

28 August 2015

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

Email: taxlawdesign@treasury.gov.au

Dear Sir/Madam

Re: RSPCA Australia submission on Limiting Fringe Benefits Tax Concessions on Salary Packaged Entertainment Benefits - Exposure Draft

RSPCA Australia believes that the following principles should inform the reform of Australia's taxation system:

1. Individuals, corporations and other organisations are provided with incentives and simple mechanisms to donate money, goods and services to charities
2. The taxation system is procedurally fair for charities and their employees
3. The total value of the current taxation benefits provided to charities is preserved
4. The administration of the system for charities is simple and efficient
5. Charities should not be penalised for operating commercially focused businesses as part of the charity as a means of achieving their mission and raising funds to be allocated to this purpose.

RSPCA Australia supports the package of recommendations contained in the *Not for Profit Tax Concession Working Group report Fairer, simpler and more effective tax concessions for the not-for-profit sector*, May 2013.

The RSPCA also supports capping meal entertainment and entertainment facility leasing benefits for employees with FBT exemptions or rebates. This will go some way to 'level the playing field' with other charities which are competing for employees and need to match salary packages offered.

However, capping benefits should be considered as part of the total not for profit tax reform package.

Taxation benefits for employees of charities are an important way for charities to package salaries in order that they can better compete with higher government and private sector salaries.

As principles, the concessions available should ensure procedural fairness and equal benefit across all employees of charities and should be simple to administer. The current fringe benefit tax arrangements do not perform well against these principles.

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Currently there is an unfair system of tax concessions for employees of charities delivering direct services to the community. Providing benefits to some charities and not to others infers that some charitable purposes are more worthy than others. Making a judgement on the contribution of one charity or charitable sector over another is a judgement based on individual values rather than being underpinned by a system of procedural fairness.

The current inequity of benefits between charities creates distortions in the charity employment market and places higher hurdles on raising funds for some. The salary package of an employee of a charity that is also a public benevolent institution, for example, has a higher employee benefit than the same salary package of an employee of the RSPCA, an organisation that is widely recognised as providing direct delivery of essential community services. For the RSPCA to match the employee benefits of the salary package of a PBI employee, means that the RSPCA needs to raise substantial additional funds from the public (the RSPCA employees around 1,100 people and 98% of the RSPCA's funding comes from individuals and businesses), creating an unfair burden.

Please do not hesitate to contact me if you would like further information about the RSPCA's views.

Yours sincerely

A handwritten signature in black ink that reads 'Heather Neil'. The signature is written in a cursive, flowing style.

Heather Neil
Chief Executive Officer
RSPCA Australia