24 August 2015

The Treasury
Langton Crescent
PARKES
ACT 2600

Re: Limiting fringe benefits tax concessions on salary packaged entertainment benefits

To whom it may concern,

Care Connect Limited is pleased to accept the opportunity to provide feedback on the proposed draft legislation relating to the limiting of fringe benefits tax concessions on salary packaged entertainment benefits.

As a Not for Profit and Public Benevolent Institution our organisation is challenged like all Not for Profits in attracting and retaining good quality staff on lower wages than our for profit contemparies. Historically having an uncapped meal and entertainment benefit has allowed us to provide a more compelling financial proposition to staff already on low wages albeit committed to the social cause we fulfil in the community.

We recognise the need to remove the capacity for employees from similar sectors to exploit the system and that the requirement for a cap and a reportable FBT framework in this regard.

Care Connect considers the implications for the proposed changes to be threefold;

1) A limit of a $5,000 grossed up cap resulting in net eligibility annually of approximately $2,500 does not represent the average spend of employees from the analysis we have undertaken. This significant reduction removes our ability to attract and retain employees on the basis that they can supplement their income in any meaningful way. Based on a 32% tax bracket on a $60,000p.a income and the proposed rate of meal and entertainment expenses; the take home benefit is only approximately $750 net annually. Sector analysis indicates that average spend is significantly higher than this.
2) If the reportable fringe benefit cap does not shift in line with the new legislation or does not remain separate, the company liability to pay FBT increases. The flow on impact here is that organisations may have no choice but to remove the benefit altogether to avoid this liability.

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3) We understand that the SCHADS Award, upon which our Care Connect EBA is anchored and which covers our Diverse Community Care business has historically sat below other awards; having regard to the supplementary benefit of salary packaging. With such a significant reduction in the benefit we foreshadow a requirement to review the minimum wage levels within the award to compensate for the impact of the legislation. This would have significant impact on our organisation's financial viability and call into question whether further government funding is necessary to supplement any adjustments made to the award.

It is our opinion that the $30k FBT concession has not been indexed in years and staff retention in the social services area is becoming an acute problem, exacerbated by the reforms proposed under the NDIS and in aged care.

Our position is to consider one of two options;

Firstly, that the government removes the meals and entertainment allowance altogether and simply increase the $30k FBT concession to $45k and then index this annually by CPI. This would simplify the system further as well as ensure our ongoing ability to attract and retain quality people in an ever growing complex sector. It would also have the added benefit of reducing the administration costs associated with receipt management and processing; allowing organisations to channel resources away from this task towards other value add activities.

Or secondly, that the government increase the limit to the meals and entertainment cap to $15k gross rather than the proposed $5,000 and to keep this separate from the current salary packaging FBT exempt benefit. This would create a more compelling value proposition to staff as well as reflect the current level of spend across the sector under this regime.

We also recognise the broader social and economic impact of this policy and caution the government on the flow on implications for constraining expenditure on dining out and entertainment as well as reducing the appeal of working in the sector altogether.

Care Connect recognises the need for reform under the current system and believe with a more realistic cap placed on the benefit we can ensure the sustainability of the sector going forward.

We thank for the opportunity to provide a response to the draft legislation.

Yours sincerely,

Paul Ostrowski
Chief Executive Officer

Cc: Renee Peterson – GM People and Culture