

The Tax White Paper

'Better tax system, better Australia'

Submission to the Tax White Paper Task Force
By Australian bicycle organisations



*Bicycle NSW – Bicycle NT – Bicycle QLD
Bicycle SA – Bicycling WA Cycling – Promotion Fund
Mountain Bike Australia – Pedal Power ACT – Westcycle*

1 June 2015

Tax White Paper Task Force
The Treasury
Langton Crescent
PARKES ACT 2600
Email: bettertax@treasury.gov.au

Monday, June 1, 2015

RE: Submission to Tax White Paper

Treasurer,

The Australian bicycle organisations listed hereunder welcome the opportunity to provide a submission to the Tax White Paper, 'Better tax system, better Australia'.

The bicycling organisations from across Australia represented in this submission came together for the Australian Bicycle Summit in early 2015 and committed to a unified call in key areas to make short trips by bicycle easier, more convenient and safer.

These organisations organise and support cycling activities for the many of the 3.6 million Australians who choose to ride bicycles in this country each week. They promote the benefits of more Australians cycling and provide opportunities for novice cyclists to give it a go and returning riders to rediscover the enjoyment and utility of everyday trips by bike.

In the following pages we provide proposals that focus on providing incentives for more Australians to undertake just a few of their daily short trips each week by bike. Increasing the participation in cycling provides broad benefits in health, social wellbeing, transport congestion and environment for all Australians.

Thank you for your consideration of our proposals.



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On behalf of the following Australian bicycle organisations;

**Bicycle NSW – Bicycle NT – Bicycle QLD – Bicycle SA – Bicycling WA
Cycling Promotion Fund – Mountain Bike Australia – Pedal Power ACT – Westcycle.**

Introduction

Increasing the rate of cycling in Australia has the capacity to address national priority issues, such as the crisis in obesity and physical inactivity, and makes objective contributions to the environment, social connection, community liveability and transport congestion – providing opportunities for economic growth. This is also true when it is integrated with the other ‘active travel modes’ of walking and public transport.

The national and state organisations represented in the Australian Bicycle Summit support a national approach to make the choice to ride a bike easier and more convenient using targeted, low cost tax incentives to increase the use of bicycles for daily trips in Australia – building physical activity back into the everyday lives of Australians.

Physical inactivity contributes to almost one-quarter of the burden of cardiovascular disease in Australia (24%).

More than a third (36%) of Australians aged 15 and over do very little or no exercise at all. Since 2001, the proportion and number of Australians doing very little or no exercise has continued to increase¹.

These low levels of physical activity will drive up chronic diseases, including heart disease, type 2 diabetes and some cancers.

Australian bicycle organisations submit that the potential for incentivising behaviour change to increase rates of cycling can positively address issues of concern in transport mobility, health and environment and submits that there is a strong rationale for the consideration of targeted incentives to achieve this through the tax system.

International experience provides robust case studies of the effectiveness of schemes that have been in place for up to a decade and are referred to where relevant in relation to the proposed initiatives.

The Australian Bicycle Summit organisations submit that tax incentives for increasing the numbers of Australians who choose to cycle for short daily trips is popular, cost-effective, sustainable and promotes demand for an equitable, healthy and low cost mode of transport.

Summary of proposals

- I. Proposal for a Ride to Work tax incentive
- II. Accelerated depreciation for end of trip facilities
- III. Tax-free mileage allowance
- IV. Tax-free membership of bicycle organisations

¹ Australian Bureau of Statistics, Australian health survey: physical activity, 2011-12

I. Proposal for a Ride to Work tax incentive

Proposal

The scheme allows an employee to salary sacrifice the cost of a bicycle and safety equipment, such as a helmet and lights, up to a capped value of \$1,500 without incurring a taxable benefit. The employer receives a tax incentive to purchase a bike for use by their employees who may enter into an agreement to use the bike, paying the cost back through a fixed term salary sacrifice arrangement. The residual is fixed at 'fair market value' that can be paid out by the employee to acquire ownership.

Background & rationale

This proposal allows employees who wish to ride a bicycle for transport to salary sacrifice its purchase with an FBT exemption and it also allows an employer to establish a pool of bikes for use by staff. The resulting saving on the normal purchase price encourages employees who would otherwise have driven a motor vehicle to cycle to work and allows employers to reap the benefits of a healthier and more engaged and productive workforce.

In Australia over 14,000 deaths are due to physical inactivity. While Australia is thought of as an active society, Australians struggle to find the time in their lives to participate in physical activity. Active travel, including cycling, is an efficient means of incorporating physical activity into daily lives as part of the daily trips to and from the workplace.

A corrective measure

This incentive has a broad and beneficial impact in key health, transport and environment areas. As such, the proposal for a tax incentive is to be provided as a corrective measure that has quantifiable health benefits and also environmental, social, economic and congestion benefits when a reduction in costs of motorised passenger transport, reduction or delay in demand for new road infrastructure and improvements in traffic management are taken into account.

