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## Introduction

Thank you for the opportunity to contribute to the Review of *Australia's Future Tax System*. A successful review of Australia's current taxation system will provide mechanisms and outcomes that will greatly assist in meeting the economic, social and environmental challenges we face as a nation.

## What is My Interest in the Review?

As an employee in Australia and advocate of sustainability I have a direct interest in the application of Fringe Benefit Tax and an interest in how the taxation system can assist in delivering better social and environmental outcomes for the Australian population.

## Salary Sacrifice Vehicles

I am confident that the taxation system can encourage behaviour aligned to current government policy and agenda. High on this agenda is how to stimulate the economy and reduce carbon emissions.

At present the fringe benefit tax (FBT) on salary sacrificed vehicles works as a direct incentive to use more fuel and produce more greenhouse pollution- whereby higher tax charges flow to users who drive less, thus encouraging drivers to "add kilometres" to avoid higher taxes. The unintentionally perverse effect of this tax is to increase our current greenhouse gas emissions. This disincentive to better environmental outcomes should be removed. Rather, shifting the FBT to the government greenhouse standard for vehicles instead of kilometres travelled makes better fiscal and environmental sense. A phase out of the current system would be necessary so that current users are not disadvantaged.

## Salary Sacrifice of Sustainability Products for the Home

When recently embarking upon a review of salary sacrifice options in the organisation I work for I was keen to encourage employees to purchase a suite of sustainability products for the home through salary sacrifice. Salary sacrifice of these types of products would remove two barriers to purchasing sustainable products- firstly, price and secondly, the complexity of the current rebate system (where federal, state and local regulations overlap).

For any salary sacrifice to be beneficial to the employee and the firm there must be some sort of exemption or concessions available for FBT. Solar panels, wind turbines, water tanks and grey water recycling systems currently do not have any such exemption or concession so are subject to the full extent of the FBT Act.

For example:

### Salary Sacrifice of Solar panels

TEC	50,000.00
Cash salary post Super	45,871 .56
<i>Salary Sacrifice</i>	
Solar panel	1,500.00
FBT	1,440.13
Total salary sacrifice	2,940.13
Assessable income	42,931.43
Ave tax rate	17.524%
Tax	7,523.40
Cash left over	35,408.03

### Employee to purchase

TEC	50,000.00
Cash salary post Super	45,871 .56
Ave tax rate	18.419%
Tax	8,449.54
Income after tax	37,422.02
Purchase of solar panel	1,500.00
Cash left over	35,922.02

As you can see from the above example the staff member on 50K per year would be \$513.99 worse off if they were to package solar panels.

If products to improve sustainable outcomes were to include FBT concessions, the potential for employees to purchase these products would be significantly increased. Further, as Australian employers look to retain good staff through benefits packages an FBT concession on sustainability products would provide a strong incentive for Australian employers to use this to add to company benefits. The issue of “double dipping” using the current rebate scheme could be avoided by removing rebates from products sold through employee benefits schemes.

Products which may receive the concessions could include solar cells, solar hot water systems, domestic wind turbines, eco-efficient insulation, water tanks, grey-water recycling systems, and other possible infrastructure innovations that may emerge on the Australian market. As well, the inclusion of FBT concessions to these products could stimulate growth in these industries.

As Australian federal policy sets frameworks and creates tools to reduce our greenhouse gas emissions, this simple amendment to the taxation system stands to increase the uptake of domestic solutions to climate change, spur economic investment in clean technologies for the home and demonstrate Australia’s ongoing ability to use policy to drive innovation