

Australian Taxation Office
GPO Box 9990
Canberra, ACT, 2600

31/03/2017

To Whom It May Concern,

The Australian Technology Network of universities (ATN) would like to thank you for allowing us the opportunity to submit to the Australian Taxation Office's (ATO) Review of ATO Advice on Scholarships Technical Discussion Paper.

The ATN is a national collaborative group of five major universities; QUT, University of Technology Sydney, RMIT University, University of South Australia and Curtin University. ATN Universities all have genuine linkages to industry as an inherent part of both our teaching and research, with more than two-thirds of our research income coming from industry since 2010.

The ATN commends the ATO for being proactive in seeking to clarify and provide certainty on the taxation of scholarships. Increased clarity and consistency will be valuable to universities, scholarship providers, students, industry and other ATO stakeholders.

ATN concerns regarding the impact of this proposal

Despite the aims of the paper and the valuable impact such clarification would have on stakeholders, there remains concerns, especially in relation to:

- ***How the proposed changes align with the Government's broader innovation agenda,***
- ***the impact the proposed changes will have on work integrated learning, and***
- ***the potential impact on attracting high quality research candidates to research and industry collaborative programs.***

The Australian Government's National Innovation and Science Agenda (NISA) directly states that one of its goals is to increase university and industry collaboration¹. One of the mechanisms to achieving this goal includes a clear plan to increase the connectivity of research training and higher degree research students with industry throughout their candidature and scholarship period. It is important to note that higher degree by research programs, while moving to more industry based settings,

¹ National Innovation and Science Agenda. (2017). Research and universities available online: <https://www.innovation.gov.au/audience/researchers-and-universities> accessed 16 March 2017

continue to have the primary function of education at their core. As such, any employment services thereby provided by the industry setting are secondary to the nature of the program.

The proposed changes to scholarship taxation runs counter to NISA's aims. If there is a blanket exclusion to the scholarship tax exemption, and if students engage in employment or labour services that are a core part of their tutelage they will be liable for income tax. NISA has been recognised widely by both industry and the university sector for providing national initiatives to further engagement and collaboration. A decision to tax students who are engaging and collaborating with industry while undertaking study undermines the impact and the aims of NISA and risks discouraging ongoing collaboration between industry and higher degree research students.

As Australia shifts toward a more innovative, skills-based economy, work integrated learning programs will play a critical role in boosting student and university engagement with industry, and providing valuable experiences for students in developing transferable career skills². Work integrated learning activities are undertaken in candidature with a clear educational purpose; part of an education program specifically designed to add and transfer knowledge, experience and training. These programs are key to providing high quality education to students while in a work based environment that equips students with skills and experiences. To tax the scholarships of students who partake in these programs, at both a post- and undergraduate level would be a significant impost on students who are looking to take full opportunity of their studies, which includes the opportunity to develop lifelong employment skills and experiences. A potential unforeseen consequence of the proposed action could be a reduction in students, particularly in the HDR space, willing to undertake programs and opportunities designed to integrate education with industry experience. Such an outcome would have impacts extending into wider university industry collaboration at all levels.

The application of the proposed changes could also have a detrimental impact on attracting high quality researchers undertaking a research and industry collaborative program. With annual Research Training Program stipends commencing at \$26,682³, an amount far below average weekly earnings, a researcher would potentially be forced to choose between studying an industry

² Smith C., Ferns S., Russell L. & Cretchley, P. (2014) The impact of work integrate learning on student work-readiness available online: <http://www.olt.gov.au/project-assessing-impact-work-integrated-learning-wil-student-work-readiness-2011>

³ Department of Education and Training. (2017). Research Training Program. <https://www.education.gov.au/research-training-program> accessed 16 March 2017

collaboration research program that would be taxed, or a solely academic research program that would not be taxed. Furthermore, there could be significant implications for those choosing to undertake a full-time research program while also pursuing part-time employment as the taxation implications of the proposed ATO changes could be significant.

Research students should not be penalised for participating in training that is designed to develop transferrable life skills and building meaningful linkages between universities and industry. This runs counter to the government's aims outlined in the NISA and may result in highly talented research students shunning industry engagement study programs and options due to financial implications.

In conclusion, the ATN supports the notion of the ATO simplifying and creating a clearly defined definition of scholarship for taxation, which will have benefits to universities, industry and the ATO. The ATN however does not support the notion of taxing higher education scholarship stipends. In deciding on a course of action the ATN recommends that:

- the ATO considers the broader strategic aims of government as outlined in NISA for higher education and industry collaboration, to which the ATO proposal runs counter to,
- the ATO considers the importance of work integrated learning programs to Australian universities, students and industry which are designed to add and transfer knowledge, experience and training and equip graduates with lifelong transferrable career skills, and
- the ATO considers the impact of applying taxation to stipends on research students who will incur a financial penalty if they collaborate with industry, which could be significant when the stipend is far below average weekly earnings.

Please do not hesitate to contact the ATN Directorate on (08) 8302 9135 or via e-mail at renee.hindmarsh@atn.edu.au to discuss any elements of the submission further.

Yours sincerely,



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