

AUSTRALIAN COUNCIL FOR THE DEFENCE OF GOVERNMENT SCHOOLS

Press Release 1014

Hidden State Aid Billions: Taxation Exemptions

When official figures for public subsidies of private education are calculated and published one very substantial figure is always left out. It is known in taxation department circles as a 'taxation expenditure.' It lurks in the murky waters of private school funding like a large, hidden iceberg.

These are the costs which private schools and private school parents do **not** have to pay... taxation exemptions.

The Catholic Church, for example, has assets worth 500 billion. The building of many of these capital assets have been heavily subsidised Yet this institution pays no municipal rates or land tax. They do not pay GST, income tax, or, until recently, any payroll tax. Even the wealthiest private school business is labelled a 'charity' for taxation exemption purposes.

This largesse extends to parents of private school children, especially those who pay very high fees for the most prestigious, luxurious institutions. Michael West, on his web site has recently published research by Alexia Adhikar and Morgan Harrington for the taxation exemptions for donations to private school building projects for the Australia Institute think tank.

Here it is:

<https://michaelwest.com.au/private-schools-public-subsidies-how-can-tax-breaks-be-justified/>

Private schools, public subsidies: with \$50k fees per child per year, how can tax breaks be justified?

by [Alexia Adhikari](#) and [Morgan Harrington](#) | Apr 17, 2024 | [Finance & Tax, Latest Posts](#)

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MICHAEL WEST MEDIA

Private schools are competing in an ‘arms race’ of vanity projects, even winning architecture prizes, so how can tax breaks on building funds be justified when public schools are struggling? Analysis of the taxing issue of private school funding by The Australia Institute’s **Alexia Adhikari** and **Morgan Harrington**.

Private schools are competing to see who can boast the most luxurious accoutrements, and the tax-deductions they can claim on constructing buildings are helping them do it. The Scots College is awaiting construction of its new library, which will resemble a [Scottish Baronial castle](#). At one point, they had a [hypoxic chamber](#) for altitude simulation sports training.

Newington College has its own [rifle range](#), and Knox Grammar boasts an [adjustable orchestra pit](#). Many of Sydney’s elite private schools have camps that sit on prime acreage outside the city. None of these things are needed for students to complete the required national curriculum, yet the public helps pay for much of what they build.

In 2024, the Commonwealth Government will spend an estimated \$29.1 billion on schools in Australia. [More than half of this – \\$17.8 billion – will go to private schools](#), including those with Olympic sized indoor swimming pools (Cranbrook and Knox Grammar as well as many others), [in-house baristas](#) (Knox Grammar again), and those with an already extensive list of sporting fields and amenities, including [on-site physiotherapy facilities](#) (here’s looking at you, The Kings School and Trinity Grammar).

With some private schools in Sydney charging more than \$50,000 per student this year, how can this be justified?

In addition to direct government funding, private schools take donations to their building funds, which are tax deductible. For some schools, these funds accumulate millions of dollars. At the risk of repetition – collectively, private schools get more Commonwealth funding than public schools. Could this help explain why enrolments in private schools are [rising faster](#) than enrolments in public schools? Is it surprising that parents want to take advantage of the taxpayer subsidised opportunity these facilities provide?

Public schools? Demountables for you!

In comparison, Australia’s public schools have to put up with facilities that aren’t good enough. Narrabeen Sports High School has had [leaking roofs](#). Ashfield Public doesn’t have enough [air conditioners](#). A 2022 [NSW Government inquiry](#) found that Castle Hill High School has asbestos, Concord High School has poor toilet facilities, and Oran Park Public School has so many demountable structures that locals liken it to a detention centre.

Oran Park isn't alone – in 2023, there were [more than 5,000 demountables](#) across NSW's public schools. All of this is compounded by delays for capital works projects at public schools – Lane Cove Public School has been waiting for its [hall](#) to be rebuilt after it burnt down four years ago. This is happening as the wealthiest private schools fund multi-million-dollar facilities that are of such high quality they are [winning architecture awards](#). There are questions not only about how private schools spend the money in their tax-deductible building funds but about how 'voluntary' the donations made to these funds are in the first place. Many schools include a 'recommended' donation on their fee invoices and fee schedules. These 'suggested' amounts can add up to more than \$2,000 per year. Here's a rough estimate of the building fund donations given to just 11 private schools in Sydney that have tuition fees of over \$40,000. They amount to about \$3.85 million in forgone tax revenue each year.

