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# Submission to the Review of Australia's Future Tax System

**April 2009**

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**SmartSalary Pty Limited  
Level 21, 175 Liverpool Street  
Sydney NSW 2001**

**Contact: Mr Simon Ellis  
Senior Taxation Advisor  
Phone: (02) 9112 4265  
Fax: (02) 9112 4222**

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## **Introduction**

The Future Tax System Review offers Australia an opportunity to ensure that its taxation laws are easy to understand, are sufficiently comprehensive to protect government revenue and, most importantly, are effective to promote current social and policy initiatives.

The purpose of this submission is to highlight several of the proposals submitted in the first consultation round and to outline why the Review should prioritise these proposals for implementation into Australian law. These submissions address the application of fringe benefits tax (“FBT”) to certain benefits, as well as proposing several changes to FBT law that have the potential to create significant benefits for the country.

**The applicant, SmartSalary, is one of Australia’s largest providers of salary packaging services and administers approximately 80,000 salary packages.** As such the applicant is able to outline impact of changes to FBT law from the perspective of ordinary working Australians – **it should be noted in this regard that over 90% of our client base are employees of either government, hospital or not-for-profit employers.**

It is anticipated that the diversity and market position of the Australian organisations that have already submitted the proposals summarised in this paper will effectively highlight the breadth of support throughout Australian industry for the proposals summarised below.

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## **Summary**

This submission to the Future Tax System Review (“the Review”) makes the following points:

### **Part 1: The FBT car concession**

1. Retention of an FBT concession for cars is consistent with Australia’s current **economic priorities**;
2. Retention of the FBT concession for cars is necessary in order to facilitate **business efficiency**;
3. Retention of the FBT concession for cars is necessary to **preserve Australian worker entitlements**, and
4. Retention of an FBT concession for cars is consistent with Australia’s current **environmental priorities**.

### **Part 2: FBT concessions for alternative transport**

5. **FBT concessions for Bicycles** should be considered in order to promote environmental and public health initiatives; and
6. **FBT concessions for Public Transport** should be considered in order to promote environmental and public health initiatives.

### **Part 3: Maintaining taxation law fairness and simplicity**

7. The FBT concessions for not-for-profit philanthropic and community-based organisations should be retained in their current form in order to **preserve current efficiencies**; and
8. The FBT concessions for not-for-profit philanthropic and community-based organisations should be indexed to the CPI in order to preserve its value.

Further detail in relation to each of the positions noted above is contained in the remainder of this submission.

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## **FBT concessions: a valuable tool for Australia**

The FBT treatment of specific fringe benefits is an effective tool that enhances Australia's ability to successfully implement and execute policy initiatives. There is historical evidence demonstrating that taxation law can be effective in influencing social and economic activity in ways that are of significant benefit to the communities and economies in which they are enacted.

Recent examples of taxation law being used to successfully execute social policy include:

- Amendments to the taxation of employee superannuation contributions: increased taxpayer superannuation balances
- The 2008 increase in the Child Care Tax Rebate: increased worker participation through cheaper access to child care, and
- The various State and Federal first homeowner grants: increased Australian home ownership.

The Applicants recommend that the Review consider the amendments and adjustments to Australian FBT law that have been set out below in order to increase the successful delivery of **environmental, economic** and **social** benefits.

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## **Part 1: The FBT car concession**

The first part of this submission addresses the ongoing application of the Statutory Formula Method (referred to in the remainder of this submission as “the FBT car concession”) for calculating the taxable value of a car fringe benefit for FBT purposes. This document:

- summarises the positions advocated in relation to this issue during the Review’s first round
- provides an update (where available) on the current position adopted by those applicants, and
- **identifies the clear underlying theme shared by the vast majority of those making submissions in relation to this issue.**

In addition, this document also outlines the Applicant’s view on the overall impact of the options already proposed and recommends the best way forward in this regard.

### **1. Economic benefits**

Since it was first introduced, the FBT car concession has acted as an effective consumer subsidy supporting sales for all participants within the Australian motor vehicle and related industries. Using the concession Australian employers have been able to purchase fleet vehicles without overwhelming tax and compliance costs; and Australian employees have been able to obtain modest tax savings through novated leases and salary packaging arrangements.

