

Submission in response to Not-for-Profit Sector Tax Concession Working Group Discussion Paper November 2012

The Inspire Foundation's Background

The Inspire Foundation is a national non-profit organisation with the mission to help young people lead happier lives. Established in 1996 in response to the then escalating rates of youth suicide, we were the first organisation in Australia to utilise the internet to deliver a mental health service. Our flagship program, ReachOut.com, is a proven and effective, self-help service targeting young people aged 14-25. The principle objective of the ReachOut.com service is to give all young people the skills and knowledge they need to positively manage their own mental health and wellbeing. ReachOut.com receives over 1.3 million site visits per year – directly supporting over 500,000 young Australians in the last year alone, 80% of whom indicated that ReachOut.com helped them understand and deal with their mental health concerns.

In this submission we have addressed only the sections in the Discussion Paper that will have the most significant negative impact on our organisation.

Section 3. Fringe Benefits Tax Concessions

Current benefit to Inspire of the Fringe Benefits Tax Concession

As noted in the Discussion Paper (Section 3), the current exemption from paying fringe benefits tax allows Inspire to offer employees market equivalent salaries while reducing our actual salary budget. The ability to offer competitive salaries is a major factor in our ability to attract staff we otherwise couldn't afford. As our service is online, we require staff with specialist skills in digital technology and social media. Without the Fringe Benefits Tax Concession, Inspire would not be able attract and retain employees with these specialist skills and we would be unable run our services.

Cost to Inspire if Fringe Benefits Tax Concession was withdrawn

It would cost Inspire over \$330,000 a year in additional salary if the Fringe Benefits Tax Concession was withdrawn. This increase in costs would have a significant negative impact on Inspire's ability to attract and retain skilled staff and therefore to deliver our services. As a small organisation we have limited ability to reduce expenditure. The need to raise an additional \$330,000 would place an enormous strain on our resources and divert effort away from delivering our important services.

Administrative burden

In contrast to the statements in the Discussion Paper (Section 3.3.4), offering fringe benefits to Inspire staff does not impose a 'considerable compliance burden'. Once an organisation's processes and procedures are set up, there is minimal additional administration required. The small effort in offering and explaining salary packaging for individual employees is more than off-set by the ability to attract and retain these skilled employees by providing fringe benefits. Our ability to work with

individual employees to set up their salary package to best suit their needs is a unique and valuable part of our employee value proposition.

Meal Entertainment and Entertainment Facility Concessions

The Inspire employees who elect to use the Meal Entertainment and Entertainment Leisure facilities are typically in the higher salary ranges. These employees are our highest skilled and experienced employees who could earn significantly larger salaries in the for profit sector. They usually have taken a sizeable salary reduction to work in the NFP sector. The Meal Entertainment and Entertainment Leisure concessions are an attractive additional incentive for retaining these more senior and highly skilled employees.

Short-term reform options (Consultation questions 31, 32 and 33)

As the salary sacrificed meal entertainment and entertainment facility leasing benefits are an attractive incentive for our more senior and highly skilled employees, either an increased FBT exemption cap that includes these facilities or a separate cap for these benefits are the preferred options.

Long Term reform options (Section 3.4.4)

Option 3.6: Phase out capped FBT concessions and replace with alternative government support.

As previously stated, the provision of tax exempt fringe benefits does not impose a significant compliance burden on our organisation. Applications for direct grants and reporting on these grants do however involve significant compliance costs. This option appears likely to increase our administrative burden and is not supported.

Option 3.7: Phase out fringe benefits tax concession and replace with alternative tax-based support mechanisms

All of the options suggested in the Discussion Paper require more information to fully understand how they would work and to understand the full impact of each option.

Refundable tax offsets

Much more information is required to understand how this option would work. The calculations in the Discussion Paper seem to significantly under-represent the FBT exemption amount per employee.

A direct tax offset for employees

With the limited information provided, this option appears to be the fairest to employees. If the tax offset is built into the PAYG tax tables it is also the easiest for the organisation to administer.

Tax free allowances for employees

Again more detail is required to fully understand how this option would work. With the information provided in the Discussion Paper, it looks similar to the current fringe benefits tax exemption which works well for our organisation.

Option 3.8 Limit concessions to benefits that are incidental to employment

This option doesn't work for Inspire. This option would increase Inspire's costs by requiring us to pay full commercial salaries because we are unable to offer any 'non-remuneration benefits'.

If you have any questions in relation to this submission, please contact Heather Doig, CFO on 02 8029 7777 or heather@inspire.org.au.



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