

Submission

Submission on the Tax and Superannuation Laws Amendment (2015 Measures No. 4) Bill 2015: Limiting FBT concessions on salary packaged entertainment benefits 13 August 2015

About us

Volunteering Australia (**VA**)¹ is the national peak body for volunteering working to advance volunteering in the Australian community. Our mission is to lead, strengthen, promote and celebrate volunteering in Australia. We work collectively with the seven State and Territory volunteering peak bodies listed in Attachment A (**peaks**) to deliver national, state and local volunteering programs and initiatives in accordance with the Government's priorities.

Previous submission about tax

We previously made a detailed submission about the Federal Government *Re:think Tax Discussion Paper* (copy **attached**). Please refer to that submission for background information about:

- The importance of the volunteering sector.
- The role of tax concessions in the volunteering sector.
- Recent Government funding changes affecting the volunteering sector.

Proposed changes to entertainment benefits

We oppose the proposed changes to fringe benefits tax concessions on salary packaged meal entertainment and entertainment facility leasing expense benefits (**entertainment benefits**).

Some not-for-profit (**NFP**) organisations provide entertainment benefits to their employees. This effectively reduces their wages bill and makes them a more attractive employer. We believe that the proposed changes will make it harder for relevant NFPs to recruit and retain staff with appropriate skills and experience, because they already pay wages that are significantly below those paid in the private sector for equivalent job roles. Alternatively, relevant NFPs will have to pay higher wages to attract good staff, which will reduce the number of staff hours or cash resources they can allocate to providing services to the community.

¹ Abbreviations are also listed in the Glossary at the end of this submission.

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We understand the rationale for the proposed changes is that the amount of revenue foregone from fringe benefits tax (FBT) concessions to NFPs is 'significant' and 'has been increasing'.² However, we believe this is mischaracterisation of the situation in relation to the volunteering sector, where the revenue is foregone is insignificant compared to the broader contribution made by the sector.

The volunteering sector is critical to civil society – formal volunteering was worth at least **\$25.4 billion** to the Australia economy in 2010³ and delivers many other significant social benefits.⁴ The proposed changes will have the following specific impacts on the volunteering sector:

- They will reduce the amount and quality of the volunteer support services that volunteering peak bodies and volunteer support organisations (VSOs) will be able to provide to the volunteering sector.
- They will increase the demand for volunteer support services because volunteer involving organisations (VIOs) may:
 - cut back on resourcing for volunteer management
 - recruit more volunteers to replace paid staff.

We believe the changes are a false economy, as they will result in people doing less volunteering and doing less well. This will have a significant detrimental impact on the Australian community.

Our specific comments about the proposed changes are set out below.

Capping entertainment benefits at \$5,000

We note the Bill proposes to cap entertainment benefits at \$5,000 (grossed up) per person per annum from 1 April 2016. This equates to just \$2,650 per annum (or \$51 per week) before grossing up, which is less than the cost of buying one meal per work day. The proposed cap is expected to save the Government \$295 million over four years across the whole NFP sector but this is far outweighed by the \$25.4 billion per year contributed by the volunteering sector alone.⁵

We endorse:

- The Community Council of Australia (CCA) view that '*capping the concession is fair but the savings should be directed towards the original intent – supporting our charities and NFPs*'.⁶

² Australian Government, *Re:think Tax Discussion Paper*, March 2015 at page 124.

³ Dr Lisel O'Dwyer, *The Real Value of Volunteering 2013*, University of Adelaide, available at: https://www.adelaide.edu.au/apmrc/pubs/policy-briefs/APMRC_Policy_Brief_Vol_1_11.pdf

⁴ Further information about the social benefits of volunteering is available in our fact sheet *Key Facts and Statistics about Volunteering in Australia*, available at: <http://www.volunteeringaustralia.org/research-and-advocacy/the-latest-picture-of-volunteering-in-australia/>

⁵ *Budget 2015-16, Budget Paper No 2*, pages 22-23, available at http://www.budget.gov.au/2015-16/content/bp2/download/BP2_consolidated.pdf

⁶ CCA Media Release, '*Robbing St Peter to pay the ATO*', 4 May 2015

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- The NFP Sector Tax Concession Working Group recommendation that any net savings from FBT changes should be returned to the NFP sector as soon as possible.⁷
- The CCA position that entertainment benefits should be capped at **\$15,000** per annum. The savings from that more reasonable cap are still estimated by the Australian Tax Office at \$100 million.⁸

Suggestion 1: Increase the entertainment benefits cap to \$15,000

We suggest that the Bill should be amended to increase entertainment benefits cap to \$15,000 (grossed up) per annum. This equates to a modest \$7,950 per annum (or \$153 per week) before grossing up.

Suggestion 2: Index the entertainment benefits cap

We suggest that the Bill should be amended to index the entertainment benefits cap to ensure that the true value of these benefits keeps pace with inflation.

Suggestion 3: Return any savings from the entertainment benefits cap to the NFP sector

We suggest that the Bill should be amended to direct that the savings resulting from the entertainment benefits cap be returned to the NFP sector as soon as possible. The volunteering sector should be properly consulted about the most efficient and effective way to do this.

Making entertainment benefits reportable

We note the Bill proposes to report the grossed up value of entertainment benefits on an employee's annual *Payment Summary* (group certificate). This will affect other financial entitlements and charges, including the Medicare levy surcharge, deductions for personal super contributions, low-income super co-contribution, Higher Education Loan Program, dependents offsets, child support obligations and entitlement to certain income-tested government benefits. Making entertainment benefits reportable effectively reduces the 'value' of entertainment benefits to employees even further.

Suggestion 4: Do not make entertainment benefits reportable

We suggest that the Bill should be amended so that employers do not have to report entertainment benefits on *Payment Summaries*.

⁷ NFP Sector Tax Concession Working Group, *Fairer, simpler and more effective tax concessions for the NFP sector, Commonwealth of Australia, May 2013* at page 7.

⁸ *Robbing St Peter to pay the ATO*, op. cit.

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Authorisation

This submission has been authorised by the Chief Executive Officer of Volunteering Australia.



Brett Williamson OAM
Chief Executive Officer

Endorsements

This submission has been endorsed by the seven State and Territory volunteering peak bodies listed in Attachment A.

Glossary

CCA	Community Council of Australia.
Entertainment benefits	Fringe benefits tax concessions on salary packaged meal entertainment and entertainment facility leasing expense benefits.
FBT	Fringe benefits tax.
NFP	Not-for-profit organisations.
Peaks	The seven State and Territory volunteering peak bodies (listed in Attachment A).
VA	Volunteering Australia is the national peak body for volunteering in Australia. It works collectively with the peaks to deliver national, state and local volunteering programs and initiatives.
VIOs	Volunteer-involving organisations are organisations that utilise volunteers as part of their workforce.
VSOs	Volunteer support organisations (also known as volunteer resource centres or services) provide place-based volunteer support services to volunteers and VIOs in their locality.

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Attachment A

New South Wales



Queensland



Victoria



Australian Capital
Territory



South Australia &
Northern Territory



Tasmania



Western Australia

