Response to exposure draft legislation limiting FBT concessions on salary packaged entertainment benefits – August 2015

About the Australian Blindness Forum

The Australian Blindness Forum (ABF) is a not-for-profit (NFP) Australian public company limited by guarantee and governed by a Board of Directors. It was formed in 1992 and is funded only by its members.

ABF is the peak body representing blindness, low vision and rehabilitation in the blindness sector. ABF comprises 17 blindness sector service providers and is represented in every state and territory of Australia. All major organisations providing services to Australians who are blind or vision impaired are members of ABF.

Membership of ABF is open to any organisation that has as its primary objects the provision of services to people who are blind or vision impaired, or whose activities are substantially connected with the welfare of people who are blind or vision impaired, and those whose activities are substantially related to the prevention of blindness.

ABF Response

ABF appreciates the opportunity to provide comment to The Treasury on the exposure draft of the Tax and Superannuation Laws Amendment (2015 Measures No.4) Bill 2015: Limiting FBT concessions on salary packaged entertainment benefits.

As NFP organisations in the disability sector, ABF members rely on a number of government tax concessions that support the NFP sector to optimise the utilisation of limited resources and attract quality staff in a competitive environment. These tax concessions are essential for NFPs in the disability sector to recruit and retain staff, in order to continue to carry out their functions and remain viable.

Further, any reduction in tax concessions for NFPs will have a direct impact on the clients of ABF members who are all people with blindness or vision impairment and need to access essential services in the blindness sector. If NFPs lose their ability to attract and retain staff, vital services to people with blindness or vision impairment will be significantly reduced, which in turn will lead to greater costs to Government.

Fringe Benefits Tax exemption ($30 000 cap for Public Benevolent Institutions)

ABF strongly supports the retention of fringe benefit tax exemptions for NFPs. The current grossed up limit of $30,000 per employee has not changed since the introduction of the exemptions in 2001 and has not been adjusted to account for Consumer Price Index (CPI) increases. As a result, the value of the FBT concessions to the NFP sector has been declining in real terms since its introduction.

ABF supports not only the retention of the exemption but recommends the annual indexing of FBT exemptions in line with the CPI to account for inflation. An immediate increase of the FBT exemption $30 000 cap to a cap of at least $40,000

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grossed up value per employee would be appropriate at this time to reflect inflation and to retain the value of the benefit to the sector.

Tax concessions such as those that allow for salary packaging contribute significantly to attracting and retaining staff in the disability sector, which has traditionally had lower pay rates and less employee benefits compared with other sectors. The ability for NFPs to offer current and future staff tax concessions in lieu of paying higher salaries is one of the few avenues available in an uncertain environment and with a workforce under increasing pressure. This pressure and uncertainty is due to recent sector reforms such as the introduction of the National Disability Insurance Scheme (NDIS) and aged care reforms.

This exemption is a vital part of the sustainability of the NFP workforce in the disability sector.

Meal entertainment and entertainment facility leasing benefits (entertainment benefits)

Some ABF members also make use of the entertainment benefits and use such benefits as an inducement to attract and retain staff in a challenging environment. While it is acknowledged that not all workers have the financial means or opportunity to access the entertainment benefits, it remains an attractive benefit at the executive level where organisations are unable to compete with the commercial sector.

It is acknowledged that some organisations have exploited this benefit and therefore an appropriate cap, exclusive of the existing FBT exemptions, could be implemented. ABF recommends a cap of up to $20 000 grossed up value to ensure this benefit continues to be of significant value to the NFP sector, while at the same time providing a limit to reduce any exploitation of this benefit.

The tax exemptions provided to NFP organisations allow recruitment and retention of quality staff, and for valuable resources to be directed into service provision, generally at a significantly lower cost than governments are able to provide those services. While it has been claimed by some for-profit providers that the tax exemptions provide NFP organisations with a competitive advantage, this is by far outweighed by the access to capital that for-profit organisations can access, which is largely unavailable to NFP organisations. Both types of organisations exist in the market to meet different needs. Any argument that tax exemptions unfairly benefit NFP organisations over for-profit entities fails to acknowledge the fundamental contrast in the purpose for which these separate types of entities are established.

Conclusion

While ABF understands the rationale for the proposed changes to tax concessions – including government concerns that the revenue forgone from the concessions is significant and growing – any benefits to the government in scaling back such concessions will be outweighed by resultant outcomes, including greater pressure on government services due to a less effective NFP disability sector.

The proposed legislation limiting FBT concessions to NFPs demonstrates a reduction in government support of the NFP sector, resulting in a failure to meet intended policy objectives to deliver the greatest possible community benefit.