



The Salvation Army

Australia

The Salvation Army Australia

Submission made on behalf of The Salvation Army Australia Eastern Territory and The Salvation Army Southern Territory

**Limiting Fringe Benefits Tax Concessions on
Salary Packaged Entertainment Benefits**

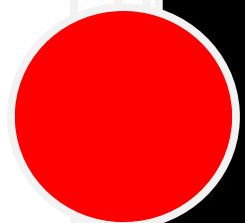
Exposure Draft Legislation

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The Salvation Army

The Salvation Army is the most recognised charity in Australia. The Salvation Army's services are open to all, without discrimination. The foundation of The Salvation Army and its current ethos affirm its religious commitment and its social commitment as equal and indivisible. The Salvation Army describes this as a "holistic mission".

The Salvation Army is an evangelical part of the universal Christian Church. Its message is based on the Bible and its ministry is motivated by love of God. Its Mission is both spiritual and practical, encompassing the preaching of the Gospel of Jesus Christ and alleviating human suffering and distress without discrimination.

Opportunity to contribute

The Salvation Army is pleased to have the opportunity to contribute in the consultation process on the exposure draft bill for the 2015-16 Federal Budget measure which proposes to limit the fringe benefits tax concessions on salary packaged entertainment benefits.

The Salvation Army's Submission

Discussion

The Salvation Army notes this consultation is directed to the content of the exposure draft legislation and associated explanatory memorandum rather than the policy objectives as announced by the Federal Government in the handing down of the 2015-16 Budget.

Notwithstanding this, The Salvation Army notes the imposition of a \$5,000 grossed up cap on the combined meal entertainment and entertainment facility leasing benefits (hereon referred to as "entertainment benefits") will have a negative impact on more than 50% of employees of The Salvation Army currently receiving entertainment benefits. The grossed up cap will also negatively impact the employment strategies and practices for The Salvation Army to attract and retain employees, particularly in those roles which are typically difficult to fill with the necessary skills and competence.

With respect to the exposure draft legislation itself, The Salvation Army is concerned with the transitional arrangements contained within the bill which we believe are inadequate to enable employees who may have salary packaging balances for future entertainment benefit commitments at the end of the FBT year to not incur an FBT liability should these commitments have a value of greater than \$5,000 grossed up in the next FBT year. To this end, The Salvation Army recommends a transitional arrangement be put in place to enable unspent salary sacrificed funds as at 31 March 2016 to not fall within the proposed measure. This will ensure employees have adequate opportunity to rearrange their personal commitments without incurring additional taxation penalties.

The Salvation Army was surprised at the inclusion in the exposure draft legislation of the removal of the 50/50 election for calculating the taxable value of an entertainment benefit.

This aspect of the policy measure was not evident from the Government's Budget announcements. The Salvation Army notes if the 50/50 election is reinstated, a further 25% of its affected employees would be removed from being impacted by the measure. This would have a considerable positive impact on The Salvation Army's ongoing remuneration and employment practices.

The Salvation Army also notes there is no anticipated indexation of this cap (or the \$30,000 grossed up cap). It is recommended an indexation process is included in the exposure draft legislation to ensure the value of the FBT concessions available to endorsed organisations maintain their value in line with inflation.

Conclusion

The Salvation Army is of the view that addressing the transitional arrangements for entertainment benefits subject to existing salary packaging arrangements prior to 1 April 2016 and the reinstatement of the 50/50 election for calculating the taxable value of the benefits will still enable the Government's policy objective of a \$5,000 grossed up cap on entertainment benefits to be achieved. Indexation of the caps should also be included to ensure the legislated caps maintain their value in line with inflation. It is recommended by The Salvation Army such changes are made to the exposure draft legislation.

If you have any questions in relation to this submission or would like any further clarification, please do not hesitate to contact us.

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