In fact, at the time FBT was initially introduced into Australia, the Labor Government carefully considered the potential for unintended deleterious effects on the Australian economy. It was generally accepted that a ‘non-concessional’ approach to vehicle taxation would significantly harm the Australian vehicle industry, and in that regard the concessional nature of the statutory formula was specifically identified by the Federal Treasurer, the Hon. Mr Paul Keating, as one of the key factors that would operate to protect the Australian car industry:

“It is the Government's considered view that the new tax rules are quite fair - indeed the arbitrary formula is somewhat generous - and will not produce distortions in the car market.

That is not to say that the costs of Fringe Benefits Tax will have no impact on car sales. We judge, however, that loss of unit sales due to the tax will fall within tolerable limits for the industry and certainly will not impact in a discriminatory manner.”

Clearly implied from the Hon. Mr Paul Keating’s comments above is that without the ‘arbitrary formula’ (i.e. the FBT car concession) the application of FBT to car benefits could easily lead to a drop in car sales that would be intolerable to the Australian industry. We submit that the same holds true today, i.e. that abandoning the FBT car concession would result in an intolerable decrease in vehicle sales.

In support of this we note the following comment made by Toyota Financial Services in their submission to the first consultation round:

“Toyota Finance considers that any material adverse changes to [the] statutory formula method will result in a material demand decrease for new vehicles and material losses in after-tax disposable incomes for families and individuals who employ salary package vehicles.”

This position is shared by all major vehicle industry participants that made a submission in the first round, or that intends to make a submission in the second round:

<b>First Round Submission Applicant</b>	<b>Proposed action re FBT car concession</b>
<b>Toyota Finance Australia</b>	No amendment to the Statutory Fraction Method is required and/or desirable. If the Review is compelled to make a change the Australian Finance Conference proposal (summarised below) is the most reasonable.
<b>GM Holden</b>	Given the significant proportion of domestically produced vehicle sales to fleet customers (75 per cent in 2007), it is vital that the importance of these sales to the sustainability of the local industry is borne in mind in any consideration of changes to the current FBT arrangements for vehicles.
 <b>Federal Chamber of Automotive Industries</b>	No amendment to the Statutory Fraction Method is required and/or desirable.

Motor vehicle manufacturers, importers and retailers are of course not the only industries who will potentially be impacted by abolition of the FBT car concession - many other Australian industries and employers have also benefited from the increase in vehicle demand that flows from this valuation method. Examples in this regard include:

- Fleet and Novated financiers
- Vehicle and related insurers
- Salary Packaging administrators, and
- Vehicle maintenance and repair.

Given the significant economic hurdles that the Australian vehicle (and related) industries continue to face, particularly in light of the present global financial crisis, the need for continued industry assistance through this and other policy initiatives remains high. This does not necessarily mean that the car concession should remain unchanged - there are strong arguments for altering its operation to support environmental initiatives (as noted below) - but it strongly suggests that the concession should be retained in some form.

In support of this proposition the Applicants note in particular that:

- According to the Federal Chamber of Automotive Industries (“the FCAI”) it is anticipated that the 2009 calendar year will see a 13% decrease in vehicle sales throughout Australia,
- A number of manufacturers, notably Toyota and GM Holden, have recently announced plans to build hybrid and other fuel efficient technology vehicles in their Australian operations, **and**

- The Australian Government has noted an intention to deliver the \$6.2 billion *New Car Plan for a Greener Future* to both support employment within the Australian car industry and promote green vehicle construction and use within Australia.

Given the above it is quite clearly in Australia's economic interests to continue to offer the FBT car concession in some form, especially if the concession is modified to encourage taxpayers to purchase and use environmentally friendly vehicles. It is quite evidently counter-productive to strip \$1.3 billion in demand out of the Australian vehicle industry at the same time the Government is seeking to support the vehicle industry through a \$6.2 billion incentive.

