

17 December, 2012

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SUBMISSION TO THE NOT-FOR-PROFIT SECTOR TAX CONCESSION WORKING GROUP

BACKGROUND

Aged and Community Services Australia (ACSA) is the national peak body representing mission-based and residential and community aged care organisations providing care, services and accommodation for older people, people with a disability and their carers. They are often the only providers of care services in regional and remote areas and also work with the most disadvantaged in our community.

Fringe benefits tax concessions are a significant attraction to potential employees in the community and residential aged care sector. The ability for employers to offer these concessions enables that attractiveness to be maximised.

There are some significant issues in respect of the employment market in the aged care sector that need to be understood:

- The employed cohort are predominantly female across all age brackets
- Around 40% of the workforce have spent >80% of their working life in the aged care sector
- Movement outside the aged care sector is often characterised by a need for improved wages
- There is a large proportion of part time workers
- 60 - 80% of employees tap into salary packaging
- The majority of employees feedback that core concessions, meal entertainment and accommodation benefits are perceived as very important and that this is likely to increase in importance
- Removal of FBT concessional benefits would be seen as concerning by >80% of the employees in the sector who were surveyed
- FBT concessions allow the majority of potential employees to determine whether to work in the aged care sector, even where there is an understanding that there may be from 10 – 50% greater wage opportunities for like work outside the sector
- Administrative management of the FBT concessional regime is generally described as “routine and simple” or “acceptable”

- 80% of surveyed employers in the aged care sector stated that salary packaging was important or essential to their ability to attract staff
- There is a conservative perspective from surveyed aged care employers that if the FBT concessions were removed, there would be a real loss of 10% of employees
- Over 70% of surveyed employers in the aged care sector stated that they find it difficult or very difficult to attract staff
- Around 80% of surveyed employers in the aged care sector considered that direct grants replacing FBT concessions to employees would have a negative or detrimental effect on attracting staff to the sector
- Although specific comments are provided only in respect of FBT concessions, the benefits accrued for aged care sector employers through income tax exemption and refundable franking credits equally promote the public interest primary purposes of employers in this sector. The heavily regulated aged care sector has limited ways to increase revenue sources and this combined with broad public benefit goals limits employers' ability to be competitive. These broad tax concessions assist in enabling aged care sector employers to maintain some competitive advantages.

CHAPTER 3 — FRINGE BENEFITS TAX CONCESSIONS

28. Assuming that the current two-tiered concessions structure remains (see Part B), what criteria should determine an entity's eligibility to provide exempt benefits to its employees?

The status quo should remain for aged care sector entities.

29. Also assuming that the current two-tiered concessions structure remains (see Part B), what criteria should determine an entity's eligibility to provide rebateable benefits to its employees? Should this be restricted to charities? Should it be extended to all NFP entities? Are there any entities currently entitled to the concessions that should not be eligible?

Government may consider limiting access to these concessions to a smaller cohort of entities in the not-for-profit space. Perhaps employer and employee registered associations, animal racing clubs and other clubs may need to be reviewed to determine whether access to these concessions is in the public benefit.

30. Should there be a two-tiered approach in relation to eligibility? For example, should all tax exempt entities be eligible for the rebate, but a more limited group be eligible for the exemption.

See below.

31. Should salary sacrificed meal entertainment and entertainment facility leasing benefits be brought within the existing caps on FBT concessions

No. Evidence would suggest that there is little abuse of these concessions and that the bulk access to these concessions is bona fide and reasonable. If there was an inclination, however, to amend these benefits, we would suggest that the cost to the Commonwealth of sacrificed meal entertainment and entertainment facility leasing benefits be rolled into the general cap total spend amount and the former benefit be reduced over 4 years to the general cap. With a capped amount,

this would be a compromise between perceived equity in respect of the public benefit generated and the ability to use it to attract senior staff in the sector.

32. Should the caps for FBT concessions be increased if meal entertainment and entertainment facility leasing benefits are brought within the caps? Should there be a separate cap for meal entertainment and entertainment facility leasing benefits? If so, what would be an appropriate amount for such a cap?

If this was to be considered an option, they should be separate from the general cap (even if set at the same level). Both capped streams should be indexed as they are substantially losing their effectiveness.

33. Are there any types of meal entertainment or entertainment facility leasing benefits that should remain exempt/rebateable if these items are otherwise subject to the relevant caps?

No.

34. Should there be a requirement on eligible employers to deny FBT concessions to employees that have claimed a concession from another employer? Would this impose an unacceptable compliance burden on those employers? Are there other ways of restricting access to multiple caps?

No. Any change to this policy should focus the liability and reporting on the employee. Any amount exceeding caps should be the subject of the employee personal income tax declaration and regime.

35. Should the rate for FBT rebates be re-aligned with the FBT tax rate? Is there any reason for not aligning the rates?

The rates should be aligned.

36. Should the limitation on tax exempt bodies in the minor benefits exemption be removed? Is there any reason why the limitation should not be removed?

Yes, the limitation should be removed.

37. Is the provision of FBT concessions to current eligible entities appropriate? Should the concessions be available to more NFP entities?

Yes. Government grants are not seen as an attractive employment option incentive for employers in the aged care sector.

38. Should FBT concessions (that is, the exemption and rebate) be phased out?

This is a relatively efficient mechanism to deliver a competitive opportunity for aged care sector employers to attract staff in the context of entities providing community benefits. Perhaps Government may consider limiting access to these concessions to a sub-cohort of charities. PBIs are an essential group to have complete access to these concessions.

39. Should FBT concessions be replaced with direct support for entities that benefit from the application of these concessions?

No.

40. Should FBT concessions be replaced with tax based support for entities that are eligible for example, by refundable tax offsets to employers; a direct tax offset to the employees or a tax free allowance for employees?

No; in our view this is a much less efficient and effective policy option.

41. Should FBT concessions be limited to non-remuneration benefits?

No. The majority of employees who access these concessions are on “average” wages within the aged care sector. The benefits target the majority of potential employees who make up the workforce in the context of a sector that covers particularly low paid employees. Non-remuneration benefits are of low interest to the bulk of employees. This does not take away from the need to still have competitive tax benefit mechanisms for higher paid employees.

42. If FBT concessions are to be phased out or if concessions were to be limited to non-remuneration benefits, which entity types should be eligible to receive support to replace these concessions?

See Q 29.

Happy to meet to discuss further.

Yours sincerely,

Aged and Community Services Australia

A handwritten signature in black ink that reads "John Kelly". The signature is written in a cursive, flowing style.

Adj Prof John G Kelly AM
Chief Executive Officer