

Submission to the Treasury Consultation on Reform to Deductions for Work Related Education Expenses.

This submission was prepared by a working party consisting of members of:

- √⁻¹ ***The Australian Association of Group Psychotherapists,***
- √⁻¹ ***The Australian Centre for Psychoanalysis,***
- √⁻¹ ***The Australian and New Zealand Society of Jungian Analysts,***
- √⁻¹ ***The Australian Psychoanalytical Society,***
- √⁻¹ ***The Psychoanalytic Psychotherapy Association of Australasia.***

It has been approved by the Executive of each Association, and is submitted on their behalf.

A handwritten signature in black ink, appearing to read 'Paul McEvoy', is shown on a light-colored background.

Paul McEvoy

(for the Working Party of the Australasian Confederation of Psychoanalytic
Psychotherapies)

EXECUTIVE SUMMARY

This submission has been prepared by five professional associations representing more than 450 psychoanalysts and psychoanalytic psychotherapists throughout Australia. Our members treat patients for multiple and chronic mental disorders, personality disorders, psychotic disorders, anxiety, depression and those suffering long term abuse and trauma.

The members of our organisations:

- √¹ have extensive post-graduate training in psychoanalytic and psychotherapeutic theory and practice
- √¹ have undergone their own personal analysis or therapy for a number of years
- √¹ have regular supervision of clinical work
- √¹ are involved in frequent professional development activities and peer assessment

While our Associations support the Government's desire to ensure that work-related education provisions of the Tax Act are not subject to abuse, we seek to advise the Government of potentially serious, unintended consequences of the proposal in its current form.

The proposal will significantly increase the real cost of training for psychoanalysts and psychoanalytic psychotherapists, rendering such training inaccessible to all but the most wealthy, and will create inequality and bias in the workforce. This has serious implications for the long-term workforce supply of properly trained practitioners who are required to provide services for patients with mental disorders. Such patients when left without treatment place a large impost on the health services because of their self-injurious behavior and because of the lost productivity, and impact on family health and relationships, to name but a few of the implications.

In addition, the proposed changes have the potential to significantly impact on the capacity of well trained professionals being able to maintain (because of the cost burden) their ongoing professional development, essential to the maintenance and further improvement of professional skills. These proposed changes therefore have serious direct and indirect cost implications in terms of treatment availability, and ensuring the ongoing quality of patient care.

Evidence-based research suggests that the treatment of complex psychological problems requires more frequent, in-depth intervention, supported by specific training and ongoing professional development. Such treatment has been shown to increase the capacity of patients for work or study and to reduced need for costly pharmaceutical treatments, hospitalizations and other related imposts on the health system.

It is our submission that, to ensure a workforce supply of appropriately trained psychoanalysts and psychoanalytic psychotherapists, the cap on work-related education expenses be set at a level which recognises the real costs of both training and ongoing professional development for these professions.

We respectfully recommend that:

- ⤴ Given the significant costs to professionals undertaking training in psychoanalysis and psychoanalytic psychotherapy, any changes to the tax-deductibility of self-education expenses take into account the real costs of such training.
- ⤴ Given that our members are required to undertake ongoing professional development not only through our Associations but also by the Australian Health Practitioners Regulation Authority, by which most members of our Associations are registered, any changes to the tax treatment of work-related education expenses be set at a level which recognises the real costs of such ongoing professional development. A realistic modeling of the costs of training and skill development and maintenance is required.
- ⤴ Given the significant difference between the annual costs for training in psychoanalysis and psychoanalytic psychotherapy, compared to cost of ongoing professional development, that the current provisions of the Tax Act, which differentiate between self-education expenses (training) and other work-related education expenses (ongoing professional development) be maintained.

Rationale

Evidence accumulated over many years testifies to both the therapeutic efficacy and cost effectiveness of psychoanalysis and psychoanalytic psychotherapy, particularly in the treatment of severe and chronic mental health conditions. We have, in other submissions to Government, (eg Senate Standing Committee on Community Affairs Inquiry into Commonwealth Funding and Administration of Mental Health Services, 2011) comprehensively reported on these findings, and are able to provide a copy of this research should it be required.