**Key Message:** it is in Australia's fundamental interests to retain an FBT car concession in order to promote economic activity within the motor vehicle and related industry sectors. This is particularly so given current global economic conditions as well as recent moves by on-shore manufacturers to produce low-emission vehicles.

## 2. **The FBT car concession: necessary for business efficiency**

The statutory formula method for calculating FBT on a car fringe benefit is concessional not only in that it offers moderate tax savings; it also simplifies the calculation of tax for FBT reporting purposes. Without the simplified methodology offered by the statutory formula method all employees in receipt of an employer-provided vehicle would have to value their cars annually using the operating cost method. Specifically, this would require that:

- All employees track the use of their vehicles by periodically completing a 12-week log-book - the details of which are then used to calculate a 'business percentage' for FBT calculation purposes, and
- All employers track all purchase and running cost expenditure relating to each individual vehicle, including notional depreciation and interest amounts, for FBT calculation purposes.

As such, any move to abolish the current FBT car concession without replacing it with a similarly simplified alternative would represent a significant compliance burden for employers and employees alike. This would run counter to the Review's stated goal of reducing Australian tax complexity.

This fact is reflected in comments made by the Minister assisting the Treasurer, the Hon. A.C. Holding, M.P in his second reading speech to the Taxation Laws Amendment (Fringe Benefits and Substantiation) Act 1987:

The measures contained in the Bill reflect a response by the Government to community concerns that the car log book and certain other record keeping obligations contained in the original legislation were overly burdensome.

A better alternative to the abolition of the FBT car concession entirely is to *change* the concession for cars in a way that supports increased environmental outcomes without significantly increasing the complexity of the concession for employers or employees. Under this alternative the simplicity of the FBT car concession is retained – including all the inherent compliance savings associated with the current concession.

Some useful examples of potential amendments to the FBT car concession that would retain its current simplicity are included in the following suggestions made in the first consultation round:

First Round Submission Applicant	Proposed action re FBT car concession
GM Holden	Simplify to 2 statutory 'brackets' with lower tier for vehicles using alternate fuel technology
 <b>Australian Conservation Foundation</b>	Calculate FBT based on vehicle emissions rather than kilometres travelled
PriceWaterhouseCoopers	
 <b>Australian Finance Conference</b>	Retain Statutory Formula Method to ensure ease of compliance but increase the current 4 statutory brackets to 15 in order to 'smooth out' kilometre travel

This submission recommends that the Review adopt one of the above *amendments* that have been proposed to the FBT car concession, or a variation thereof, in order to protect the simplicity currently provided by the statutory formula method.

**Key Message:** removal of the Statutory Formula concession for valuing car fringe benefits (as opposed to amending it as proposed in this submission) would result in unacceptable complexity for Australian businesses. It is vital that some form of concession be retained in order to avoid complex 'Operating Cost Method' calculations for all employer-provided vehicles.

## 2.1 Transition rules

It is important to note that if the Review decides to recommend any variation of the FBT car concession it will be critical to Australian business that transition rules are also recommended in order to protect vehicle benefits already in place. Transition rules will be necessary to avoid excessive compliance costs for businesses, as well as financially damaging outcomes for individual taxpayers and employers who have entered into salary packaging arrangements under the current rules.

In this regard transition rules should be implemented in order to ensure the following two outcomes for Australian taxpayers:

- Australian employers and businesses should be given sufficient time to revise internal software (and other benefit administration tools) in order to prepare for the introduction of new fringe benefit calculation rules, and
- Employers/employees who have already entered into FBT/salary packaging arrangements at the time of any rule change should not be penalised as a result of a new calculation methodology.

This submission therefore advocates that, in the event that any of the changes proposed above are adopted by the Review, both a **transition period** and **grandfathering rules for existing arrangements** be included in any rule change.

### 3. **The FBT vehicle concession is necessary to preserve Australian worker entitlements**

The use of the FBT vehicle concession to **deliver remuneration benefits to Australian workers** through novated leases has not been widely discussed in the first round of submissions to this Review. Nonetheless use of the FBT car concession in this way represents a fundamental part of the remuneration of a very significant number of Australian working families.

