

## Access to Compulsory Education Assistance for Isolated Children (AIC) Allowance

Since 1973, successive Australian Governments have provided financial support through the Assistance for Isolated Children's (AIC) allowance to families with children who do not have reasonable daily face to face access to an appropriate government school. Much has changed since the AIC Scheme was first introduced; the duration of compulsory education has increased and accessing regional term hostels has decreased due to continual closures. Changes are needed to ensure this allowance meets the needs of families in the twenty-first century.

Accessing compulsory education is a significant financial burden for rural families. The Assistance for Isolated Children allowance needs to adequately address the out of pocket costs incurred by rural and remote families whether their children need to study via distance education, board away from home or the family sets up a second home in order to access schooling.

The AIC allowance consists of three main categories for geographically isolated students:

- **Distance Education Allowance** for students living at home and undertaking distance education
- **Boarding and Additional Boarding Allowance** for students boarding away from home at a school hostel or private arrangement
- **Second Home Allowance** for students living in the family's second home so they can attend school daily

### Distance Education

Families who educate their children via distance education are required to establish and maintain a schoolroom setting, provide extra learning materials and resources, print necessary learning materials all of which are supplied to students at mainstream schools. In addition, distance education families often travel significant distances to participate in school activities that offer interaction and socialisation for their children. The AIC DE Allowance assists distance education families with some of these necessary expenses in order to educate their children when living in geographic isolation.

### Boarding

Many children living in remote regions of Australia must move away from home to attend school. This comes at a considerable cost to families. Annual out-of-pocket boarding expenses range from \$17,000 to \$35,000 per child, which is unsustainable for most rural families. Some families are splitting the family and moving to town to access affordable schooling, or in some cases choosing between siblings as they cannot afford to keep all of their children in boarding school. This is negatively impacting the family unit, small communities and rural schools.

The disparity between the Assistance for Isolated Children Scheme (AIC) Boarding Allowance and the actual cost of boarding schools across Australia continues to grow. This growth in disparity is impacting the intent and effectiveness of the allowance. Rural and remote families are required to contribute significantly more towards the cost of their children's compulsory education.

### Second Home

The AIC Second Home Allowance assists families with the cost of setting up a second home away from their main place of residence where a family member lives with the children so that they can attend a school on a day to day basis. The option of establishing a second home while children are of school age, is paramount in efforts to retain families in rural and remote areas of Australia. In many cases, the mother and children live in the second home during school times and return to their rural area during school breaks and holidays. This allows the family to access schooling, but also maintain their connection and support with their rural community as well as work and live in a rural area. If the Second Home Allowance were not available, more families would move their entire family permanently to an area where appropriate schooling was available. ICPA advocates for the Second Home Allowance component of the AIC to be paid at the same rate as the Boarding AIC.

It is in the national interest to ensure isolated children are not disadvantaged in terms of educational and social development and to ensure their educational outcomes are not compromised. These students need the opportunity to attend a school that is commensurate to their needs which allows them to achieve educational parity with their

urban peers. It is imperative for rural and remote families to be able to provide an education for their children while continuing to reside and work in rural and remote regions.

**The Federal Government has recently committed funding for geographically isolated children which includes an increase to the Additional Boarding Allowance. ICPA recommends that utilisation of the balance of this funding includes assisting geographically isolated children through the AIC Distance Education, Basic Boarding and Second Home Allowances.**

### **Fringe Benefits Tax**

#### **Exemption from Fringe Benefits Tax (FBT) - Employers Assisting with Educational Costs for Employees**

In an effort to attract and retain staff in rural and remote locations, some employers offer their staff a financial contribution towards educational expenses of their children. However, these payments incur a fringe benefits tax which negatively impacts the employer and the intent of the contribution.

In some cases, the employer chooses to pay a higher wage/salary to the employee rather than incur the FBT on the education assistance. This is also problematic for families as a higher income bracket could affect eligibility for income-tested assistance such as the AIC Additional Boarding Allowance or Youth Allowance.

The Australian Tax Office states some benefits, for example, living away from home allowance, receive concessional treatment in relation to Fringe Benefits Tax (FBT). ICPA (Aust) recommends that benefits paid by an employer to assist an employee with the costs of having their child 'living away from home' for education could be treated in a similar way.

The removal of Fringe Benefits Tax on contributions to employees' children's education expenses will potentially encourage families to stay in the bush, improve recruitment and retention of families and inspire employers to contribute towards the increasingly high costs of boarding school. These outcomes would be consistent with 'Developing the North' aspirations.

#### **Exemption from Fringe Benefits Tax – Schools/boarding facilities providing accommodation for staff**

For many years ICPA (Aust) has urged the Federal Government to change policy on Fringe Benefits Tax (FBT) as it applies to essential boarding school staff required to "live in" to perform their duty of care of residential students in metropolitan boarding institutions. This tax negatively impacts on the cost of an equitable education for isolated students.

The burden of these taxes is especially onerous given that they are levied on the day-to-day living and employment expenses that boarding schools incur and come on top of already significant costs that families must meet. In addition, the taxes appear to be levied across sectors in a most inequitable and inconsistent manner. For example, FBT on boarding supervisors' accommodation adds an estimated \$1000 per year to the cost of school fees, yet it is not levied on aged care facilities or military establishments. As another example, GST is levied on boarding school food, yet not on the food provided in aged care facilities.