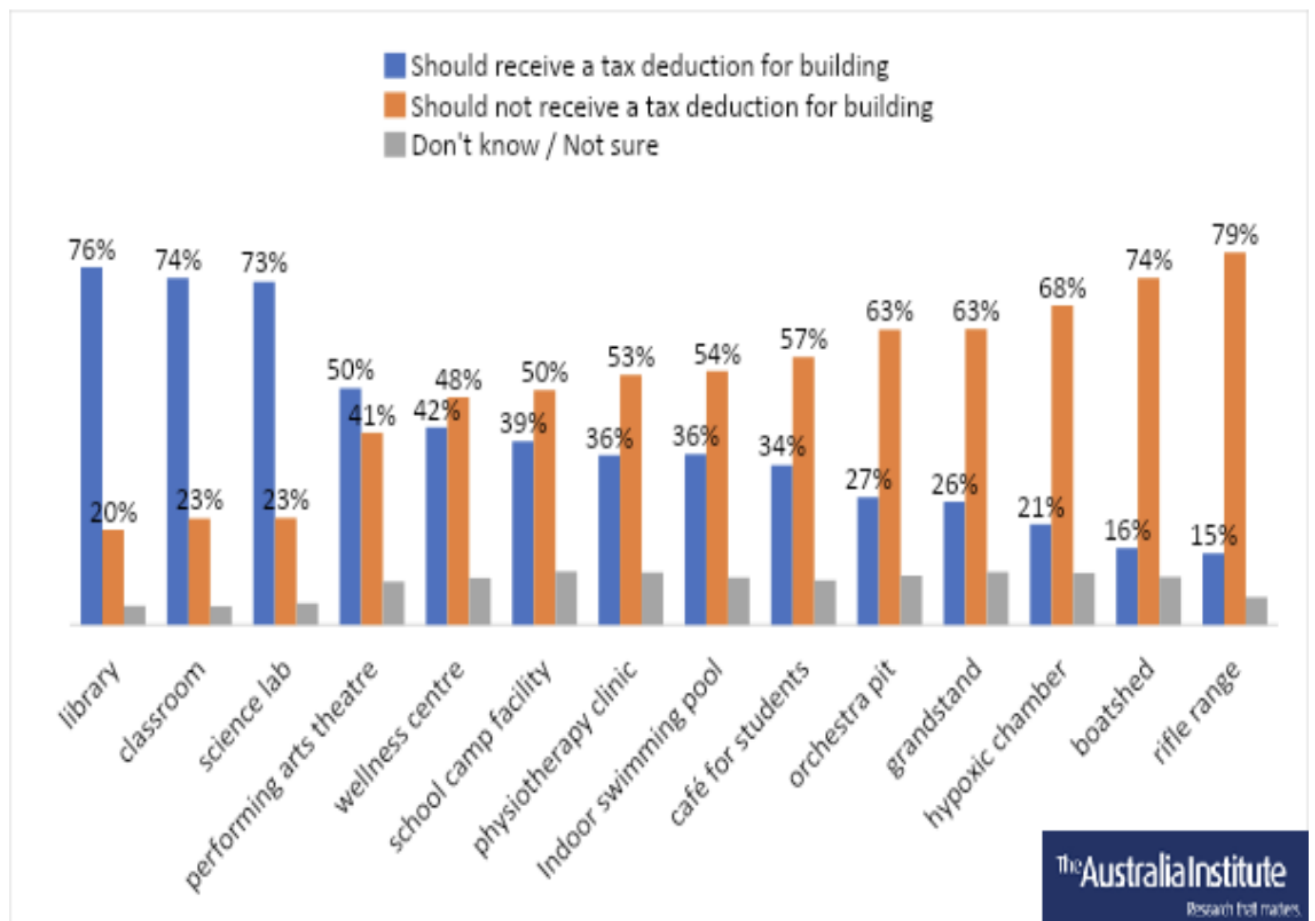
Indicative sample of tax deductions given to selected private schools in Sydney

Name of school	Annual fee (\$), yr 12, 2024	Student number (most recent known)	Recommended building fund donation (\$)	Estimated total revenue p.a. (\$) (if 50% of parents pay the nominated amount)	Estimated annual tax deductions (\$)
Cranbrook School	\$46,497	1,760	\$200	\$176,000	\$82,720
Kinkoppal Rose Bay	\$40,248	955	\$550*	\$262,625	\$123,434
Knox Grammar School	\$39,960	3,000	\$1,050	\$1,575,000	\$740,250
Moriah College	\$42,200	1,800	\$1,200	\$1,080,000	\$507,600
Newington College	\$42,201	2,061	\$2,000 (name on locker)**	\$2,061,000	\$968,670
Newington College	\$42,201	2,061	\$200 (brick of support)**	\$206,100	\$96,867
PLC, Sydney	\$42,060	1,490	\$300^	\$223,500	\$105,045
Redlands	\$41,640	1,765	\$500	\$441,250	\$207,388
SHORE School	\$43,260	1,667	\$250*	\$208,375	\$97,936
St Andrew's Cathedral School	\$41,807	1,427	\$700	\$499,450	\$234,742

According to the Productivity Commission, there are about 5,000 school building funds across Australia, which makes them the second most common category of deductible gift-recipient endorsement (although, as the Commission notes, some public schools do have these funds). In its 2023 draft report on charitable giving, the Commission concluded that current arrangements for school building funds are an [ineffective use of government support](#) and should only be allowed if there is an explicit equity objective.

So, what kind of building does meet an equity objective? Polling conducted by the Australia Institute sheds some light on what the general public thinks schools should be allowed to build with tax-deductible funds – and its libraries, classrooms, or science labs. Most Australians do not think spending on extra-curricular frills like rowing boat sheds and swimming pools should be tax deductible.

Tax deductions for private school amenities



Source: The Australia Institute polling.

Australia’s education system is unbalanced. It disproportionately favours those who are already advantaged. It gives public money and tax concessions to private schools that end up going to private beneficiaries. Already wealthy

schools do not need a leg-up from the taxpayer. It's fine for private schools to have building funds and ask for donations, but public money could be better spent on public schools. Removing the tax subsidies given to building funds would help support equity in school funding, instead of undermining it. The Australia Institute's submission to the NSW inquiry into the Education Act [can be found here](#).



[Alexia Adhikari](#)

Alexia Adhikari is a research fellow at The Australia Institute, an independent Australian think tank. She writes on issues of education and co-authored the report 'Funding a fairer education system'.



[Morgan Harrington](#)

Morgan Harrington is the Australia Institute's Postdoctoral Research Manager, a social researcher with diverse experience within and beyond academia. He has worked across Indigenous Australia, including with Aboriginal land councils and at the Australian National University's Centre for Aboriginal Economic Policy Research.

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