

The present implementation of the Fringe Benefits Tax regime and allowed options for salary sacrifice via salary packaging create distortions in the economic options for taxpayers. These distortions arise due to the unequal treatment of functionally equivalent items under these tax regimes. These distortions are also contrary to current government policies and to the basic principles of developing an environmentally and economically sustainable Australian society.

One example is the inclusion of automobiles in salary packaging options but the exclusion of alternate transport. Automobiles are able to be included in salary packaging so that the automobile is purchased or leased using pre-tax pay. However, expenses for alternate transport, such as bicycles, bus, or train cannot be purchased using pre-tax pay. Whilst it may benefit the domestic automobile industry to include automobiles in salary packaging, alternate transport reduces greenhouse gas emissions, promotes better health, and improves the quality of life in urban/suburban settings.

The existing situation may also discriminate in socio-economic terms, as has been found overseas in major metropolitan areas.

Another example is the operation of scheduled transport between distant parts of a university campus. University-owned and operated vans are permitted to transport students (who are not subject to FBT) between geographically distant campuses of a university. However, staff are not permitted to use the vans because their use would be subject to FBT and the university does not wish to incur this liability. Instead, the university provides automobiles for use by staff for this purpose. The consequences are higher net operating cost for the university and greater environmental impact.