

Chapter 1

Introduction

Conduct of the inquiry

1.1 On 25 September 2008, the Senate referred the Tax Laws Amendment (Education Refund) Bill 2008 to the Senate Standing Committee on Economics for report by 13 October 2008.

1.2 The bill implements one of the Government's election promises by providing a limited tax offset for eligible education expenses for primary and secondary students.

1.3 The committee set Friday 3 October as the closing date for submissions, but by this date only one submission had been received. This was from Treasury and summarised the provisions of the bill. Given the paucity of submissions, the limited amount of time available for the inquiry, and the large number of other inquiries underway, the committee did not hold any public hearings.

1.4 The principal arguments around the bill are summarised in Chapter 2. The committee's conclusions and recommendation are presented in Chapter 3.

Provisions of the bill

1.5 The bill amends the *Income Tax Assessment Act 1997* by introducing a refundable tax offset of 50 per cent of eligible education expenses up to \$750 per year for each child at primary school and \$1 500 for each child at secondary school. Expenses in excess of these limits may be carried over to the following financial year.

1.6 Eligible expenses are the purchase or hire of laptop and home computers, printers, paper, educational software, school textbooks and associated materials and trade tools, and the expenses of establishing and maintaining a home internet connection. (Private school fees are not covered.) Any part of the offset that cannot be used to reduce tax liability is paid out to the taxpayer.

1.7 Eligibility for the refund is restricted to parents entitled to receive Family Tax Benefit A (or who would be were it not for the receipt of certain other payments), and students living independently. This will amount to around 1.3 million families (with 2.7 million students).

1.8 The refund will apply to eligible expenses from 1 July 2008 and is expected to cost \$1.0 billion in 2008-09, rising to \$1.2 billion in 2011-12.¹

1 *Explanatory Memorandum*, p. 3.