

15 May 2015

Hon Joe Hockey
Federal Treasurer
Commonwealth of Australia
c/ Tax White Paper Task force
The Treasury
Langton Crescent
PARKES ACT 2600

Transmitted via email: bettertax@treasury.gov.au

Dear Treasurer,

Community Employers WA (CEWA) is pleased to contribute to the review of Australia's taxation system. CEWA is a registered Employer Organisation with the Industrial Relations Commission of Western Australia, and represents non-government, not-for-profit employers in the community services sector of Western Australia.

CEWA's key objectives are threefold:

- the payment of fair and just wages to employees in the NFP sector;
- supporting the sustainability of services provided by NFP employers; and
- strengthening relationships between NFP employers and Federal and State governments.

CEWA now has over 130 members comprising many of the largest and smaller Community Services Sector employers in WA, and continues to grow in numbers and influence. Our members employ in excess of 10,000 staff and are in turn supported by over 10,000 volunteers. As a not-for-profit employer representative body, we will contain our comments to the questions posed in Chapter 7 on the Not-for-profit sector.

CEWA believes that NFP community services organisations are essential to building and maintaining the fabric of civil society in Australia. Their capacity to strengthen community connectedness, social cohesion and social capital are differentiating characteristics of the sector. Additionally, NFP's provide the opportunity for people across communities to volunteer time, resources and skills, as well as raising donations and encouraging philanthropy. NFP's are driven by Mission, have high levels of social innovation and engender a strong degree of trust, empathy and compassion with clients in the wider community.

Integral to these characteristics is the importance of supporting the sustainability of services to people in need. In an environment of increasing demand for services, it is incumbent on both the Government and the broader community to recognise and support the essential work of NFP Community Services sector organisations through both adequate levels of funding supported by appropriate taxation concessions.

Qn 47. Are the current tax arrangements for the NFP sector appropriate?

CEWA believes that the current taxation arrangements for workers in the NFP sector are broadly appropriate. They assist in partially addressing the longstanding differential in remuneration between many employees in the sector and their counterparts in government and in commercial organisations. Given as stated in the paper, on average 38% of NFP's funding comes from State and Federal Government funding and policy, the sustainability of NFP's and the essential services they provide are dependent on Governments. Within this funding envelope are the tax concessions, which help in reducing the inequity in remuneration between NFP's and for-profit organisations. Previous studies have estimated this differential before the taxation concessions to be in the order of 30% - further highlighting the importance of the concessions.

There are three areas where the arrangements could be enhanced and more targeted. It is our understanding that the FBT concession cap of \$30,000 has never been increased since it was introduced over 10 years ago. Over this time, the value of the FBT benefit has effectively reduced significantly. If for example, we were to assume that CPI had averaged 3% pa for each of the last 14 years, the FBT rate should now be approximately \$40,000 for it to have remained commensurate with the increased cost of living. Conversely, the value of the concession cap to employees has actually eroded over time and is now only worth about \$20,000 on a comparative purchasing power basis. Accordingly, **CEWA would recommend the FBT cap be increased annually in line with the CPI rate.** This would help address the diminishing value of the tax benefit.

The second area where the arrangements could be more targeted, would be to restrict the receipt of the benefit to one employer. We understand that there have been a relatively small number of people who claim the concession multiple times with different employers. The simplest way to address this would be to restrict the claim to only one employer at a time and only for the allowable annual concession. We do however note that this may create an administrative burden when an employee moves from one employer to another, and would propose that the **responsibility for complying with this should rest between the employee and the tax office.** Many employees use an external salary packaging provider, so they may be well placed to track such changes.

CEWA is not supportive of the recent Federal budget announcement to place a \$5,000 cap on the meal, entertainment and associated benefits. It is disappointing that the Government chose to make such an announcement when the Tax Review and consultation process was underway. Furthermore, the unilateral decision to materially reduce benefits for all workers across the NFP Sector because of the reported excesses of a few, appeared short on analysis of the impact and misuse.

If the NFP Community Sector is to continue to attract and retain high quality staff to manage and lead increasingly complex and growing charities, and to improve productivity across the sector, it is imperative that staff are appropriately rewarded. The meal and entertainment card has historically been an important component of the overall remuneration package for senior staff in the sector and an important differentiator.

Qn 48. To what extent do the tax arrangements for the NFP sector raise particular concerns about competitive advantage compared to the tax arrangements for for-profit organisations?

CEWA does not believe there are overall competitive advantage aspects for many employees working in the NFP sector and that the tax arrangements at best, reduce the level of wage inequality between the for-profit and the NFP sectors. If there was true competitive advantage for NFP's, the Community Services sector wouldn't be experiencing the increased tendering by for-profit organisations for government grants and contracts, as they would soon determine they couldn't make a profit.

The reality is that NFP average wage rates are materially lower than those offered in other sectors and the tax concessions only go part way to compensating for those differences. Additionally, many NFP organisations operate in areas of complex needs and in regional locations at negligible margins, where the for-profit organisations simply wouldn't be prepared to provide services. The tax concessions provide some compensation for work undertaken in these areas in particular.

The opportunity to offer salary packaging provides one way of offsetting the lower salaries paid to the majority of workers in the sector, particularly when seeking to recruit managerial and professional staff who could attract significantly higher salaries in the for-profit or government sectors.

Ideally, funding for service delivery by the NFP sector would be sufficient to guarantee competitive wage rates for the longer term across all job areas in comparison with other sectors, eliminating the need for the assistance that FBT benefits provide. However we do understand the limited financial resources of government and also see the tax arrangements as a simpler and more efficient way of indirectly supporting the sector.

