

Tax White Paper Task Force
The Treasury
Langton Crescent
PARKES ACT 2600

Re: Response to Re:think Tax Discussion Paper

Dear Task Force Members,

Thank you for the opportunity to contribute to the discussions on the future of the Australian taxation system. The following comments on behalf of the Board of Southern Youth and Family Services address the chapter on the Not-For-Profit (NFP) sector.

About Southern Youth and Family Services

Southern Youth and Family Services (SYFS) provides a range of services to young people and families in the Illawarra, Shoalhaven, Southern Tablelands, Queanbeyan and South Eastern Sydney Regions of NSW. SYFS is an economically significant NFP, with more than 130 employees. SYFS is a registered charity and holds Public Benevolent Institution status, Authority to Fundraise, Fringe Benefit Tax exemptions and is an Incorporated Association under NSW legislation.

The principal aim of SYFS is to provide support and assistance to young people who are disadvantaged, homeless, or at risk of becoming homeless, and their families. SYFS provides more than 40 services funded under contracts with various State and Federal Government Agencies, donations and philanthropic sources and through income generation endeavours.

SYFS operates a range of models of housing and accommodation services for people at risk of, or experiencing homelessness. SYFS delivers a range of support services complementing its housing and accommodation to ensure a holistic response to clients' needs. These include youth health services (primary health, sexual health, psychologist, dietician, drug and alcohol clinics, mental health, physical health, breakfast and exercise programs); employment, education and training programs (short courses, Links to Learning, reconnection with mainstream education, access to accredited training, mentoring, homework support, work experience, employment assistance); family relationship support (family reconnection and reconciliation programs, parenting support and skills education, family support / counselling, home visits); Out of Home Care services; a youth financial counselling program; a Work Development Orders Program; specialist services for young people in and exiting the Juvenile Justice system; living, social and tenancy skill development programs; specialist Aboriginal and newly arrived migrant / CALD Programs and others.

In the 2013/14 year, SYFS provided services to 2,717 young people and 1,731 families. Six hundred and sixty six young people were accommodated and supported in SYFS housing.

The Role of Tax Concessions in Supporting a Viable NFP Sector

Civil society in Australia is reliant on a strong NFP Sector. NFPs that are economically significant and provide social welfare services contribute to the government's responsibility to support the wellbeing of vulnerable members of the community. They do not make a profit from government direct funding or indirect funding through the taxation system, but rather reinvest in service provision and generate substantial additional investment from business, corporate and community sources. NFPs, such as SYFS, work with the most disadvantaged members of the community who do not have income sufficient to purchase the services they need through the private market.

The NFP Sector should not be depicted narrowly as a competitor with the private market for the provision of services. They are part of a mixed marketplace and are an essential component of society's ability to respond to the needs of individuals, families and communities. The NFP Sector operates in many areas that are not commercially attractive to profit making businesses. Where the government controlled service provision market is open to both private and NFP entities, the NFP brings unique contributions to that marketplace, adding value and extending the services offered. It is important that the NFP Sector remains a viable contributor and is not restricted in its ability to participate in that marketplace based on a simplistic view of competitive fairness.

The ability of NFPs to raise funds and engage different sectors of the community in contributing to meeting the needs of vulnerable Australians is facilitated through the range of tax concessions available. The absence of a profit motive is attractive to volunteers who contribute over \$14 billion worth of service to complement government investment in service delivery (Productivity Commission, 2010). For a relatively small indirect investment by government through tax concessions on donations, the NFP sector generates \$5.3billion (by the discussion paper's data, p.122), also complementing government investment in service delivery.

These types of value adding by the NFP Sector to government funding enable community service agencies to provide service users with benefits beyond those purchased directly through government. For homeless young people living in specialist homelessness services, for example, the value adding enables strategies to engage young people in community life, additional activities for developing living and social skills, access to mentors, additional supports to facilitate education and many other services and activities that promote wellbeing, health and participation. Governments do not purchase services to a level that would place these young people in similar life circumstances to those whose families are able to provide these supports. The value adding of NFP to the government funding goes some way towards addressing the unequal life opportunities for these young people. This holistic approach to the needs of people experiencing disadvantage cannot be replicated in a system that is based solely on market and profit principles.

