

ABN 14 725 309 228  
Enterprise House  
136 Greenhill Road  
Unley South Australia 5061  
Telephone 08 8300 0000  
Facsimile 08 8300 0001  
Email customerservice@business-sa.com  
www.business-sa.com

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NFP Sector Tax Concession Working Group Secretariat  
The Treasury  
Langton Crescent  
Parkes ACT 2600

Dear Sir/Madam,



I write to you in relation to the *Fairer, Simpler and More Effective Tax Concessions for the Not-For-Profit Sector* Discussion Paper.

Business SA is South Australia's leading business membership organisation, representing thousands of businesses through direct membership and affiliated industry associations. We represent businesses across all industry sectors, ranging in size from micro-business to multi-national companies. Business SA advocates on behalf of business to propose legislative, regulatory and policy reforms and programs for sustainable economic growth in South Australia.

Given Business SA's status as an employer association, it is exempt from income tax and can claim some Fringe Benefit Tax (FBT) rebates. Many of the comments and recommendations in this submission reflect this status, so some of the options and consultation questions in the Discussion Paper are not commented on.

Business SA believes that employer associations should continue to receive an income tax exemption, due to the benefits bestowed on both the business and broader community of advocacy efforts that improve the outcomes that result from policies and programs implemented by Governments. The importance of stakeholder engagement when Governments develop legislation, regulations, policies and programs cannot be underestimated. Inadequate consultation processes often result in unintended consequences that could easily have been avoided by asking stakeholders to comment on policy and other issues. The advocacy efforts of employer associations contribute to minimising unintended consequences and maximising the benefits to the business community from reforms. This work would not be done without employer associations and it is effectively a public good, which should receive beneficial taxation treatment.

To provide certainty for non-charity not-for-profit entities, Business SA supports Option 1.3: extending the ATO endorsement framework to such entities.

While Business SA is income tax exempt, not-for-profit entities that are subject to income tax should have a rate that is consistent with companies. That is, the 55 per cent income tax rate that applies to income of between \$417 and \$915 should be reduced to 30 per cent or be abolished altogether, so that the tax free threshold is effectively raised to \$915.

In the submission to the 2011 Tax Forum, Business SA stated that FBT is in need of reform. The broadening coverage of FBT has made it unduly complex and has added to the costs of doing business by increasing the tax compliance burden.

Business SA supports part of recommendation nine from the Henry Taxation Review that the liability of FBT be shifted from the employer to the employee where the liability can be easily identified by employee. In a similar vein, a shift in the way support is provided to not-for-profit entities regarding fringe benefits from FBT concessions and rebates to refundable tax offsets for employers is supported by Business SA. This would provide the benefits more directly to the employer and the operations that it undertakes, which should be the basis of the support, rather than the employee.

In the absence of such a shift in supportive arrangements for not-for-profit entities with regards to fringe benefits, Business SA supports:

- Part of Option 3.2: meal entertainment should be included in the caps when calculating concession and rebates on FBT for not-for-profit entities.
- Option 3.4: the rate for FBT rebates should be aligned with the FBT tax rate.
- Option 3.5: apply the minor benefit exemption that exists for the commercial sector to eligible not-for-profit entities.

Should you require any further information or have any questions, please contact Rick Cairney, Director of Policy, Business SA on (08) 8300 0060 or [rickc@business-sa.com](mailto:rckc@business-sa.com).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Nigel McBride', written over a circular stamp or seal.

Nigel McBride

**Chief Executive Officer**