In addition, while a cycle to work scheme mirrors similar incentives available to other modes of daily transport, it can assist in the offset of some of the disbenefits of those modes, such as sedentary behaviour, air pollution and traffic congestion.

The proposal is based on the UK Cycle to Work Scheme which has been in existence for ten years and annual evaluations provide a robust overview of the change in behaviour and benefits that have been achieved^{2 3}. Main points:

UK data shows that 67% of participants would commute by car if they did not cycle to work and 54% said they did not cycle to work before signing up to the scheme.

Female participation in the Ride to Work scheme in the UK is significantly higher than the norm at more than 22%.

² See 2011 report: <http://www.cycletoworkalliance.org.uk/images/BehaviourImpactAnalysisFeb2011.pdf>

³ See also 2013 report: http://www.cycletoworkalliance.org.uk/news_41_2538974460.pdf

After nine years of operation in the UK, the majority of more than 450,000 scheme participants to date are those that pay the basic tax rate (lower income group).

More than thirty five thousand employers have been part of the scheme to assist their employees cycle to work under the scheme in the UK. 57% of the employers were small or medium enterprises, with less than 200 employees. These bikes have been bought from more than two thousand independent bicycle retailers.

The economic benefits of such a scheme provide significant societal improvements with minimal direct taxation revenue impact.

Employee engagement and prolonged behavioural change

UK data shows that the labour retention rate is much higher among scheme participants than the average due to the benefits provided by the employer and the loyalty engendered by the long term nature of the agreement.

In the UK significant numbers of participants still cycle to work on their bike up to 9 years later – cycling to work on average three to five times each week.

(Additional data on the prolonged nature of the behaviour change will be provided to the Tax White Paper at a later date.)

Broad support – an opportunity for change

This proposal is low cost, popular, effective and simple. It is broadly supported by the bicycle industry, national bicycle organisations and national peak groups in the medical and chronic disease prevention sector.

Australian national opinion surveys indicate that there is significant unmet consumer demand to cycle more often and that commuting by bicycle is already increasing significantly in many of our capital cities⁴.

More than 80% or 5.5 million Australian workers between the ages of 25 to 54 support the implementation of a financial incentive to get more people to ride to work. The support by workers for the implementation of financial incentives was unanimous across all key demographic factors, including age, gender, income levels and educational attainment.

When posed with the question of whether they would like to cycle to work, more than one in three Australian workers aged 25 to 54, or 2.45 million would like to start riding to work. Workers who were more likely to report the desire to ride to work were males, between the ages of 25 to 34, and those who currently catch the train or bus to work.

There are an estimated 750,000 workers who currently do not own a bike that would like to start to ride to work.

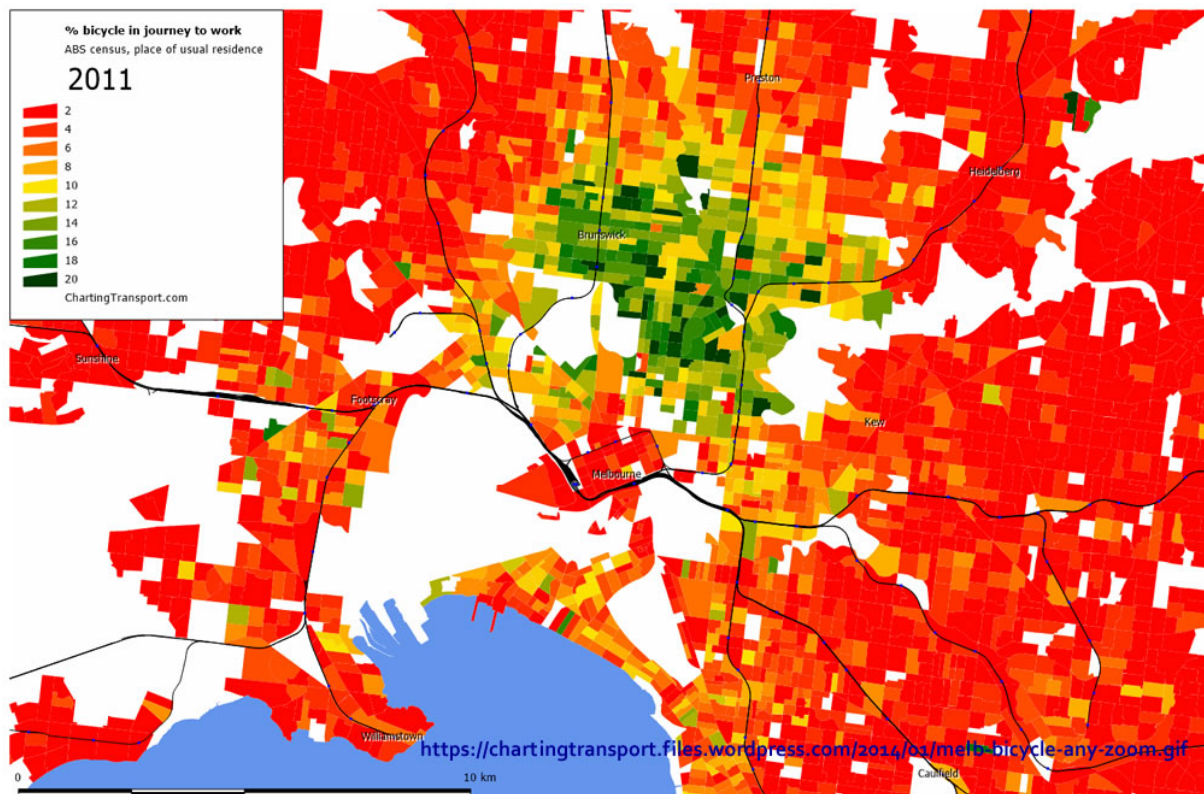
International experience indicates the scheme works equally well with large employers in urban or regional centres with 1-5,000+ employees to micro businesses in regional or remote areas with just a

