



David Davis MP

Shadow Special Minister of State
Shadow Minister for the Arts and Creative Industries
Member for Southern Metropolitan Region

 daviddavis.com.au

25 May 2023

Dear Principal,

I wrote to you on Tuesday – State Budget Day – regarding the Andrews Labor Government’s decision to impose a hefty new tax on many non-government Schools. Today’s letter aims to update you on these matters as statements by Government Ministers have been made since.

The Liberal Party is strongly opposed to these changes, noting that we understand that unlike how the Premier has characterised non-government schools, they are not “businesses”, they are overwhelmingly not-for-profit institutions created to educate the next generation of Victorians. Many have religious backgrounds; others have community or multicultural support in a variety of ways.

Daniel Andrews and Treasurer Tim Pallas promised in the 2022 State Election that there would be no new taxes, with Tim Pallas declaring Labor’s elections announcements will be achieved “without ... introducing new taxes” (The Age, 11/22/2022). Instead, breaking their promise, they have introduced payroll tax on non-government schools for the first time since 1966 (Payroll Tax Assessment Act 1966 – Commonwealth – Clause 3). The tax exempt status of education was confirmed in the Payroll Tax Act of 1971 that imposed payroll tax in Victoria after transfer to the State. Clause 10(d) specifically provided that not-for-profit schools at primary and secondary level would be exempt (*the Commonwealth and State Bills, and the second reading speech by Sir Henry Bolte – Premier and Treasurer – is on my website www.daviddavis.com.au for those who may wish to see it*).

The letter I wrote to you on Tuesday said:

Labor’s Budget Paper No. 3 (on pages 114 and 115) states:

From 1 July 2024, the Government will remove the payroll tax exemption for high-fee non-government schools...

Approximately 110 schools, or around the top 15 per cent by fee level, will lose their exemption. The Minister for Education will determine, with the consent of the Treasurer, the non-government schools that will continue to be exempt from payroll tax.

It would be naive to believe that this is the last attack by the Andrews Labor government on non-government schools. It must be regarded as highly likely that if Daniel Andrews and his Treasurer Tim Pallas are able to get away with this raid on non-government schools, that future budgets will see the payroll tax exemption further curtailed until ultimately all non-government schools pay full payroll tax.



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It is disingenuous of the government to argue for equivalence with government schools, given that in the case of government schools, the state government both pays and receives the payroll tax. For non-government schools, ultimately parents of students will have to pay it.

There can be little doubt that non-government schools will be forced to pass on this new cost by raising fees. The left of the Labor Party has always been troubled by non-government schools and they appear to have imposed this new tax.

Of course, as non-government schools are made more expensive, more students will fall back into the government school sector, putting greater pressure on the government school system, where the government bears the whole cost.

I am deeply troubled by this ideological move by the Andrews Labor government, driven by their own incompetence and mismanagement of the state budget. It feels like a desperate move, but it is certainly a nasty new tax on education.

I would appreciate you circulating this letter to members of the School Council, Parents and Friends Association and broadly within the school community. Parents should be aware of the reason they face increased school fees.

I would encourage you to ensure your School Council President and Chair of the parents and friends association is aware of this letter and I would be prepared to address any school bodies that you felt were appropriate.

I attach for your convenience a copy of some of the Premier's recent intemperate comments which appear to me to be ideologically focused rather than driven by a recognition that non-government schools provide an important option for many parents and that many of the parents choosing to access non-government schools are not wealthy.

Yours sincerely,

The Hon David Davis MP

A handwritten signature in blue ink, appearing to read 'David Davis'.

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Premier Daniel Andrews was quoted in the Herald Sun, on 24/5/2023, discussing his removal of the payroll tax exemptions for non-government schools:

- “They have had a preferential tax treatment for a long time.”
- “They’re running a business, and at the end of the day, I think there are other areas in the budget that are a higher priority if it comes to tax treatments and investments.”
- “We’ve made that decision, that decision stands, and I’m sure that those schools don’t particularly like that.”
- “They have not been eligible for our other support. They are not low-fee schools, they are very-high fee, elite schools and therefore they are in a very different position.”
- “They now have a tax treatment that recognises their profitability and the fact that they are elite in every way, something I’m sure that they would wholeheartedly agree with.”



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