



The Group of Eight Limited

9 September 2021

Senate Standing Committees on Economics
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Go8 Submission to the Senate Standing Committee on Economics inquiry on Treasury Laws Amendment (2021 Measures No. 7) Bill 2021

The Group of Eight (Go8) welcomes the opportunity to provide a submission to the Committee on the *Treasury Laws Amendment (2021 Measures No. 7) Bill 2021*. Our submission relates to Schedule 3 of the Bill – Removing the self-education expenses threshold.

Please note that this submission represents the high-level views of the Go8, and our members may make their own submissions.

The Go8 has seven members in the top 100 ranked universities globally and collectively graduates over 115,000 students annually including 54% of Australia's scientists, 43% of engineers and nearly 60% of doctors. Medium term (three year) employment outcomes see on average 91% of Go8 bachelor graduates and 95% of coursework postgraduates in full-time employment.

In 2019 Go8 members educated nearly 53,000 domestic students in the age bracket 25-49 in either undergraduate or postgraduate coursework studies – the cohort most likely to be seeking to upskill and/or retrain to advance career prospects.

The Go8 clearly makes a significant contribution to educating Australia's future workforce, particularly at the cutting edge of knowledge and innovation in a research-intensive environment. This will be critical in what is predicted to be an increased demand for university places in 2021 and beyond as the workforce prepares itself for the requirements of a post-COVID economy.

The Go8 strongly supports Schedule 3 of the Bill which removes the \$250 non-deductible threshold for work-related self-expenses. **This change reduces the complexity facing individuals in their tax returns and facilitates access to much-needed skills development – skills that are only becoming increasingly pressing for Australia to have domestic access to during and after the pandemic.**

Further, individuals should also be allowed to deduct education and training expenses they incur themselves when the expense is *not* related to their current employment in order to incentivise and enable training for future employment and skills needs and provide greater agency to individuals to navigate the needs of a modern Australian workforce. This recognises that the skills of today are not necessarily the skills of tomorrow.



Recommendations

1. That the Committee recommend bringing forward the application of Schedule 3 to assessments for the (current) 2021-22 income year and FBT year starting on 1 April 2022.
2. That the Committee recommend amending Section 8.1 of the *Income Tax Assessment Act 1997* to add an option for deductions relating to expenses of self-education to apply to those incurred with a reasonable prospect of gaining or producing *future* assessable income.
3. That the Committee support the passage of Schedule 3 of the Bill.

Discussion

The COVID-19 pandemic has caused great upheaval in the employment market, not only in terms of spiking unemployment, but also in how Australians work and what sort of work we now do. As our workforce seeks to respond to these rapid changes to both the modes and nature of employment, it is the Go8's view that Australia can only benefit from adapting to this new reality with a more flexible system of education and training expense deductions.

These rapid changes are set against a backdrop of slow decline in the uptake of formal and non-formal work-related training and adult learning. The most recent survey of Work-Related Training and Adult Learning (WRTAL) by the Australian Bureau of Statistic found that *"Four in ten (40.9%) Australians aged 15-74 years participated in formal and/or non-formal learning in 2016-17. Participation has decreased since the last survey in 2013 (46.4%) and since 2005 (48.9%)."*¹ The impacts of COVID-19 have only heightened the need to reverse this worrying trend.

For many Australians who have become unemployed due to the COVID-19 pandemic, their jobs either no longer exist, or no longer exist in the same manner as before.

Therefore, removing the requirement for education and training expenses to be limited to a person's current employment will provide additional support and incentive for Australians still in receipt of an income to retrain and upskill for the new and rapidly changed jobs market. This important change will also simplify the deduction so that more taxpayers will understand and utilise it, as well as help minimise the opportunities for misuse and abuse.

Removing the *'related to current employment'* requirement also recognises the power of individual agency in setting the direction of their future career trajectory; a person already in the workforce is best placed to understand prospective employment opportunities and how their individual strengths and weaknesses can be adapted and reskilled to take advantage of those prospects. As noted in the supporting paper on upskilling and retraining to the Productivity Commission's 2017 *5 Year Productivity Review*:

*It is crucial for governments to create the right supply-side settings for the skills system. That means an efficient, high-quality and flexible education and training system that is **driven by the needs of users (the people acquiring the skills and the businesses that need them)**... That system also needs to be able to respond to the inevitable transitions from job to job and occupation to occupation and the associated skills required that will occur over people's lifetimes.*²

¹ [Australian Bureau of Statistics, Work-Related Training and Adult Learning](#)

² Page 25, [Shifting the Dial: 5 Year Productivity Review, Supporting paper 8: Upskilling and retraining, 3 August 2017](#)



Further, in recognition of the power of personal agency and experience in optimising career outcomes, **the Go8 supports the Government's discipline-agnostic approach to the deduction.**

Education and training expenses still come at considerable personal cost and the deduction only has value when earning assessable income within a marginal tax bracket. It is therefore highly unlikely that removal of the 'related to current employment' requirement would lead to any widespread misapplication of the deduction.

In conclusion, the Go8 supports the passage of Schedule 3 of the Bill and encourages the Committee to consider its passage with some additional minor amendments.

If you have questions regarding this Go8 submission, then please do not hesitate to contact me at

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Yours sincerely

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