⁴ <http://www.heartfoundation.org.au/SiteCollectionDocuments/FinancialIncentivestoRidetoWorkSurvey-October2014FINAL.pdf>

few staff. In the UK, the majority (57%) were small or medium enterprises, with less than 200 employees⁵.

The opportunity to significantly increase the numbers of people riding to work can be seen in the change already under way in this country. Australian cycling mode share is above 20% in some inner city areas in Melbourne, Sydney and Brisbane.

Fig 1 – Per cent bicycle trips in Melbourne - 2011 Census journey to work data



Above: 2011 Census data showing bicycle % mode share of 20-30% in some areas⁶.

Conclusion

Increasing incidental physical activity through an effective behaviour change program is in the national interest, especially when it can also reduce transport congestion, provide active mobility choices to commuters and reduce absenteeism to create a healthier, more engaged workforce.

The Australian bicycle organisations recommend that the Government adopts the Cycle to Work Scheme and includes it in the Tax White Paper.

⁵ http://www.cycletoworkalliance.org.uk/news_41_2538974460.pdf

⁶ <https://chartingtransport.files.wordpress.com/2014/01/melb-bicycle-any-zoom.gif>

II. Accelerated depreciation for end of trip facilities

Proposal

The proposal is for a tax incentive to allow the accelerated depreciation of investments in expanding, improving or retro-fitting bicycle parking, shower and change facilities and other specific infrastructure that supports increased travel to work by active modes – walking and cycling. This could be based upon the recently announced modified depreciation schedule for small business.

Accelerated depreciation has often been used to achieve a change in behaviour for a specified economically beneficial outcome where the benefit may not directly accrue to the owners. The rationale for such a change in this case is that national surveys consistently demonstrate that one of the more significant barriers to commuting to work by bicycle is the lack of appropriate facilities for changing, showering and safely storing bicycles at the workplace.

An increase in active commuting is a desirable outcome as it increases the levels of incidental physical activity – a key risk factor for chronic disease in its own right, and can address levels of transport congestion and environmental pollution – a significant risk factor in urban environments.

As a corrective measure, this proposal generates incentives for positive health, environmental and liveability benefits when employees are incentivised to change their behaviour to healthy, active modes of transport for the daily trip to the workplace.

The organisations of the Australian Bicycle Summit recommend that the Government adopts accelerated depreciation for end of trips facilities and includes it in the Tax White Paper.

III. Tax-free mileage allowance

Proposal

A tax concession provides employers with a tax refund for every kilometre an employee rides to work. The employer pays the worker a tax-free fixed allowance to commute to work by bike. The amount paid in Belgium as an example is 0.21Euro per kilometre with a total daily allowance of 15km.

The organisations of the Australian Bicycle Summit recommend that the Government adopts tax free mileage allowance for cycling to work and includes it in the Tax White Paper.

IV. Tax-free membership of bicycle organisations

Proposal

A tax benefit is provided for the annual cost of membership of the state bicycle organisation provided it includes a personal accident and third party insurance cover.

The current poor safety situation for vulnerable road users has been acknowledged in the latest National Road Safety Action Plan 2015-2017. Bicycle organisations provide guidance and assistance to members to enable safer cycling, they are actively engaged in their communities to promote and support the growth in cycling and they encourage and market the benefits of cycling for all sectors of the community.

The additional security that personal and third party insurance provides to cyclists is a benefit to both the individual and government and reduces the burden of road trauma on general taxpayers and State and Commonwealth jurisdictions.

The organisations of the Australian Bicycle Summit recommend that the Government adopts tax free membership for state bicycle organisations and includes it in the Tax White Paper.

End of submission