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Manager
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By email: Selfedconsultation@treasury.gov.au

Re: Education and training expense deductions for individuals

The National Tax and Accountants' Association Ltd ('NTAA') welcomes the Government's consultation and the opportunity to provide comments on the discussion paper: *Education and training expense deductions for individuals* ('the discussion paper').

The NTAA is a member-based organisation which represents the interests of, and provides dedicated tax training to, over 10,000 member firms, which include tax practitioners and accountants. The NTAA is also dedicated to ensuring that the interests of Australian taxpayers are at the forefront of any potential change to taxation law or to the administration of the taxation system.

The discussion paper facilitates the Government's proposal (as announced in the 2020-21 Federal Budget) to consult on allowing individuals to claim a tax deduction for education and training expenses that are not associated with their current employment activities. This proposal broadly recognises that, with the changing nature of work and the labour market, more Australians no longer expect a job for life and may have multiple careers over their life, requiring an upgrading of skills to support future employment and careers.

The NTAA submits the following comments in relation to **various discussion questions** raised (for consultation) in the discussion paper.

Question 1 – Is a new tax deduction the most effective mechanism to encourage Australians to retrain and reskill to support their future employment and career?

Apart from the Government providing further support (including financial support) for appropriate retraining and reskilling, the NTAA would expect that the introduction of a new tax deduction would provide an effective mechanism to encourage Australians to retrain and reskill for the purposes of supporting new employment and/or careers.

Further, although the discussion paper raises the concern that "*broadening deductions in this area could generate calls to extend deductions to other expenditures that are not incurred in gaining or producing assessable income*", the NTAA submits the following:

- The introduction of any such new tax deduction for retraining and reskilling should **not** be avoided by the Government simply on the basis that it could promote future calls to extend deductibility to other expenditures that do not have a sufficient connection with an individual's current income-earning activities.



- The income tax legislation already provides for the deductibility of certain expenditures that may not be incurred in gaining or producing assessable income (e.g., the deductibility of travel between unrelated work places under S.25-100 of the ITAA 1997, and the deductibility of tax-related expenses under S.25-5 of the ITAA 1997).

Question 2 – Should any new deduction be targeted to courses delivered by education and training providers registered with the appropriate regulatory bodies?

The NTAA would expect that individuals who are looking to retrain or reskill are more likely to undertake a course offered by a provider that is registered with a regulatory body that ensures the quality of education and training in Australia (e.g., the Tertiary Education Quality and Standards Agency).

This is because a course offered by such a provider is more likely to be recognised (and attractive) to a future employer (i.e., such a course is more likely to enhance an individual's future employment prospects), as compared to a course offered by a provider that is not registered with an appropriate regulatory body.

On this basis, the NTAA questions whether it is necessary to limit a new tax deduction for retraining and reskilling to courses and training programs that are delivered by providers that are registered with an appropriate regulatory body.

Further, in the event that any such new tax deduction is limited in this way, the NTAA submits that any such limitation should **not** apply to the registration cost of attending a seminar or conference that has a direct connection with an individual's future income-earning activity (refer also to Question 5 below).

Question 3 – Should any new deduction be further targeted to study or training that has a vocational outcome, such as VET courses based on industry Training Packages, for example to exclude 'lifestyle and personal development courses'?

Consistent with the current apportionment concept under S.8-1 of the ITAA 1997, the NTAA believes that any new tax deduction for retraining and reskilling should be available **to the extent** to which a particular course or training program can be identified as having a readily identifiable link to an individual's future income-earning activity.

This would be determined on a case-by-case basis, having regard to the specific nature of a particular course or training program (e.g., the subjects that are studied as part of a particular course) relative to an individual's future income-earning activity.

Question 4 – Should deductions be targeted to courses in areas of expected jobs growth, for example, as determined by the National Skills Commission ('NSC')?

The NTAA has the following concerns with limiting any new tax deduction for retraining and reskilling to those areas of current labour demand or expected jobs growth:

- If a particular area is identified as being an emerging area of labour demand or expected jobs growth, it could take some time (i.e., there will be a lag time) to get people appropriately skilled in order to meet such demand or growth.
- As acknowledged by the discussion paper, limiting any new tax deduction in this way will likely create more complexity with claiming such a deduction. This is because areas of current job demand or expected job growth will change over time, resulting in on-going changes to the types of courses eligible for any new tax deduction.

Question 5 – Is there any reason to change the types of expenses that are able to be deducted? For example, should any new deduction be limited to tuition fees?

The NTAA believes that for consistency and simplicity, and to avoid increasing the complexity of the system, the types of expenses to which any new tax deduction for retraining and reskilling could apply should be the same as those that can be deductible under the existing system (i.e., for self-education expenses incurred in gaining or producing assessable income). These expenses would include tuition fees, seminar or conference registration fees, textbooks, stationery, depreciation of certain assets (e.g., a laptop computer used for self-education purposes) and appropriate travel expenses.

Question 7 – Irrespective of any new education deduction, should the \$250 reduction in expenses be removed?

The NTAA believes that the current \$250 reduction for deductible self-education expenses imposes an unnecessary compliance burden on individuals and should be removed.

In particular, before applying the \$250 reduction to self-education expenses that are deductible under S.8-1 of the ITAA, individuals need to determine whether they have any of the following self-education related expenses that can absorb the \$250 reduction:

- Self-education related expenses that are not deductible under S.8-1 (e.g., car expense claims under the cents per km method in Division 28 of the ITAA 1997).
- Self-education related expenses that are not deductible at all (e.g., the cost of child care used to enable an individual to undertake a self-education activity).

Further, as acknowledged by the discussion paper, the \$250 reduction no longer serves its intended purpose under the former concessional rebates system.

Question 9 – Are there any observations regarding any other tax issues that are raised throughout the discussion paper?

Consistent with the discussion paper, the NTAA agrees that any new tax deduction for retraining and reskilling should broadly apply in a manner that is consistent with the current rules, as follows:

- Any new tax deduction should be available for the income year in which the relevant expenditure has been incurred.
- Any tax loss arising as a result of any new tax deduction should be treated consistently with the current rules for dealing with tax losses.
- An individual should not be entitled to claim any new tax deduction for retraining or reskilling, in respect of expenditure that has been paid or reimbursed by a third party (e.g., an employer).

If you have any further questions in relation to this submission, feel free to contact James Deliyannis on (03) 9209 9999.

Yours faithfully,



Geoff Boxer
Chief Executive Officer
NTAA

