



COMMUNITY EMPLOYERS WA

21 August 2015

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

Transmitted via email: taxlawdesign@treasury.gov.au

Dear Sir / Madam,

Community Employers WA (CEWA) is pleased to contribute to the review of the draft legislation and explanatory material in relation to the proposed amendments to Fringe Benefit Tax concessions on salary packaged entertainment benefits. 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 are concerned with the proposed FBT amendments.

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.

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 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 in 2001. 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 proposed \$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 proposal without meaningful sector consultation 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 and efficiency 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.

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 partially 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.

CEWA is very supportive of retaining the current tax concessions provided to PBI organisations as they are an efficient and effective way for the government and the broader community, to support those organisations. As mentioned earlier, **CEWA believes the annual indexation at CPI of the FBT cap should be included in the legislation 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

Cc: Senator Chris Back
Senator Dean Smith

CEWA MEMBERSHIP LIST AS AT 31 JULY 2015

Aboriginal Legal Services of WA Inc
Accordwest
Activ Foundation Inc
Advocacy South West Inc
Advocare
Albany Youth Support Association
Alzheimer'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.
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 Wellbeing
Rise Network
Rocky Bay Inc

Ruah Community Services
Secca
Serenity Lodge
Sexual and Reproductive Health WA
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