

9 July 2013

Our ref: APA SUBMISSION

The Manager
Individuals Tax Unit
Personal and Retirement Income Division
The Treasury
Langton Crescent
PARKES ACT 2600

To Whom It May Concern,

Re: Feedback on reforms to education expense deductions

Thank you for the opportunity to comment on the *Reform to deductions for education expenses* Discussion Paper, released May 2013. The APA has provided a response to select questions, relevant to this enquiry.

1. In your industry or field, are there studies or courses that are compulsory and must be completed in order to meet licence requirements?

Physiotherapists work in the public and private sectors of health care in a range of special interest areas such as musculoskeletal, cardiorespiratory, neurology, oncology, gerontology, paediatrics, sports, women's health and continence.

Currently, there are no specific studies or courses that physiotherapists are required to complete in order to meet licence requirements, other than the initial entry level degree programme approved by the Australian Physiotherapy Council. The Physiotherapy Board of Australia (PhysioBA) however does have an annual registration requirement that all physiotherapists must undertake 20 hours of professional development annually in order to maintain their registration. The purpose of this requirement is to ensure Australian health professionals meet the community's expectations with respect to their competence to practice within their scope of practice.

a) What is the average amount of the expense?

The APA consulted with its members who work across the spectrum of physiotherapy practice (including both the public and private systems) to gain an understanding of quantum of money spent annually on self-education.

The range of costs varies depending on practitioner expertise and the area they practice in. Our members reported spending between about \$1,000 and \$10,000 on self-education annually:

- for those not completing university courses, costs ranged from \$800 to \$5,000;
- the Australian College of Physiotherapy (ACP) training program costs \$14,000 and a higher degree (Masters) at a tertiary university can cost up to \$20,000;
- \$750-\$3,000 is the total estimated cost for all expenses (travel and registration) to attend interstate courses.
- 2-day clinical courses range between \$700-\$1,200; and
- in excess of \$2,000 to attend the biennial APA National Conference.

Consideration must be given to the 20 CPD hours required a year and the expense of continued education, acknowledging that some portion of this CPD education may be self-directed. However, there is a strong requirement for physiotherapists to participate in more intensive continuing education opportunities that are expensive but still very valuable, especially to the leaders and highly trained specialists within the physiotherapy profession.

b) What is the highest amount of the expense?

The highest figure which was provided by our members was \$20,000 to undertake a Masters program or about \$10,000 for those not undertaking post graduate qualifications. A single course of study can cost up to \$2,500 in one transaction, with members reporting expenses of up to \$5,000 in a single year.

In fact, a new graduate in private practice has reported spending \$3,500 this year. This highlights that continuing education needs can be extremely expensive for those just starting their careers. On the other hand, those completing postgraduate qualifications or those more advanced in their careers need to attend international events to gain knowledge and expertise from international professionals. Costs for highly trained professionals have been quoted in excess of \$10,000 per year, to attend two seminars in one year.

c) What is the nature of these courses?

Physiotherapy professional development occurs through a mix of theoretical and practical education. This very often takes the form of participation in formal courses and postgraduate training at Universities. The costs of these training programmes are already costly for practitioners. This is unfortunately demonstrated in the recent decline in enrolments for postgraduate physiotherapy masters programmes.

The courses that physiotherapists undertake can also include further postgraduate education programmes, weekend courses, lectures, webinars and conferences. Clinical courses can extend 1-3 days, with more complex courses extending up to a week or more full-time.

Lectures and seminars are frequently held in capital cities and larger rural centres however specialist courses and annual association conferences often require interstate travel as they are held in capital cities. At the specialist level, there is an increased need for Australian physiotherapists to attend international courses which attract a higher attendance cost. Further, international travel is essential for Australian academics to ensure we continue to deliver current, top quality education to other countries.

2. Is training undertaken in your industry predominantly held in Australia or overseas? Can you provide examples?

Most of the training physiotherapists undertake is held predominantly in Australia. However, many practitioners still have to travel within Australia to attend courses and conferences which can be costly, especially for practitioners who live in rural and remote areas. Many Western Australian members have highlighted that they frequently have to travel to the Eastern states for education.

