

**Not for Profit Sector Tax Concession Working Group  
Discussion Paper November 2012**

*Q26 Should the threshold for deductible gifts be increased from \$2 to \$25 (or to some other amount)?*

If there is a push to increase the threshold, it should only be increased from \$2 to \$10/\$15. With increases in efficiency as well as reductions in credit card processing costs, \$10 is a profitable minimum for DGR's. Often donors commence regular donations at smaller amounts and then build up to larger amounts, therefore the lower deductible amount is an entry level for potential donors.

*Q31 Should salary sacrificed meal entertainment and entertainment facility leasing benefits be brought within the existing caps on FBT concession?*

The concession, as it currently stands is a useful benefit for employees of PBI organisations. There appears to be many urban myths about the concessions 'overuse'. However, this concession appears to be being abused by a small number of high net worth individuals and therefore rather than changing the way this concession is granted a cap to these benefits would be recommended.

Suggested cap for meal entertainment is \$1,250 per month and for the entertainment facility lease benefits \$10,000 per annum.

*Q32 Should the caps for FBT concessions be increased if meal entertainment and entertainment facility leasing benefits are brought within the caps? Should there be a separate cap for meal entertainment and entertainment facility leasing benefits? If so, what would be an appropriate amount for such a cap?*

Caps on FBT concession should be indexed to ensure the value to the employee keeps pace with inflation. However, if meal entertainment concessions are brought within the FBT concession, the caps for FBT concession should be increased by \$1,250 per month for meal entertainment and \$10,000 per annum for the entertainment facility lease benefits.

*Q33 Are there any types of meal entertainment or entertainment facility leasing benefits that should remain exempt/debateable if these items are otherwise subject to the relevant caps?*

Yes, catering expenses.

*Q34 Should there be a requirement on eligible employers to deny FBT concessions to employees that have claimed a concession from another employer? Would this impose an unacceptable compliance burden on those employers? Are there other ways of restricting access to multiple caps?*

If the legislation changes to limit FBT concessions to a single employer, an employer should be required to deny FBT concessions to employees that have already claimed a concession from another employer in that FBT year. This would not be an unacceptable burden on those employers.

The ATO could be involved with the overall monitoring at the time an individual submits their tax return, however, this would probably impose an added burden on the ATO.

*Q35 Should the rate for FBT rebates be re-aligned with the FBT tax rate? Is there any reason for not aligning the rates?*

The rate should be re-aligned and should be indexed to each capital cities CPI.

*Q36 Should the limitations on tax exempt bodies in the minor benefits exemption be removed? Is there any reason why limitation should not be removed?*

Tax exempt bodies should be treated the same as non-exempt bodies in relation to minor benefits exemption.

*Q37 Is the provision of FBT concessions to current eligible entities appropriate? Should the concessions be available to more NFP entities?*

The provision of FBT concession to current eligible entities is appropriate as it enables employers to be able to compete with commercial organisations to attract good quality staff. All NFP entities which are income tax exempt, DGR, PBI approved and fall within the new definition of 'charity' should be entitled to the concession.

*Q38 Should FBT concessions (that is, the exemption and rebate) be phased out?*

The concession should not be phased out. In fact it should be indexed linked to ensure that it moves in line with inflation.

*Q39 Should FBT concessions be replaced with direct support for entities that benefit from the application of these concessions?*

The current system is very fair given that it is linked to the number of employees and organisation has. It is intended to be an incentive for employees to accept roles in a NFP. I believe direct support would be as much a burden on an organisation as the implementing the current FBT concession system. Also there is also a risk of sudden reductions in funding as a result of budget decisions.

*Q40 Should FBT concessions be replaced with tax based support for entities that are eligible, for example, by refundable tax offsets to employers, a direct tax offset to the employees or a tax free allowance for employees.*

No it should not be replaced. However, if the FBT concession is to be replaced then the preferred option would be via a tax free allowance for employees. Generally, the type of staff an organisation have difficulty in attracting if the FBT concession is scrapped would be middle/senior management and therefore these individuals would benefit more from the tax free allowance than the other options suggested.

*Q41 Should FBT concessions be limited to non-remuneration benefits?*

No. One of the main arguments for FBT concessions is the ability to be able to attract employees by offering packages that compete with those offered by the commercial sector and this competition is generally at the middle/senior management level. By limiting the FBT concession to non-remuneration benefits this would diminish this competition.

*Q42 If FBT concessions are to be phased out or if concessions were to be limited to non-remunerations benefits, which entity types should be eligible to receive support to replace these concessions?*

All tax exempt entities with charitable status should be eligible to receive support to replace these concessions.

*Q43 Does the existing fundraising concession create uncertainty, or additional compliance burdens, for NFP entities that wish to engage in fundraising activities that fall outside the scope of the concession?*

The level of burden is no different from a normal commercial organisation.

*Q44 Would a principles-based definition of the types of fundraising activities that are input taxed reduced the compliance burden for entities that engage in fundraising?*

This may be open to abuse and therefore not recommended.