

General Manager

Law Design Practice

The Treasury

Langton Crescent

PARKES, ACT, 2600

12th August, 2015

Baptist Care SA submission to comment on the Exposure Draft dated 29 June, 2015.

LIMITING FRINGE BENEFITS TAX CONCESSIONS ON SALARY PACKAGED ENTERTAINMENT BENEFITS.

1. Capping the meal entertainment and entertainment facility leasing benefits

- Baptist Care SA would like to argue that the proposed change to cap the meal entertainment and entertainment facilities leasing expense fringe benefits to \$5,000 (grossed up) does not address the main issue of the widening gap between the **SCHADS award** and the **S.A. Public Service Salaried Employees Interim Award**, nor address the decline in the real value of the existing capped fringe benefits. Within the context of Baptist Care's operations the S.A. Public Service is the main commercial competitor for staff.
- The availability to access these uncapped benefits, while not utilised by all Baptist Care employees, does offer an opportunity for staff to earn a Baptist Care salary that is more comparable to the public service salaries, and the decision to consider capping these benefits does not appear to be based on a true analysis of the Not for Profit sector, seeming instead to be influenced by isolated cases of excessive use.
- Historically the Fringe Benefits exemption available to Public Benevolent Institutions (PBIs) of capped benefits of \$30,000 (grossed up) plus the uncapped meal entertainment and entertainment facility leasing benefits has allowed Baptist Care to offer its employees the ability to earn a salary closer to the S.A. government salary than otherwise would have been possible.
- The existing cap of \$30,000 (grossed up) was introduced in 2001 but has not been adjusted in line with inflation. Our estimates are that this cap would be over \$43,000 (grossed up) as at July 2015 if indexed annually to the Consumer Price Index (CPI).

- Baptist Care estimates that for the Baptist Care employee on the SCHADS award and taking full advantage of the \$30,000 cap the effective increase on their gross salary in 2001 would have been 20%. Pursuing the same strategy in 2015 the effective increase would have reduced to 17%.
- As it currently stands when comparing the Gross salary between the **SCHADS award** and the **S.A. Public Service Salaried Employees Interim Award** for comparative employees all Baptist Care employees are worse off under the SCHADS award. The gap between the **SCHADS award** and the **S.A. Public Service Salaried Employees Interim Award** continues to widen despite the additional increases awarded by the Equal Remuneration Order.
- The Comparison was done comparing the **SCHADS award** effective 13-Dec-2014 with the **S.A. Public Sector Salaried Employees Interim Award** effective Oct-2014 and using the mid-point Public Service rates, using Gross salary.
- More than 50% of Baptist Care full time equivalent (FTE) employees work within the Emergency Care and Disability programs, and over 75% of these employees are classified as SCHADS level 2.4 and are paid \$46,377 per annum, with most of the remaining employees classified as SCHADS 3.1 or 3.3.
- All of these employees, if fully utilising the \$30,000 cap, are on average 9%, or over \$5,000 per year, worse off when compared to the equivalent S.A. Public Service rates.

SCHADS Pay Table Rates - Effective 13-Dec-2014

Job Description	Level	Annual Sal	Salary Sacrifice	Gross Salary Equivalent
Youth Worker	2.4	\$46,377	\$15,900	\$54,266
Senior Youth Worker	3.1	\$47,404	\$15,900	\$55,293
Senior Youth Worker	3.3	\$50,171	\$15,900	\$58,059

S.A. Public Sector Salaried Employees Interim Award Effective 1-Oct-2014

Mid-Point Rates

Level	Annual Sal	\$ Gross Sal Variance	% Variance
OPS2	\$58,319	(\$4,053)	(7%)
OPS4	\$65,864	(\$10,571)	(19%)
OPS4	\$65,864	(\$7,805)	(13%)

- The \$30,000 grossed up cap was introduced in 2001 and has failed to keep pace with inflation. When re-calculating the figures for inflation our estimates show that Baptist Care employees would still be on average 3%, or \$1,700 per year, worse off. Still not ideal but a long way towards Baptist Care being able to compete for staff with government and private enterprises.

FBT Exempt cap adjusted for Inflation
SCHADS Pay Table Rates - Effective 13-Dec-2014

S.A. Public Sector Salaried Employees Interim Award
Effective 1-Oct-2014
Mid-Point Rates

Job Description	Level	Annual Sal	Salary Sacrifice*	Gross Equivalent	Level	Annual Sal	\$ Gross Sal Variance	% Variance
Youth Worker	2.4	\$46,377	\$22,936	\$57,757	OPS2	\$58,319	(\$562)	(1%)
Senior Youth Worker	3.1	\$47,404	\$22,936	\$58,784	OPS4	\$65,864	(\$7,080)	(12%)
Senior Youth Worker	3.3	\$50,171	\$22,936	\$61,551	OPS4	\$65,864	(\$4,313)	(7%)

* Assuming the gross Fringe Benefits cap is \$43,276 if adjusted for CPI

- Our estimates are that the grossed up cap would need to be \$50,000 before we see comparative salary rates between the SCHADS and the equivalent S.A. Public Service rates.
- Baptist Care agrees in principle to the capping of the meal entertainment and entertainment facilities leasing expense fringe benefits however argues that this should only be done in line with an overall review of the general Fringe Benefits concession to Public Benevolent Institutions that corrects the declining real value of this benefit and includes implementation of annual increases tied to CPI.

2. Remove the ability to claim the cap from multiple employers

- It is the view of Baptist Care that employees should continue to be able to access the Fringe Benefits concessions from multiple employers for the following reasons:
 1. Those employees who have multiple employers are part-time and casual employees.
 2. Part-time and casual employees are predominantly those employed on lower Award levels e.g. SCHADS 2 and 3, and who have the highest level of job insecurity.
 3. The decision to consider removing the ability of part time and casual employees to access these benefits from more than one employer would therefore have a disproportional impact on those at the lower end of the pay scale and with higher job insecurity.

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