Qn 49. What, if any administrative arrangements could be simplified that would result in similar outcomes, but with reduced compliance costs?

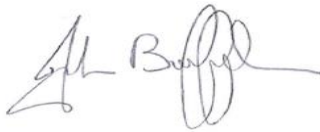
As mentioned earlier, the responsibility for compliance of the one claim per annum should rest with the employee and the ATO, rather than with the employer. It should be up to the tax payer to appropriately declare whether they have claimed the FBT cap at elsewhere within that taxation year.

Qn 50. What, if any, changes could be made to the current tax arrangements for the NFP sector that would enable the sector to deliver benefits to the Australian community more efficiently or effectively?

CEWA is very supportive of retaining the current tax concessions provided to PBI organisations as it is an efficient and effective way of the government and the broader community, supporting those organisations. As mentioned earlier, CEWA believes the annual indexation at CPI of the FBT cap should be implemented by the Federal government to maintain the 'purchasing power' of this cap.

The important objective in retaining the tax concessions, should be to improve the equity for all workers in the sector viz a vie their counterparts undertaking similar roles in other sectors. It is widely accepted that the NFP sector provides much needed services across communities and it is equally important that all workers who undertake roles within the NFP sector are paid fair and just wages. Integral to payment of fair and just wages are the tax concessions for NFP workers, and we are supportive of their retention.

Yours sincerely,



John Bouffler
Executive Director



Chris Hall
Co-Chair

CEWA MEMBERSHIP LIST AS AT 28 FEBRUARY 2015

Aboriginal Legal Services of WA Inc
 Accordwest
 Activ Foundation Inc
 Advocacy South West Inc
 Advocare
 Albany Youth Support Association
 Alzhemier's Australia WA
 Anglicare WA Inc
 ARAFMI
 Armadale Community Family Centre
 Association for Services to Torture & Trauma
 Survivors (ASeTTS)
 Association for the Blind WA
 Asthma Foundation WA Inc
 Australian Red Cross WA
 Baptistcare
 Beehive Industries of WA
 BJL Connecting Communities
 Bluesky Community Group
 Brightwater Care Group
 Bunbury Community Legal Centre
 Bunbury Pathways '92 Inc.
 Burdekin – Youth in Action
 Calvary Youth Services Mandurah Inc
 Care Options
 Centacare Employment and Training
 Centacare Family Services
 Centrecare Inc
 Child Inclusive Learning and Development
 Australia Inc (CHILD Australia)
 CLAN WA
 Coeliac Western Australia
 Communicare
 Community Housing Coalition of WA
 Community Legal Centres Association (WA)
 Inc
 Community Vision Inc
 ConnectGroups
 Consumers of Mental Health WA
 Continence Advisory Service of WA
 Cyrenian House
 Derbarl Yerrigan Health Services Inc
 Escare Inc
 Ethnic Communities Council of WA
 Ethnic Disability Advocacy Centre
 Extra Edge Community Services
 Family Support WA Inc
 Financial Counsellors Association of WA Inc.

FPWA Sexual Health Service
 Fremantle Multicultural Centre Inc
 Good Samaritan Industries
 Gosnells Women's Health Service
 Headwest
 Health Consumers Council (WA) Inc
 Holyoake The Australian Institute For Alcohol
 & Drug Addiction Resolutions
 Hope Community Services
 Identity WA
 Inclusion WA
 Interchange
 Ishar Multicultural Women's Health Centre Inc
 Key Assets WA Inc
 Kids Camps Inc
 Koolkuna (The Eastern Region Domestic
 Violence Services Network Inc)
 LAMP Inc
 Lifeline WA
 Linkwest
 Margaret River Community Resource Centre
 Inc
 Meath Care Inc
 Melville Cares Inc
 MercyCare
 Metropolitan Migrant Resource Centre
 Midland Joblink Inc.
 MIFWA
 Mission Australia
 Mosaic Community Care Inc
 Multicultural Services Centre of Western
 Australia Inc
 National Disability Services WA
 Ngala Family Resource Centre
 Nulsen
 Outcare (Inc)
 Palmerston Association Inc
 Parkerville Children Youth Care Inc
 Pat Thomas Memorial Community House Inc.
 Patricia Giles Centre
 Peel and Rockingham Volunteer Resource
 Centres
 Peel Community Living
 People with Disabilities (WA)
 Perth Home Care Services Inc
 Relationships Australia (Western Australia) Inc
 Richmond Fellowship
 Rise Network

Rocky Bay Inc
Ruah Community Services
Secca
Serenity Lodge
Shelter WA
Silver Chain
South Coastal Women's Health Services
South West Refuge Inc
Uniting Church in the City
Valued Independent People Inc
Vincentcare
Volunteer Task Force Inc.
WA Blue Sky Inc
WA No Interest Loans Inc.
WANADA
Wanslea Family Services Inc
We Can Community Services
Westcare Inc
Western Australian Association for Mental Health
Western Australian Council of Social Service Inc
Women's Council for DFV Services (WA)

Women's Health Resource Centre
Women's Health Services
Women's Healthworks
Yaandina Family Centre
YMCA Perth
Youth Focus
Youth Futures WA
Southcare Inc
Southside Care
St Bartholomew's House
St Patrick's Community Support Centre
St Vincent de Paul Society
Swan City Youth Service
Swan Emergency Accommodation
Technology Assisting Disability WA
Tenancy WA
The Gowrie (WA) Inc
The Salvation Army
The Spiers Centre Inc
The WA Aids Council
Therapy Focus Inc
Uniting Aid
UnitingCare West