Representatives of our Associations would be pleased to provide further evidence, either in written form or via oral evidence.

Post-graduate training in psychoanalysis and psychoanalytic psychotherapy is substantial, rigorous, intensive and demanding, both financially and in terms of the commitment of time required. In general, professionals who undertake the training do so because they recognise the limitations of other approaches in the treatment of severe mental health disorders. In Australia such training is self-funded by the professionals. Many potential trainees have been deterred by the substantial cost of training, and should the proposed changes to the tax treatment of education expenses be implemented, the increased real cost will add to the deterrent. Ultimately the cost will be to the community in terms of reduced access to these specialised services. The burden will be particularly borne by one of the already profoundly disadvantaged sectors of our community, the mentally ill.

In addition to completion of specialised training, members of our Associations, as noted above, are required to engage in ongoing professional supervision and other professional development. Given the serious nature of the work in which our members are engaged, this ongoing professional development is crucial to maintenance of skills. As will be detailed in this submission, the real cost of such ongoing professional development far exceeds the proposed \$2000 cap tax deductibility. We are concerned that such a disincentive will make it prohibitive to engage in ongoing professional development as mandated by Government (AHPRA) initiatives, and thus pose a threat to the quality of patient care.

Consultation Questions

As already indicated, the proposed \$2000 cap on work-related education expenditure has serious, and separate implications for (a) training of psychoanalysts and psychoanalytic psychotherapists, and (b) ongoing professional development of psychoanalysts and psychoanalytic psychotherapists. Consequently, we will address the consultation questions firstly in relation to training, and then in relation to ongoing professional development.

Training

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

Yes. Training in psychoanalysis and psychoanalytic psychotherapy is specific to the assessment and treatment of serious mental problems and occurs at post-graduate level. Such preparation is essential to working with the seriously mentally ill, and provides our members with the sound theoretical and practical basis required for assessment and treatment of complex cases.

a) What is the average amount of the expense?

Although our Associations share minimum training requirements, there are some variations in what is required of trainees in each of our Associations' training programmes, and each location where training is offered. The annual cost to trainees ranges from \$20,000 to \$50,000 per annum. There is also some variation in the length of training, but trainees would sustain these costs for at least four years.

b) What is the highest amount of the expense?

A major cost component is the requirement in our training for frequent and regular, one-to-one supervision involving intensive guidance and consultation regarding individual training cases.

c) What is the nature of these courses?

The minimum training required for membership of our professional associations is:

- √¹ A tertiary degree and relevant clinical experience as a pre-requisite to training
- √¹ Participation in weekly seminars providing a comprehensive professional training in psychoanalytic theory and clinical practice of between three to five years.
- √¹ Weekly individual clinical supervision of at least two clinical cases of psychoanalysis or psychoanalytic psychotherapy and/or group psychotherapy in which the patient or patients are seen a minimum of twice a week. One of these cases must be of at least 24 months duration, and one at least 12 months. Most practitioners would have far in excess of these clinical hours.
- √¹ Personal psychoanalysis or psychoanalytic psychotherapy and/or group psychotherapy, at least twice weekly, with an approved psychoanalyst or psychoanalytic psychotherapist for the duration of training. This is a unique component, undertaken at the individual's expense, and provides an actual experience of the process, ensuring analysts and therapists are aware of how their own personal characteristics may influence the treatment of their patients. This is essential for effective psychoanalytic work. Not uncommonly, a personal psychoanalysis would continue beyond the training period.

Trainees usually undertake the main elements of training - personal psychoanalysis/ psychotherapy/ group psychotherapy; supervised clinical practice; and theoretical and clinical seminars – at the same time. There is no Government funding for this, so all costs are born by trainees. This is a substantial saving to Government and the

community.