We contend that the value returned to government through providing NFP with tax concessions far outweighs the purported revenue lost through not imposing those taxes. Further, the Discussion Paper states that the purpose of taxation is to ensure that government has the revenue it needs to fund public services and that it is essential that the government has the resources to act to support those most vulnerable in society. Tax concessions for the NFP Sector actually increase the resources available for these purposes and far from placing a burden on government resources, facilitate the bringing of additional resources to meet the government's objectives.

We do not believe it is the government's intention to remove the tax concessions that are improving societal outcomes and optimising the level of activity in the NFP Sector. However, framing the discussion in terms of revenue lost through tax concessions is misleading and fuels a narrow perspective on the value of the financial and societal returns gained.

Public Benevolent Institution Concessions

The discussion paper indicates that by 2017-18 the exemptions from paying fringe benefits tax for public benevolent institutions (PBIs) and NFP health providers will result in revenue foregone of \$1.6billion. It also raises concerns that these benefits may result in distortions that affect the broader allocation of resources in the economy.

The FBT exemptions do not lead to NFP's offering employees a higher salary than private providers as stated in the discussion paper. It does give employees able to salary sacrifice a higher take home pay than otherwise, but the cost to the employer is not altered. Australia is facing massive projected shortfalls in the community service workforce over coming decades. The Australian Parliamentary Library Paper on The Crisis in the Caring Workforce estimates that the Aged Care workforce will need to increase by two to three times over the next 5 decades, and that there are current and worsening workforce shortages in the Disability Care, Social Services, Early Childhood Education and Allied Health Sectors. The Paper confirms extensive research that shortages across social welfare are due to the relatively low pay rates and lack of secure employment opportunities.

The cost to the economy of carrying such large workforce shortfalls needs to be addressed. The FBT exemptions are an effective mechanism to assist in attracting people to the community services industry, offering moderate enhancements to the take home pay of workers with relatively low salaries. They assist in ensuring that Australia maintains viable service provision to vulnerable people through remedying a barrier to filling the workforce needs of NFP service providers.

We contend that FBT should be expanded rather than restricted, as part of the strategy to maximise returns on government investment. The inequities are not between those agencies making a profit from service provision and the NFP Sector, but exist within the NFP Sector. In particular the ineligibility for organisations that have advocacy as one primary purpose needs to be reviewed.

NFPs that provide social welfare services have unique and valuable knowledge of the impacts of social policy, laws and programs on individuals. This knowledge is critical to processes to improve the outcomes for disadvantaged or vulnerable people and needs to be included in policy making processes. These organisations also play a significant role in prevention of hardships. For example their activities are not only geared to addressing the effects of personal or family crisis, but also to preventing such crisis in the future through systemic change. Advocacy is part of civil society and is important in making constructive change that can reduce hardship and address the issues leading to increased service delivery needs for people. Community service organisations that have advocacy in their core purposes, including peak bodies should have access to the same tax concessions as those organisation who pursue the reduction of disadvantage through other strategies.

Conclusions

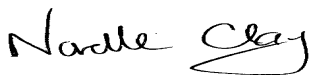
The discussion on tax reform in Australia must acknowledge that the NFP Sector is a major contributor to the economy as well as a provider of services. The Sector generates revenue, social value and human capital through engaging with the business, corporate and community sectors and resources. This revenue value adds to direct investment made by government either as a purchaser of services or provider of funds for self-managed packages. The indirect contribution made by the government through tax concessions to the NFP sector brings the government a high return both financially and in terms societal benefits.

The NFP Sector plays an essential role in the social service marketplace and the losses that government will incur through removing concessions that support the viability of the NFP would outweigh any short-term gains to the revenue base of the government.

The projected workforce shortages in the social services areas will be costly to government and society. The FBT exemptions through the PBI concessions are essential to remedying the low salary levels of employees in the sector and attracting workers to the industry. Removal of these concessions would drive up the direct funding / investment needed by government in its purchasing or funding role for services to vulnerable members of the community.

Thank you for your consideration of this submission.

Yours Faithfully,



*Narelle Clay, AM
CEO Southern Youth and Family Services Assoc Inc
Mobile 0412999960, Phone Direct Office: 02-42299739
Phone Main: 02-42281946, Fax: 02-42266364
Email: nclay@syfs.org.au*