Physiotherapists travel overseas for courses such as:

- the Bobath course in England;
- the World Confederation for Physical Therapy (WCPT) conference every 4 years; and
- courses run by the International Spinal Cord Society (ISCOS) and courses run by the Australasian College of Health Services Management (ACHSM).

3. In employment relationships, are employees largely obliged to incur work-related education expenses themselves or are they employer provided? Do you anticipate this changing in response to this measure?

The majority of APA members report that they are largely responsible for self-education costs, with some reporting a small contribution from their employer.

Public sector

Members who work in the public sector report there are insufficient funds to support self-education expenses. However in some states, such as South Australia, physiotherapists report that they have access to professional development funds up to \$2,000 in total from a fund held centrally. Similarly, Queensland Health provides professional development for 3 days a year and makes an allowance of \$1,500, which can be salary sacrificed. However these funds are often insufficient to cover the total cost of staff members' self-education expenses.

Often in the public sector, there are insufficient funds for staff education in general and this is especially so in physiotherapy departments. Members report that, on average, a hospital may pay for up to \$200 only for staff education expenses. This is in direct contrast to the medical profession who can be offered up to \$20,000 by many public hospitals.

Private sector

In the private sector similarly, members report that employer contributions per staff member have decreased to as little as \$250 annually for each employee. A member reported that in their private practice, only one person has attended the WCPT congress in the last 10 years due to excessive costs of international travel, despite this being the peak forum for the global physiotherapy profession.

Many health professions have employer supported education and/or assistance/scholarship for formal post graduate education but this is rare for physiotherapists.

4. Are you aware of examples where education expense deductions can be claimed under the current arrangements, even where significant private benefits are enjoyed?

Physiotherapist members have reported that expense deductions can be claimed under current arrangements, especially when attending overseas conferences. The APA submits it is beneficial to take some time before an international conference (a day or two) to overcome symptoms of jetlag, as allowing time to adjust maximises the educational benefits of attending an overseas conference. Some physiotherapist members working at Universities have reported that 50% of travel expenses must be strictly business expenses, with a travel diary record, otherwise a Fringe Benefits Tax liability is incurred for travel costs. Most people attending conferences are also entitled to claim the weekend for travel costs.

For physiotherapists working in academia, there is an expectation of publishing, presenting at conferences and developing international collaborations. Attendance at conferences is therefore often combined with visits to research colleagues at other universities, or visits to potential partners. Without such opportunities, professional knowledge and opportunities for research collaborations and partnership opportunities for developing innovations would be much more difficult to formulate and progress.

5. Are there any lessons for Australia in the experiences of other countries with restrictions on education expenses deductions?

No comment.

6. Should the \$250 no-claim threshold under section 82A of the ITAA 1936 be removed when the \$2,000 cap is introduced?

Section 82A of the *Income Tax Assessment Act 1936 (Cth)* denies deductions for up to \$250 of expenses of self-education that otherwise satisfy deductibility under the general deduction section. This effectively limits tax deductibility to \$1,750 total in some cases that can be claimed for self-education expenses. The APA submits that retaining s82A is grossly unfair given the proposal to cap self-education expenses to \$2,000 total. In particular, many physiotherapists who claim for self-education but do not incur private benefits are in the earlier stages of their careers and are on lower tax rates.

Furthermore, it would appear that the legal and policy justification behind the existence of s82A has ceased to exist. Professor Dale Boccabella, Associate Professor at the Australian School of Business at the University of NSW explains that s82A was introduced at the same time that \$250 of expenses of self-education began to qualify as a concessional rebatable amount under s159U. Professor Boccabella goes on to explain that one unambiguous role of s82A was to prevent double counting of the one cost, namely a deduction and a rebatable amount. The concessional rebate for expenses of self-education was repealed from 1 July 1985 but s82A was not repealed at the same time. Professor Boccabella argues that the policy basis for the existence of s82A has ceased to exist and that s82A should have been repealed with effect from 1 July 1985ⁱ.

