

20 August 2015

Mr Tom Reid
General Manager
Law Design Practice
The Treasury
Langton Crescent
PARKES ACT 2600



turning diabetes around

Re: Submission in response to the Exposure Draft for Tax and Superannuation Laws Amendment (2015 Measures No. 4) Bill 2015: Limiting FBT concessions on salary packaged entertainment benefits.

Dear Mr Reid

Diabetes is the world's fastest growing chronic disease. In Australia every day 280 people are diagnosed with the condition. There are now approximately 1.7 million Australians living with diabetes. This is set to double over the next two decades with 3.5 million people expected to live with the condition by 2033.

Diabetes Queensland is the peak body for people with Diabetes in Queensland, providing a powerful voice for people living with or at risk of diabetes and their carers. The organisation focuses its work across key areas:

- Awareness and advocacy: raising awareness and increasing advocacy efforts to create a sense of urgency within government and the community about the seriousness of all types of diabetes.
- Connection and support: connecting and supporting communities and individuals and connecting with health professional and organisations to cultivate strong sustainable relationships to promote healthy living for all Queenslanders and the prevention of type 2 diabetes.
- Education and information: providing trusted and up to date information to support people with diabetes and to inform and educate the community about the risk of type 2 diabetes and how to prevent it.
- Evidence and research: a commitment to support and grow research and the building of evidence to inform education programs, campaigns, policy and system reform.

During the financial year 2014-15, Diabetes Queensland celebrated the following achievements:

- 230 media interactions, 16,000 web visits, 2,115 new followers on social media,
- Advocacy through ongoing engagement with one third of all State and Federal members of Parliament,
- Submission of 26 major policy submissions on key issues relating to people affected by diabetes, 12 academic papers and presentations,
- Diabetes education delivered to more than 24,000 people throughout Queensland through a range of programs (EXPOsing, Know the Score, etc.),
- 800,000 resources (fact sheets, publications) distributed on diabetes information, education and support,



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His Excellency The Honourable
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Dr Alan Stocks AM MB BS FRACP Diabetologist

- \$330,000 provided to the research including PHD grants awarded to students in diabetes related study courses,
- Over 67,000 people provided with over the phone support,
- Programs delivered targeting specific areas of the population: 37 farm activities, 25 school cooking programs, women with gestational diabetes, Aboriginal and Torres Strait Islander programs and programs for linguistically diverse groups.

The nature of the work carried out by Diabetes Queensland means that activities are labour intensive and salary, wages, and employee entitlements represents 50% of the organisation's yearly expenses.

Over the past seven years, Diabetes Queensland has strived to expand the breadth of its activities and increase the expertise and reach of its programs by investing in the recruitment, motivation and retention of well qualified and specialist employees. The benefits afforded employees under the fringe benefit tax charity concessions have been instrumental in assisting the organisation in building a highly skilled and committed workforce.

The introduction of proposed changes to 'uncapped' meal entertainment and EFLE is likely to have significant impact and impose an unnecessary burden on an already resource poor not for profit sector:

- Exempt benefits will be required to be included on an Employee's Payment Summary as a Reportable Fringe Benefit from 1 April 2016, this will directly impact employees who have: a HELP debt, receive Family Tax Benefit Part A or B, do not have private health insurance with hospital cover, are paying or receiving child support under the Child Support Agency rules, or receive income support.
- The implications of the measures are not just financial, there is also a significant social justice perspective. People working for the not for profit sector are generally paid considerably less than those in equivalent private and government positions and introduction of the proposed cap will impact the sector and its ability to achieve their goals.
- There are also gender imbalances in the sector and many people work part time. This contributes to a wage construct which has a direct and negative impact on a range of vulnerable people. Opportunities to access salary packaging go some way toward addressing this and to reducing the remuneration gap between private and government organisations.
- Analysis by AccessPay Salary Packaging Specialists reveals that average participation rates in Exempt Benefits across the disability, employment, aged, community, and welfare sectors is around 30-35%, with participation rates in the health services sector closer to 50%. Analysis also highlights that the average dollar spend to Exempt Benefits is between \$4,500 and \$6,500 depending on the sector.
- The introduction of the entertainment benefit cap comes at a time when economic modelling and government studies highlight an increase in demand for workers in the disability, aged and community, health and welfare sectors.

The measures are likely to have direct impact on Diabetes Queensland:

- Salary packaging is a key initiative in the organisation's recruitment, remuneration and retention strategies as direct financial benefits are highly valued by the workforce,
- The organisation's ability to attract, reward and retain employees in a competitive market will be directly affected,

- Recruitment and retention challenges are significant and the reduction of key benefits will increase the complexities of recruiting and retaining employees at a time when demand for staff continues to increase
- A significant proportion of funding from core program delivery will need to be diverted to staff remuneration costs to retain current capacity of the workforce,
- Employees with annual gross incomes of less than \$50,000 recognise the value and financial benefit in salary packaging and take advantage of this opportunity.
- 87% of employees of Diabetes Queensland currently take advantage of salary packaging opportunities.

Diabetes Queensland understands that the Australian government seeks to improve the integrity of the tax system by introducing a limit on the use of entertainment benefits. However it estimates that the proposed grossed up cap of \$5,000 for salary packaged entertainment benefits is too restrictive. This would equate in a net yearly amount of only \$2,550 available to employees.

Whilst Diabetes Queensland would prefer the current arrangements to remain unchanged, it proposes that consideration be given to increasing the cap to \$10,000 grossed up to minimise the impact on the not for profit sector.

Kind regards

Michele Clatworthy
CFO/Company Secretary