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

For the purposes of this submission the relevant training provided by our Associations is conducted in Australia. Some of our Associations encompass both Australia and New Zealand, and while training is conducted in New Zealand, this does not involve Australian trainees.

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?

All training costs for psychoanalytic training are borne by the trainees themselves.

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

Yes, but not in relation to our Associations' training programmes.

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

Informal discussions with colleagues in other countries (US, Canada, UK, New Zealand) suggest that some form of tax-based support for training such as that required of our members is common. However we do not have access to documented evidence for this.

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

The impact which the proposed changes would have on the real cost of psychoanalytic training would be so profound that a \$250 no-claim threshold would be irrelevant.

7. How should this be prioritised?

See above.

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

Currently none.

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

We do not possess the expertise to adequately answer this question.

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

See question 9.

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

Definitely. The cost of training of the intensive kind conducted by our Associations already presents a significant obstacle to those considering training. Implementation of this proposal would add an additional impediment to potential trainees, with serious potential for reducing the long-term workforce-supply of practitioners who are adequately trained to meet the needs of the seriously mentally ill.

Psychoanalytic psychotherapy training programmes conducted by our Associations require a minimum number of trainees in order to be viable. In less populous areas such as WA, Queensland, South Australia and in all regional areas, the viability of training programmes is already marginal. An additional unintended consequence of this proposal is that if even a small number of potential trainees is deterred from undertaking training because of the increased real cost, some training programmes may be rendered not viable.

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

The proposed changes reflect assumptions which we believe have not been adequately tested and for which the financial modeling may need further refinement if it is to take into account the training required in order to supply well qualified mental health specialists. We accept the merits of imposing some limits on work-related education expenses, but suggest that the method of imposing such limits needs to be further considered to ensure that it does not adversely impact on the future supply of properly trained psychoanalysts and psychoanalytic psychotherapists in Australia. We also note that the annual cost of training in our industry is far greater than the annual cost of ongoing professional development, and that limits imposed should continue to differentiate between these two different types of work-related education expenditure.

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

We do not possess the technical expertise to adequately address this question.

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

We do not possess the technical expertise to adequately address this question.

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?

See question 12.

Ongoing Professional Development

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

Yes. Members of our Associations are required to maintain ongoing professional development through processes such as case presentations, peer review, presentations at scientific meetings; publication of clinical papers or attendance and/or presentations at seminars, conferences and clinical meetings. In addition, most of the members of our Associations hold primary qualifications which require them to be registered with the Australian Health Practitioners Regulation Authority (AHPRA), which imposes its own ongoing professional development requirements.

While some professional development is able to be accessed locally, it is essential to the maintenance of our standards of practice that our members expose themselves to the ideas and challenges which are encountered at national and international conferences. This provides an opportunity for valuable expertise be brought home. While ongoing professional development includes reading the proceedings of national or international conferences, or accessing them remotely, discouraging attendance at such events deprives our members of opportunities to present their work to colleagues in the broader community for scrutiny and comment, which may offer different perspectives and insights than those offered by local colleagues.

Secondly, it is the experience of our members that the benefit of attendance at national and international conferences, and seminars, derives not only from the formal papers presented at such events, but from the rich informal discussions with professional colleagues and the establishment of networks which provide invaluable international consultation opportunities. Furthermore, it is at such national and international events that our members make personal contacts with colleagues with whom they develop an ongoing professional correspondence. This both enriches their work and ensures an ongoing cross-fertilisation of ideas, essential to our growing understanding of the assessment and treatment of difficult and complex cases.

a) What is the average amount of the expense?

Estimation of an average cost may conceal the broad range of costs associated with ongoing professional development. Peer supervision, for example, is relatively inexpensive. Formal supervision with a senior colleague can cost approximately \$150 per week. Attendance at a locally presented professional seminar may cost in the vicinity of \$200. Attendance at a three day national conference, particularly if it requires travel and accommodation, can cost \$1500 - \$2000. Attendance at an overseas conference can easily cost upwards of \$4500 when costs of travel, accommodation and conference registration are included. While not all of our members would attend international conferences frequently, most are senior members of the professional community, and as such would be expected to attend national events and at least occasionally, international conferences.

b) What is the highest amount of the expense?