The APA submits that the \$250 no-claim threshold under s82A of the ITAA 1936 should be removed if the \$2,000 cap on self-education expenses is introduced.

7. How should this be prioritised?

No comment.

8. What types of assets that relate to an education activity are placed into a low-value pool or similar small business pool?

No comment.

9. What are the advantages/disadvantages of the 'reasonable estimation' method proposed above?

No comment.

10. Is the use of low-value pools under these circumstances appropriate?

No comment.

11. Are there any unintended consequences from the proposed reforms?

The proposed reform will have negative consequences on the self-education of the physiotherapy profession, as physiotherapists spend an average of more than \$2,000 (as indicated in our response to Question 1) a year on self-education. Of note is that many Universities require full fee payment for Graduate Certificates (often in excess of \$10,000) before an individual can be eligible to apply for a Commonwealth supported place for their post graduate degree.

The APA is concerned that this proposed tax deduction cap serves to discourage practitioners to participate in professional development, which is a requirement of the Physiotherapy Board of Australia. It has already been suggested by our members that practitioners self-cap their education expenses due to the high costs associated with these activities relative to their salary.

Access to quality post graduate education, university courses and access to conferences, ensures we have high performing, specialist clinicians providing best practice care. In turn this leads to cost efficient care and best outcomes for patients. Highly skilled/trained clinicians have a positive impact on patient access and flow. In the public system, senior staff with post graduate qualifications play an important role in training other staff. This is a significant secondary effect of providing up skilling of staff.

The proposed cap may therefore have a negative impact on the quality of clinical care provided to Australians and may influence whether physiotherapists chose to continue to work within the field. This could have deleterious effects on the provision of health services to the growing Australian population.

The cap will also significantly affect practitioners that work in rural and remote areas of Australia who are already disadvantaged due to the considerable costs of travel and accommodation to regional areas for professional development activities. The proposed \$2,000 tax deduction cap may well have an adverse impact on recruitment and retention of staff in rural and remote areas of Australia which are already struggling to retain quality staff.

The APA submits that this change will likely impact allied health and nursing staff, where small amounts of funds are available to support professional development.

12. What practical aspects of the proposed reforms need further consideration?

The APA urges the government to reconsider the figure which tax deduction is proposed to be capped at for self-education. Considering the average amount physiotherapists spend on self-education, \$10,000 would be a more reasonable figure for the cap.

13. Are there any interactions with other areas of the tax law that need to be addressed?

No comment.

14. Do you consider that further amendments will be required to the tax law outside of those already mentioned in the discussion paper?

No comment.

15. Are there alternative approaches that you would like to see considered? How would they work in practice and are there any precedents in Australia or other jurisdictions?

Whilst the APA can understand the desire to cap education expenses to prevent rorting with overseas holidays and significant private benefits, the APA submits the measures being proposed are going to severely limit Australia's ability to remain at the forefront of research and best clinical practice.

It may be more appropriate to create a \$10,000 cap on continued education expenses and associated travel and accommodation expenses but then allow claims in excess of \$10,000 for course fees only. This would still allow physiotherapists to be the best that they can be but restrict the private benefit of such claims.

The APA urges the government to reconsider the figure which tax deduction is proposed to be capped at for self-education. The APA proposes that \$10,000 would be a more reasonable figure for the cap.

We look forward to favourable consideration of this issue. Thank you for the opportunity to comment on the Discussion Paper.

Should you have any enquiries, feel free to contact Cris Massis, APA CEO on cris.massis@physiotherapy.asn.au or phone (03) 9092 0802.

Yours faithfully,



Marcus Dripps
President

ⁱ Boccabella, D. 2008. "\$250 Deduction Denial for Expenses of Self-Education: Retention of Section 82A is a Mystery", in , presented at Australasian Tax Teachers Association Conference 2008, Hobart, Tasmania, January 2008 [conference paper]