDERTAKEN TO MAXIMISE THEIR EDGE IN THE RESOURCES ARMS RACE.

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