



18 August 2015

General Manager
Law Design Practice
The Treasury
Langton Crescent
Parkes ACT 2600

Email: taxlawdesign@treasury.gov.au

Dear Sir/Madam

Tax and Superannuation Laws Amendment (2015 Measures No. 4) Bill 2015 ('Bill')

Who is CanTeen?

CanTeen is a Public Benevolent Institution (PBI) founded thirty years ago to assist young people living with cancer. We provide counselling, peer support, information, and leadership development programs to patients, offspring of patients, bereaved offspring, siblings of patients, and bereaved siblings. The services we deliver are evidence-based and are specific to young people living with cancer in the 12 to 24 year age range.

As well, CanTeen provides and manages Youth Cancer Services (YCS) - state based specialised treatment and support services for young cancer patients based in major hospitals throughout Australia. They are the only places in Australia to offer specialised services to young people with cancer. The services are staffed with expert doctors, nurses, social workers, psychologists and others experienced in working with young cancer patients. CanTeen funds the YCS services from funding received from the Australian Government's Youth Cancer Networks Program and CanTeen's generous donors in order to make sure that young cancer patients have their very special needs met.

CanTeen also possesses a world class research capability and is currently working with many other organisations around the world to enhance knowledge, understanding and insight into the needs of young people affected by cancer and the most effective ways to support them.

CanTeen is a national organisation with a head office in Sydney and nine regional offices around Australia. We employ around 100 staff and rely on the support of many thousands of volunteers and supporters.

Notwithstanding the generous financial support received from the Australian government, around 80% of our annual income comes from our own fundraising activities with the majority from individual donors who generously donate a small regular amount every month. Whilst we are very fortunate to have many loyal donors, fundraising is becoming increasingly difficult in a very competitive environment.

The importance of the current Salary Sacrifice benefits to CanTeen

The services we provide are labour intensive and the quality of our staff is paramount to our ability to continue to provide high quality services to the young people we support. To attract and retain quality staff we rely heavily on the benefits of salary packaging to compete with the skilled labour market with the government, health, and private sectors. Even after taking these benefits into account it continues to be a challenge to secure or retain preferred candidates and high quality staff due to our limitations in providing competitive remuneration.

We currently have 62 staff who salary package for Meal Entertainment and Entertainment Facility Leasing benefits ("Exempt Benefits").

The proposed changes as we understand them are:

1. The limitation of the concessional treatment of Exempt Benefits is to be 'capped' to a grossed up \$5,000 per annum. This equates to approximately \$2,330 per annum (but will depend on whether or not GST is included in the payment or not);
2. Exempt Benefits become Reportable Fringe Benefits in exactly the same way as 'Living Expenses' are currently reported; and
3. The cap of \$5,000 will apply from 1 April 2016 and will be based on payments made on or after that date.

Much of the debate in relation to the changes has focused on the benefits obtained by high income earners in the public hospital system with little or no regard to the average worker in a PBI. These high income earners and the benefits they have received are not representative of the sector.

The average skilled worker in a PBI earns significantly less than their counterparts in the government and hospital sectors and the removal of this benefit is a significant reduction in their remuneration. Capping of the Exempt Benefit items will diminish the financial benefit to the employee, in an environment where the employee's remuneration is already relatively lower than what is available in other sectors.

Over 75% of our staff are in the 32.5% marginal tax bracket.

In order for CanTeen to maintain the same level of benefit to our staff after taking into account the proposed capping we would need to increase an employee's pay by a minimum of 14% (assuming they are at the top end of the 32.5% tax bracket). In current financial terms, this represents around \$1m a year in increased salaries for CanTeen. We simply could not afford to meet this shortfall.

In addition, the Bill provides that Exempt Benefits will become reportable and this will be an additional negative impact on the lower paid as it will affect individuals obligation to HELP debt repayments, and their entitlement to child support arrangements and Family Tax Benefits.

The debate has also focused on the nature of the Exempt Benefits - Meal Entertainment and Entertainment Facility Leasing Expenses (which is primarily utilised for holiday accommodation). The nature of the benefit does not diminish the rationale for the treatment of salary packaging benefits to the NFP Sector. The nature of the Exempt

Benefit items is an important component in our recruitment, remuneration and retention strategies because they are lifestyle related. This contributes to our employees feeling valued, increasing their connection to us as their employer and assisting us to retain quality staff.

As well, the salary sacrificing benefits are a valued and accepted component of our employee value proposition – our 'Total Rewards Package' as we refer to it. As a result, the value of the current salary sacrificing packaging benefits is vital to attracting and retaining quality staff and go well beyond the direct financial benefits.

Accordingly, we are very concerned about the proposed changes to the Salary Sacrifice benefits and the likely impact on our ability to continue to attract and retain quality staff. We also believe there is a significant social justice perspective in the potential consequences for PBI's in continuing to deliver much needed services with diminished financial benefits to employees, where the employees' remuneration is already relatively lower than what is available in the government and private sectors. Accordingly, we respectfully request that you consider the following changes to the proposed bill:

Recommendations

- Limit the availability of the of the Exempt Benefits to Public Benevolent Institutions
- Increase the cap to mirror the existing Reportable Benefits cap (\$15,900 grossed up to \$30,000)
- Do not make them Reportable in the same way as living expenses – i.e. exclude them from calculation of HELP repayments and entitlement to government assistance.

We appreciate the opportunity to comment on the draft legislation. In summary, we are genuinely concerned about the potentially significant impact the proposed changes will have on CanTeen and our capacity to support and provide services to young people living with cancer. We respectfully request that you consider the issues we have raised in the letter before the proposed changes are finalised.

Please do not hesitate to contact the undersigned should you wish to discuss any aspect of this matter.

Yours sincerely



Peter Allwood
Chief Operating Officer, CanTeen