

Exposure Draft Response - Tax and Superannuation Laws Amendment Bill 2015

About Vision 2020 Australia

Established in October 2000, Vision 2020 Australia is part of VISION 2020 The Right to Sight, a global initiative of the World Health Organisation and the International Agency for the Prevention of Blindness. Vision 2020 Australia is the peak body for the eye health and vision care sector, representing around 50 member organisations involved in local and global eye care; health promotion; low vision support; vision rehabilitation; eye research; professional assistance and community support.

Vision 2020 Australia welcomes the opportunity to contribute to the conversation on the Exposure Draft reflecting a proposed amendment to tax and superannuation laws specific to limited fringe benefits tax concessions on salary packaged entertainment benefits, as released by the Australian Treasury.

Vision 2020 Australia and its member organisations are not-for-profit entities, predominantly registered as charities with the Australian Charities and Not-for-Profit Commission. Our membership base incorporates peak bodies; educational institutes; eye health and related disease agencies and foundations with a shared vision to eliminate avoidable blindness and vision loss by 2020 and the full participation of people who are blind or vision impaired in the community.

These organisations assist the Australian Government in meeting their stated healthcare agenda by providing goods and services to communities across Australia that have broad public benefit. The annual cost of vision loss was estimated to be over \$16 billion dollars in 2009, but the personal and social costs are so much greater. Vision 2020 Australia members play a lead role in reducing economic and social costs attributable to blindness and vision loss through early detection and treatment, and assist the Australian Government to meet its commitment to the World Health Organisation's Global Action Plan to reduce avoidable blindness and vision loss by 2019.

Their ability to deliver vital outreach services and related rehabilitation go beyond the reach of traditional public hospitals and provide a vital link to ensure equity of access to healthcare for all Australians. Many of the products and services they provide, for example, low vision clinics, orientation and mobility services, dog guides and adaptive technology do not compete with those available in the for-profit sector.

Position on proposed amendments

Vision 2020 Australia understands the Government's intention to ensure equity in the tax system, but makes the following assertions with regard tax concessions afforded to not-for-profit staff:

- The cap on FBT exemptions has not changed since its introduction in 2001 (2000 for health sector not-for-profits) and does not take into account increases to average weekly wages across Australia during that time
 - From May 2001 through to November 2014, average weekly earnings across Australia have increased from \$663.10 to \$1,128.90.¹ Therefore, in real terms, the value of FBT exemptions afforded to not-for-profit staff over this time has declined by 41.3%
 - Had they kept pace with these wage movements, the FBT exemption threshold would be \$51,074 in 2015

¹ ABS Ausstats May 2001 and November 2014, 'Average Weekly Earnings Australia'

- Tax concessions are a critical means by which our member organisations are able to attract and retain high calibre staff, when offering near-parity earnings with those offered in for-profit organisations
- Many of these organisations impose fringe benefit tax concession limits on salary packaged entertainment benefits to self-regulate the quantum of claims made by staff
- The restriction or removal of tax exempt benefits will bring pressure to bear for wage increases, in a sector where recent Federal Government cuts to research, public health funding and overseas aid have forced cuts to services provided to marginalised individuals and job losses
- Not-for-profit organisations do not have the same flexibility to pass on cost increases to clients, or alter pricing structures to cover such wage increases, in the same way for-profit providers can.² Particularly given many marginalised clients they serve would have little capacity to meet these increases.
- These organisations will likely become more risk-averse in the event tax concessions are altered or removed, with a potential decrease in the supply of services to communities and individuals most in need of assistance, in a sector where demand for these services is increasing³
- Not for-profit organisations often deliver services more efficiently than governments. Should they decide to curtail service delivery to save costs, the cost impost, in terms of funds needed through taxation to fund these services, could be as high as an additional 30 per cent.⁴

Recommendation

For reasons aforementioned, Vision 2020 Australia contends that changes proposed in the Exposure Draft limiting the fringe benefit tax concession on salary packaged entertainment benefits should not proceed.

²McGregor-Lowndes, M, Turnour M and Turnor, 'Not-for-profit income tax exemption: is there a hole in the bucket, dear Henry?' Australian Tax Forum 26, 2011.

³Weisbrod, cited in McGregor-Lowndes, M, Turnour M and Turnor, 'Not-for-profit income tax exemption: is there a hole in the bucket, dear Henry?' Australian Tax Forum 26, 2011, p. 16

⁴Ibid, p. 29