

About Family Planning Victoria

Family Planning Victoria is a leading Not for Profit, State wide provider of Reproductive and Sexual Health Care and Education.

Governed by a voluntary Board of Directors, Family Planning Victoria has been providing comprehensive reproductive and sexual health services in Victoria for over 40 years.

The training clinics in Box Hill and Melbourne's CBD provide practical training to doctors and nurses and offer specialised services to people of all genders, backgrounds and abilities. The training clinic in the CBD, the Action Centre, is a reproductive and sexual health service specifically for young people.

Family Planning Victoria uses the knowledge and experience gained through clinical service delivery to inform the development of clinical education and training programs. These programs improve the delivery of reproductive and sexual health services by training medical practitioners, nurses, allied health professionals and disability workers.

Family Planning Victoria builds the sexual health literacy of young people by providing professional learning to teachers and sexuality education in primary, secondary and special schools across the state. The professional learning program enables teachers to gain the knowledge, skills and confidence to teach comprehensive sexuality education.

Family Planning Victoria works in partnership with a range of local, regional and national organisations, including Universities, Women's Health Centres and other Family Planning Organisations.

Our workforce comprises of various professional groups such as nurses, doctors, teachers, psychologists and administrators.

Discussion Paper

The Treasury has released a discussion paper under the Australian Governments 'Better Tax System, Better Australia' tax reform agenda with very little if any consultation with the Not for Profit Sector.

As a Not for Profit, Family Planning Victoria supports a system which is fairer, has increased transparency and is simpler, and we welcome the opportunity to submit a response to the paper.

This paper will highlight Family Planning Victoria's interest and response relating to Not-for-Profit tax concessions in relation to the direct impact of these changes.

Submission

As an independent, Not for Profit organisation working to improve the reproductive and sexual health of those most disadvantaged and marginalised, current tax concessions are necessary. They allow NFP's to maximise their charitable purpose and maintain service levels and quality in service

delivery. A reduction in tax concessions, with the intent of offsetting 'forgone tax revenue', would have an adverse effect on the sustainability of services resulting in a reduction of effective health outcomes.

The emphasis on tax concessions as 'forgone tax revenue' without calculating the overall public benefit does not provide a clear representation of the full picture of tax concessions. This view limits the ability to truly recognise the actual cost benefits of tax concessions.

Within the Not for Profit sector, concessions that will have direct impact are:

- higher GST registration thresholds,
- capped exemptions from (or rebates of) fringe benefits tax (FBT), and
- the ability to receive tax deductible gifts.

Any gain in tax revenue by removing tax concessions within the NFP sector, in particular community health, will contribute to reducing the resources.

The Not for Profit sector and FBT – Competitive Advantage/Neutrality

Over half a million workers within the NFP sector currently rely on existing NFP FBT concessions to have a sense of equity with other workforce remuneration. The premise of a competitive advantage or neutrality is only relevant to commercial activities. This fails to recognise that NFP tax concessions were founded upon the principles that add social value to the public investment such as assisting underfunded and under resourced NFP's to better discharge their mission and purpose.

The supposition of a competitive advantage gained by NFP's over the For Profit's (FP) sector neglects to recognise that the two sectors, in general terms, do not compete with each other for government funding. Nor do they compete in service delivery, and in many cases do not provide equivalent job roles. NFP's vs. FP have different missions and purpose. There is no equality in this playing field. They are both very different.

Only a small number of NFP's operate in the same community services markets as for profits. In these markets such as Aged Care or Health Education, NFP's are frequently faced with the challenge of not having the resources available to compete with FP on equal terms.

Recent surveys by the Australian Council of Social Service confirmed that the 'capacity of community service organisations to attract and retain staff is one of the single greatest issues they face'. In addition, the continued underfunding of community services was confirmed by the 2010 Productivity Commissions study. The study confirmed government funding routinely covers only 70% of the full cost of service, with organisations seeking remaining costs from service users. Equally, many NFP organisations such as FPV choose not to charge a fee and contribute their own funds to make up the shortfall.

Concerns that the concessions may be impacting competitive neutrality are unfounded. The outputs of charities versus those of for profit organisations are not close substitutes and therefore the concept of neutrality is not relevant and lacks validity.

Wage Parity and FBT exemption

PBI charities often struggle to attract and retain staff due to lower wages compared to other sectors. Currently, FBT concessions enable charities to compensate to some degree for lower wages with the option of salary packaging. Even with this option, the sector is still behind the private and public sectors on wage parity. The closest comparison for measure in wage comparisons would be between PBI charities and the public sector. These are frequently used benchmarks to determine wage parity.

A higher level is paid in the public sector, this has been reaffirmed by the 2012 Fair Work Australia Equal Remuneration Order (ERO) which established that 'employees within the not for profit sector were grossly underpaid compared to their public sector counterparts'. Furthermore, the 2010 Productivity Commission Study found that 'the wage gap between social workers employed by NFP and government providers in similar positions was estimated to be up to 25% (after adjusting for FBT concessions)'.

The ERO addressed the wage disparity by only limiting increases to individuals employed under Commonwealth Funded Contracts. In essence, this left out a considerable number of community service organisations and employees who did not fall under the ERO.

In addition to the above, it is important to note that the cap on salary packaging has remained unchanged since first introduced (13 years ago) as the cap has not been indexed (ie CPI). As a consequence the value of FBT concessions has significantly declined and will continue to do so until it is eventually rendered worthless all the while inter-sector disparities continue to widen.

FPV urges the Treasury to make use of the 2010 Productivity Commission research in helping to make an informed decision.

Meals and Entertainment Allowance

Whilst some use of the Meal and Entertainment Allowance is extravagant, it should not be assumed that this is by individuals employed in community services.

Organisations within the NFP sector, more exclusively those within the community and health sectors, make the benefit available to their employees as a method of attracting and retaining staff within a low paid sector where the demand and need for services are continuously growing.

Under a scenario modelled by Price Waterhouse Coopers (PwC), the direct impact to employees already on lower incomes could see an annual reduction in the average take home pay of NFP employees who utilise the main NFP FBT concessions (i.e. Meals and Venue Hire) to be between \$2,062 and \$3,768 per employee.

A cap of these entitlements will equate to a direct pay cut for some. In addition individuals considering a move into the NFP sector will consider employment outside the sector achieving higher incomes and in effect resulting in vacancies in key roles, further impacting service delivery and the ability to meet the organisations mission and purpose.

In summary

Family Planning Victoria recommends that any considerations related to Not for Profit tax concessions reform should be modelled in consultation with the sector. This will assist in

determining exact social and economic value in addition to ensuring the current tax concession arrangements, on which the not for profit sector heavily relies upon, are not reduced.

Furthermore, Family Planning Victoria recommends that considerations of competitive advantage or neutrality be modelled in terms of the social-economic investment as well as public benefit, these pertain to tax concessions. The cap on salary packaging be indexed and linked to maintain value and nullify further wage disparity. As well as, any savings from the new cap on exempt benefits for Meal Entertainment and Venue Hire be reinvested in the sector through raising the FBT cap and this should be followed by yearly indexation.

Finally, in line with requirements of an employee nominating only one employer in which the 'taxfree threshold' can be claimed. The concept of nominating only one primary employer in which salary packaging can be entered into should also be entertained