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To whom it may concern

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

I am pleased to provide this response to the above Inquiry on behalf of the National Stroke Foundation. For any queries on this submission please contact the Director, Policy and Advocacy Rebecca Smith on rsmith@strokefoundation.com.au or 0466 217 988.

The National Stroke Foundation (NSF) previously provided a joint submission in response to the Federal Government tax discussion paper and would like to reiterate some of those points here.

The NSF understands the annual 'grossed-up' limit of \$5000 will be introduced to meal entertainment and venue hire benefits introducing a combined cap across both benefits applicable each Fringe Benefits Tax (FBT) year (from 1 April to 31 March the following year). This will equate to approximately \$2300 and \$2550 spend on these categories of expenses depending on whether or not the expense incurred is subject to GST or not.

Whilst we are supportive of a cap for arrangements for salary sacrificed meal entertainment and entertainment facility lease expense, there are some concerns that the value of the cap announced in the 2015/16 Federal Budget will have a considerable impact on the take-home pay for employees who are receiving significantly less than commercial rates of pay in the not for profit (NFP) sector.

The impact of this proposed change is further amplified by the provision in the Bill that meal entertainment and venue hire benefits will become reportable. This will be an additional negative impact on the lower paid, affecting an individual's obligations or entitlements that are determined on taxable income such as HELP debt repayments, child support arrangements and Family Tax Benefits.

A 2012 survey of NFP employees asked participants to rate the importance of individual concessions on a scale of very important to very unimportant. The survey found that while the core FBT concession of \$15,900 was most important, the meal entertainment concession received more 'very important' responses than superannuation, car and venue hire concessions.

Industry analysis shows modest expenditure across these benefits in comparison to the value derived for the NFP sector and the communities that they serve. Data for the 2012 FBT year illustrates that the average expenditure for meal entertainment is approximately

\$3500 per annum. It is understood that this level has increased since that time and for those eligible employees who use these benefits the expenditures are now close to \$4000 per annum on meals and entertainment and closer to \$4200 on venue hire. These equate closer to \$8000 grossed up per annum and \$8200 respectively in terms of a grossed-up value.

There is also an understanding amongst the senior management in NFP sector that the importance of the salary packaging and FBT concessions has been very important in the past to attract and retain high calibre people within this sector. Removing any concessions or placing caps on benefits will have an impact on future recruitment and current retention rates.

The NSF would therefore urge the consideration of increasing the \$5,000 grossed up limit to an actual spend of \$5,000 on meal entertainment and venue hire benefits as a minimum.

With regards to the use of the term 'grossed up', the NSF has received anecdotal evidence from staff and industry colleagues that this term is not understood well. It is our view that there is a level of misunderstanding regarding the proposed changes to the meal entertainment and venue hire provisions. Due to the media coverage in the lead up to this year's federal budget there is a view in the sector that \$5000 of deductions will still be possible for meal and entertainment and venue hire. The NSF would suggest providing an actual spend value rather than a grossed up figure. This would provide more clarity and certainty around what people are able to claim.

The NSF would also add that there has been no indexation of other FBT concessions since their introduction in 2000-2001. By capping the meals and entertainment benefit there will be further erosion of FBT benefits that have been steadily decreasing in actual value. The NSF would suggest that if the meal and entertainment benefit is to be capped that it be subject to indexation so as to maintain its relative value.

Lastly, the NSF would like to highlight the vital and essential services that Australian Charities deliver to the Australian community, often at no direct or at minimal cost, to Government. These programs and services can fill essential gaps on behalf of Government, or in areas of service delivery that Government has not, or cannot fill, via public service agencies. In the health sector, this can include critical programs such as disease management publications for doctors, educational forums and training for medical professionals, lifestyle modification and health improvement initiatives, and vital psychosocial support services.

The NSF looks forward to working with the Federal Government to negotiate a limit on salary packaged entertainment benefits that will limit excessive use of these provisions and save the Government money, while also providing a benefit to NFP employees and ensuring essential services continue to be provided.