See question 1 (a).

c) What is the nature of these courses?

See question 1 (a).

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

As outlined in the answer to question 1(a), ongoing professional development is available both in Australia and overseas. However it should be noted that international conferences are infrequently held in Australia. While the bulk of routine professional development is undertaken locally and does not involve travel and accommodation costs, regular participation at national conferences is important and participation in international activities is essential to ensure that international standards and knowledge are maintained.

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?

This varies. Some ongoing professional development activities are subsidised by employers, although this is very limited in the mental health industry and rarely covers the full cost of participation. Most of our members work in private practice and have to bear the majority of these costs themselves.

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

We are aware that this is possible under the current tax rules, but do not encourage or promote this.

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

Informal discussions with colleagues in other countries (US, Canada, UK, New Zealand) suggest that tax-based support for ongoing professional development is common. However we do not have access to documented evidence for this.

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

This does not relate to ongoing professional development.

7. How should this be prioritised?

Not applicable.

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

Currently none.

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

We do not possess the expertise to adequately answer this question.

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

See question 9.

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

Yes. The imposition of a low level cap as proposed will inevitably discourage some practitioners from seeking the highest quality and most appropriate professional development for their needs. Once again this has implications for the quality of patient care. However our Associations strongly promote the ethical responsibility to maintain and develop professional standards, such that we believe that most of our members would strive to maintain their ongoing professional development as best they can, even in the face of substantially increased costs. In addition, for the majority of our members who are registered under the Australian Health Practitioner Regulation Authority, the costs of meeting the ongoing professional development requirements of maintaining such registration well exceed \$2000 per annum.

A further unintended consequence of this proposal is that it would discriminate against practitioners who practice in less populous or rural areas by substantially increasing the costs, relative to their colleagues in more central locations, of maintaining their professional standards. For example, if this proposal is implemented, a Western Australian practitioner attending a single two or three day national conference in Sydney or Melbourne, after paying for airfares, accommodation and conference fees, would have exhausted their annual deductible allocation for ongoing professional development. Similarly, a practitioner from a rural area who is required to travel to the city to attend ongoing professional development activities would attract travel and accommodation costs which render even “local” professional development significantly more expensive than for their city-based colleagues. This is contrary to other Government initiatives which seek to encourage the provision of professional services in regional areas. Increasing the real costs of practice will serve as a disincentive to professionals to work in regional and remote areas.

A further potential unintended consequence of these proposed changes is that they may create a bias to attend only the most prestigious events. This will seriously reduce the range and variety of professional development opportunities, the opportunities for local professionals to present their work to their peers for scrutiny and the viability of local

specialist meetings and conferences, where one learns from experienced practitioners. It will be a pressure towards a narrow, homogenized professional environment where innovation and support for the initiative of local professionals is reduced.

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

We accept the merits of imposing some limits on work-related education expenses, to prevent abuse of the system by indulgence in luxury or high end travel and accommodation expenses. However we believe that there may be better ways of controlling for this such as adequate auditing of professionals. We suggest that any limit imposed needs to be carefully considered to ensure that it does not adversely impact on the cost of meeting the ethical and legal (for those AHPRA registered practitioners) requirements to participate in ongoing professional development, nor on the sharing of knowledge and developments internationally. As earlier noted, we expect that the annual cost of ongoing professional development is significantly less than the annual cost of training, and that limits imposed should continue to differentiate between these two different types of work-related education expenditure, bearing in mind that training costs are generally devoted to attaining a one-off qualification.

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

We do not possess the technical expertise to adequately address this question.

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

We do not possess the technical expertise to adequately address this question.

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?

See question 12.