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Tax White Paper Task Force
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Background on Surf Life Saving NSW

Surf Life Saving New South Wales (SLSNSW) is a not-for-profit (NFP) organisation which relies on community generosity, Government funding and tax concessions, and corporate sponsorship to support the work of our volunteers. Our mission is to save lives, create great Australians and build better communities.

Our primary role is to save lives on the beach and our 129 Surf Life Saving Clubs and 76,000 members make us one of the largest volunteer movements in Australia. We exist to provide a safe beach and aquatic environment. Surf lifesavers provide a unique community service and have made an invaluable contribution to the community by providing safe and enjoyable destinations for all beach visitors.

The value to the Australian Community of Surf Life Saving is well documented in earlier consultation papers that have been provided to Treasury. An independent report carried out by PwC in 2011 estimated the economic value of Surf Life Saving to the community, the report found that SLSNSW is worth \$1.7 billion to the community and nationally it is worth \$3.6 billionⁱ. In addition, the report found that for every \$1 invested, donated or spent on Surf Life Saving it returns \$29 to the community.

This season alone, our 21,000 active patrolling members have given over 500,000 hours of their time to ensure that beachgoers around NSW were protected throughout the season. Season statistics will be finalised by June, but as of this date there have been 5,876 rescues, 13,336 preventative actions and 9,180 first aid treatments recorded.

Feedback on the Tax Discussion Paper Discussion Questions

47. Are the current tax arrangements for the NFP sector appropriate? Why or why not?

The current tax arrangements are appropriate if it is government's intention to have a flourishing NFP sector providing valuable and in many cases essential services to the community that Government and Commercial Sectors are unwilling, or incapable of providing. SLSNSW's response is based upon the assumption governments understand the benefits of NFP's and are supportive of a flourishing NFP sector.

SLSNSW supports the current tax arrangements for NFP organisations because with this indirect Government support it gives us the ability to provide greater assistance to the community and help fund our activities.

SLSNSW is supportive of NFP tax reform that will result in operational efficiency and improved sustainability of the NFP sector, however it is not supportive of measures that have the dominant purpose of boosting government revenue to the detriment of NFPs operating sustainably, professionally and attracting and retaining skilled staff. If the NFP sector is to be sustainable into the future then overall government contributions (both direct and indirect) towards the sector need to be increased in real terms, as opposed to being diminished or abolished.

There is increasing demands and expectations from the community, partners and Government for NFPs to be more professional in the way they conduct their operations all of which requires funds and skilled people, so any tax reforms need to ensure they guarantee the NFP sector's ability to attract and maintain high quality staff and ensure that the organisation is still able to provide a public benefit to the level that the community need.

SLSNSW relies heavily on tax concessions and Government funding to run its services. Last year's accounts show that Government funding accounted for 27% of our revenue (32% in 2013). This was followed by fundraising which represented 18% of revenue and sponsorship which represented 6% of revenue. In terms of our expenditure, there was increased expenditure last year in our core activities by 5% with an increase of 15% for lifesaving and lifeguard expenditure and a 17% increase for education and training.

SLSNSW is a beneficiary of many of the tax concessions mentioned in this discussion paper, thus should they be removed or their value diminished, it will drive up our operational cost structure which will mean a reduction in the vital services we can provide to the community, an increase in administrative overheads and it could result in a loss of staff. As such, our responses to the consultation questions have been framed with this mind.

SLSNSW utilises salary sacrificing arrangements to reduce the cost of labour costs that would otherwise have to be taken out of other monies. The salary sacrificing arrangements also enable us to offer employees a higher salary than what we would be able to provide if these arrangements were removed and thus provides us with an enhanced ability to hire and retain staff, which is necessary given we cannot compete with the salaries paid by the corporate or public service for the equivalent roles.

It is a difficult political and economic climate for NFPs to exist in and SLSNSW finds it challenging to keep wages and administrative costs down whilst retaining professional staff. If proposed changes to tax concessions and salary packaging are made, it will also become increasingly difficult for us to be competitive in the jobs market and attract professional staff.

48. To what extent do the tax arrangements for the NFP sector raise particular concerns about competitive advantage compared to the tax arrangements for for-profit organisations?

As an organisation in the NFP sector, SLSNSW relies on tax concessions to reduce our overall operational costs to ensure we can continue to provide services to the community. These services include providing services such as a lifesaving service to the community, establishing an emergency response system, providing free surf safety education to the community and the like. As we are providing direct services to the community in the interests of ensuring their safety and are not competing with any for-profit providers to provide voluntary lifesaving and education services, this does not provide any competitive advantage.

49. What, if any, administrative arrangements could be simplified that would result in similar outcomes, but with reduced compliance costs?

Compliance could be reduced if the original intention of the Australian Charities Not-for Profit Commission (ACNC) was implemented where information is provided once to a government body and all levels of government utilise that information, without NFPs having to continually report on the same information.

