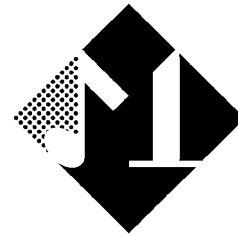


P.O. Box 1432
Neutral Bay NSW 2089, Australia
Telephone +61 (0)2 9969 2082
Facsimile +61 (0)2 9969 6562
e-mail: ozmusico@zeta.org.au
Website: <http://www.mca.org.au>



Music Council of Australia

The Secretary
Senate Committee on the New Taxation System
Parliament House
Canberra
January 28, 1999

Dear Mr Diamond

The Music Council of Australia submits the following proposal for consideration by your Committee. We would be pleased to respond to any questions the Committee may have, or to support our proposal with oral testimony.

Sincerely

Dr Richard Letts AM
Chair

GST-FREE STATUS FOR ACCREDITED PRIVATE MUSIC TEACHERS PROPOSAL

This paper proposes that music instruction carried out by accredited teachers operating privately and not under the auspices of the educational institutions recognised under the proposed GST legislation, should be GST-free.

These teachers provide instruction that meets requirements of government educational institutions, which by default are not met by the institutions themselves excepting in some instances on a fee-for-service basis; in the latter case, the GST-free institutions will be given an unfair advantage over private providers.

ARGUMENT

- 1) **Due mainly to cost to governments, GST-free educational institutions collectively do not provide music education for all persons who may have an entitlement or legitimate need, nor generally speaking do they provide an adequate music education.**
- 2) **The music education not universally provided by these educational institutions has traditionally largely been provided by the private sector on a fee for service basis, mostly through individual lessons supplied by private teachers to people of all ages, ranging from pre-school children to practising professional musicians and singers.**
- 3) **Private music teachers will be disadvantaged by a GST in these ways:**
 - a) **they will be disadvantaged where they are in competition with registered educational institutions that offer the same service free of GST;**

- b) **in a price-sensitive market, the addition of a GST to the fee for service will reduce sales;**
- c) **it should be noted that input costs include rental of professional premises, maintenance of instruments, purchase of music, insurance etc., each of which will carry a new GST tax, and there will be negligible effect from removal of wholesale sales taxes.**

ELABORATION OF THE ARGUMENT

- 1) Due mainly to cost to governments, collectively the GST-free public educational institutions do not provide music education for all persons who may have an entitlement or legitimate need, nor generally speaking do they provide an adequate music education.**

Music instruction in schools

Music is one of the key competencies included in the national curriculum for schools. Its status and value as a subject to be universally provided to children through the education system therefore is recognised.

Nevertheless,

- (a) in most primary schools, music is not taught by teachers qualified in music education, and in effect may not be taught in classes in which the generalist teacher believes him/herself to lack competence in music;
- (b) not all high schools offer music education;
- (c) even though other types of music instruction may be offered in schools, instrumental instruction often is not, and even where it is offered, if the school is meeting the cost the instruction usually will be offered to groups of students rather than individuals;
- (d) because of the complexity of the required small muscle movement and of the musical language, it has traditionally been found that beyond a beginning level, effective instrumental instruction is basically one-on-one teacher to student; this indeed is the instruction sought by most people, whether parents and professionals, who meet the cost personally; since such instruction is not available through most public schools, or is available only on a fee-for-service basis, the provision is inadequate.
- (e) the public requirement for musical performance for students sitting for secondary graduation examinations is not met by the instruction offered by public secondary schools, excepting in schools where such tuition is available for a fee; in order to meet the standard, students must take individual instruction, usually from a private teacher at their own expense.

Music instruction for professionals

Professional musicians in some cases require (especially in the case of singers) or benefit from continuing vocal or instrumental instruction throughout their professional lives. For most, such instruction EITHER is not available through registered educational institutions except as part of a degree course for which they are not eligible or which would be surplus to their needs, OR if available, is on a fee-for-service basis.

(Note that singers are unable to hear themselves as others hear them, because their vocal sound is delivered to them through their own bone structure. They also lack a direct kinesthetic sense of some of the movements involved in voice production. For this reason even the best opera singers usually maintain continuing vocal instruction by another pair of skilled ears.)

Others beyond school age may seek music instruction in order to achieve vocational goals or avocational satisfaction, and find that the educational institutions do not provide for their needs.

- 2) The music education not universally provided by the educational institutions has traditionally largely been provided by the private sector on a fee for service basis, mostly through individual lessons supplied by private teachers to people of all ages, ranging from pre-school children to practising professional musicians and singers.**

- (a) Note that for students who so desire, this private instruction is assessed through a national examination system which, in the absence of their own adequate provision of such instruction, is recognised by some school systems as an alternative to system-based examinations. This is further evidence that such instruction is omitted from the public education system only by default.

3) Private music teachers will be disadvantaged by a GST in these ways:

- a) **importantly, they will be disadvantaged where they are in competition with registered educational institutions that offer the same service free of GST;**
- b) **for those who register for GST, in a price-sensitive market, the addition of a GST to the fee for service will reduce sales;**
- c) **it should be noted that input costs include rental of premises, maintenance of instruments, purchase of music, insurance etc., each of which will carry a new GST tax, and there will be negligible effect from removal of wholesale sales taxes.**

3a) Such institutions include, for instance, state conservatoria offering “extension” or “access” programs to the general public, which already benefit from their high profile and ability for self-promotion.

It is recognised that once, after a few years, the public builds an expectation for the imposition of a GST on services, the effect generally on sales will diminish. However, *the disadvantage to private music teachers from competition from GST-free educational institutions will not disappear.*

3b) It is the informal experience of music teachers that the market is very price-sensitive, since for most purchasers it depends on limited discretionary income.

3c) Purchase of musical instruments will be cheaper due to a drop in the tax rate from 22% to 10%. However, teachers’ instruments are purchased for use over decades, and the annualised financial benefit of the lower tax would be minimal.

For teachers earning less than \$50,000, input taxes are newly imposed on rent, maintenance and music costs and cannot be claimed; to cover them, fees would have to be increased.

For teachers earning more than \$50,000, input-tax can be claimed but the GST must be charged. So in both cases, students’ fees will increase with benefit to the government but not the teachers, and with a probable decline then in students and income.

It can be conjectured that for some teachers at the margin of financial viability, a decrease in teaching income will lead to a move to the welfare roles with a cost to government.

CONCLUSION

Music instruction carried out by accredited teachers operating privately and not under the auspices of the educational institutions recognised under the proposed GST legislation, should be GST-free.

A note on accreditation.

The Music Council of Australia recognises that the proposed application of GST-free status only to educational institutions probably is intended to ensure that such assistance is limited to educational programs of professional competence and serious intent. For this reason, the Council proposes that GST-free status should be available only to *accredited* music teachers.

It should be noted that accreditation regimes are operated by the state Music Teachers’ Associations and the National Institute of Music Teachers. Continued self-regulation by the sector is recommended to the Senate by the Music Council.

Some Associations offer accreditation only to their own members, so excluding others who may not wish to be members. Membership of such an association does not seem an appropriate criterion for determining eligibility for GST-free status, and those Associations may wish to set it aside.

The Music Council recognises that the Government may wish to assure itself of the appropriateness of the accreditation requirements before the inception of our requested GST-free status for music teachers.

Dr. Richard Letts, Chair