With regards to administrative arrangements, SLSNSW would like to suggest a collaborative portal, similar to the <https://my.gov.au/> scenario for individuals, which could also be applied to businesses. A one-stop-shop where any business can upload, apply for exemptions and contain their information where the relevant government bodies can readily access this information. This removes the repetition of the current administrative arrangements to different legislative bodies, and the information could be made only available to authorised parties such as ATO, ACNC and ASIC.

Similar to the STP (Single Touch Payroll) earmarked to be rolled out in 2017, where businesses' payroll liability reporting is centralised, Superannuation and PAYG are to be reported and paid immediately after the pay run is complete. This collaboration leads to streamlining of processes from both within the organisation and from the legislative bodies. Businesses that do not report or comply are identified earlier and this removes the financial year end bottleneck that businesses and government frequently experience. Please note that these collaborations are not specific to NFPs, and could be applied to all sectors. This service is already available to individuals, so it would be beneficial to utilise the same facilities to businesses.

Another way the Government could reduce compliance work for all parties and reduce fiscal leakage through reporting of meal/travel claims would be for the ATO to implement separate taxation scales for employees of organisations with PBI status as these are the only NFP organisations with FBT exemptions and meal/travel exemptions. For example the tax free threshold could be increased and other scales adjusted to make the after tax income of PBI employees competitive/on par with the after tax income for those employed in Government or Commercial sectors. If done correctly and fairly they could then dispense with meal/travel exemptions and FBT exemptions. (PBI) NFP's would save on compliance as they would not need to administer these items separately.

50. What, if any, changes could be made to the current tax arrangements for the NFP sector that would enable the sector to deliver benefits to the Australian community more efficiently or effectively?

SLSNSW is supportive of greater transparency by the NFP sector and believes the community and the government should be aware of the financial situation of all charities and Public Benevolent Institutions (PBIs); and should have access to financial and non-financial reporting information through the relevant Government bodies for assessment.

SLSNSW is concerned with proposed changes to the FBT salary sacrifice cap for meal and entertainment expenses for employees (as outlined in the Federal Budget). If meal entertainment and entertainment facility leasing benefits are capped at \$5,000, then the FBT concessions should be increased, because existing employees will have their overall salary packages reduced and if this reduction is not made up for in some other way, the likely result will be staff leaving the NFP sector and a reduction of service. As outlined above in question 47, given that NFPs can't pay staff as much income as they would get in the corporate sector, FBT concessions are a way of attracting and retaining high quality staff.

SLSNSW recommends that the government play a more active role in promoting workplace giving, as this would be another way of reducing the NFPs reliance on the Government and would assist in providing a self-sustainable way of NFPs raising revenue. According to the PwC report *'The Giving Business' (2009)* since the tax changes in 2002, employer participation in payroll giving has more than doubled, however its potential has not been fully tapped. If Australians were to participate in payroll giving at the level Canadians do (5.6% of the population at \$228 per year), \$200 million or more per year could be available to support Australian charities. The current barrier to workplace giving programs is that it doesn't currently reduce the regular PAYG amounts payable by salaried tax payers. If PAYG could be reduced in the month of giving, it may increase workplace giving. In addition, if the workplace giving programs were easier to set up, it would assist NFPs who have limited resources to implement this program.

Closing

It is essential for the government to undertake further consultation with the NFP sector and peak bodies prior to removing any tax concessions, as they should be not be looked at in isolation from the rest of the political and economic landscape where it is becoming increasingly difficult for NFPs to obtain funding, sponsorship and fundraise during these fiscally difficult times.

As outlined in the discussion paper, it has been a longstanding policy of successive governments to provide support to the NFP sector in the form of tax concessions and SLSNSW believes this should remain the case in recognition of the significant benefit provided to the community. Furthermore, the current system enables our organisation to structure itself to be more self-supporting and rely less on the public purse in terms of revenue.

Whilst SLSNSW understands that NFP tax concessions result in significant revenue foregone, we believe that if the tax concessions were removed, it would heavily compromise our ability to meet community demands and expectations and SLSNSW would have to look at introducing a 'user pays system' for some of our programs and services if these tax concessions were removed. In addition indirect social benefits through increased volunteerism, social capital and participation in sport and recreational activities cannot be accounted for. In addition, if tax concessions were removed it is likely there would be more pressure back on the Government to directly fund NFPs to make up for the shortfall.

SLSNSW is concerned by proposed reduction to tax concessions and salary packaging arrangements in the NFP sector as these concessions currently meet the intended policy objective, which is to assist organisations such as ours deliver the greatest possible community benefit and to further our charitable purpose.

Unless the government is willing to increase direct funding grants to NFPs in the long-term, then NFPs who satisfy the public benefit test should continue to receive the current tax concessions as they are filling a void in the community that the government and commercial sector cannot fulfil. The benefits that SLSNSW provides to the community far outweigh the costs.

ⁱ PwC report, *'What is the economic contribution of Surf Life Saving in Australia' (2011)*.