In fact, of the salary packaging customers managed by the Applicant in this submission **86% of salary packaged vehicles relate to Federal or State government departments.**

Far from being a tool for the wealthy, salary packaging is used primarily by lower paid workers and is a means to maximise the value of their remuneration.

In many cases salary packaging a vehicle using the FBT concession for cars is a way of adding several thousand dollars to a worker's disposable income whilst simultaneously helping them to afford one of their family's single most important assets. Removal of this benefit would significantly impact these families – in fact **the lower the family income, the greater the impact of any removal of the car concession will be.**

Far from being a remuneration tool for the wealthy, salary packaging is relied on most heavily by Australian workers at the lower end of the remuneration range. Any remuneration technique that delivers a \$2,000 increase in disposable income is extremely valuable to a family earning \$50,000 or less, but far less so to a relatively wealthy family.

**Key Message:** removal of the Statutory Formula concession for valuing car fringe benefits (as opposed to amending it as proposed in this submission) will result in the loss of a remuneration benefit that many Australian families depend on. Far from being Australia's wealthiest, or even wealthy, families – **those most affected will be those at the lower end of the remuneration spectrum.**

### 4. **Environmental benefits**

The first round of submissions to the Review included a number of recommendations arguing that the FBT car concession in its current form provides an incentive for Australian car owners to engage in additional driving in order to obtain the maximum tax savings. This proposition appears to have been broadly accepted by the Review, as indicated by the following comments in the December 08 Consultation Paper:

Around a third of submissions expressing concern about the environment discuss the fringe benefits tax arrangements for motor vehicles. Most oppose a tax system that encourages people to drive more and contribute to noise and air pollution, greenhouse gas emissions and urban traffic congestion.

The common position taken by these submissions was therefore support for amendment of the FBT car concession in order to better enable Australia's greenhouse reduction targets.

Some of the key positions taken in the first round of submissions are summarised in the following table:

First Round Submission Applicant	Proposed amendment to FBT car concession
 <p><b>Australian Finance Conference</b></p>	Retain Statutory Formula Method to ensure ease of compliance but increase the current 4 statutory brackets to 15 in order to ‘smooth out’ kilometre travel
 <p><b>Australasian Fleet Managers Association</b></p>	Set the FBT statutory rate at a flat rate in the range of 11% to 16%
 <p><b>Australian Conservation Foundation</b></p>	Calculate FBT based on vehicle emissions rather than kilometres travelled
<p><b>PriceWaterhouseCoopers</b></p>	
<p><b>GM Holden</b></p>	Adopt a two tier statutory fraction system with lower tier for vehicles using alternate fuel technology <b>or</b> adopt Australian Finance Conference position (above)
 <p><b>GreenPeace</b></p>	Amend FBT car concession to eliminate incentive for additional vehicle travel

While the precise nature of any amendment to the FBT car concession should be left to the Review to determine, this submission strongly advocates that abolition of the FBT car concession should not be considered.

As noted earlier in this submission – FBT policy is an effective and therefore valuable tool that allows the Australian Government to influence Australian worker behaviour. To simply discard this valuation methodology in its entirety, i.e. to remove the FBT car concession, would be to squander an effective and important tool for delivering environmental change. From an environmental perspective, it is fundamentally in Australia’s best interests for the FBT car concession to remain as a tool to influence Australian driver behaviour.

**Key Message:** it is in Australia’s fundamental interests to retain an FBT car concession in order to encourage Australian drivers and employers to make vehicle purchase and use decisions that are not harmful to the Australian environment.

Whilst there are other alternatives available to influence driver behaviour, such as direct rebates and/or income tax concessions, maintaining the concession within the FBT law has the benefit of:

- influencing both personal vehicle purchasing decisions *and* business fleet purchasing decisions on a long-term basis, and
- influencing not only the decision of *what* vehicle to purchase, but *how* that vehicle is used on a yearly basis.

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## **Part 2. FBT concessions for alternative transport**

In the same way that the FBT car concession has the potential to drive Australian taxpayer behaviour, other FBT concessions can be used similarly to drive behaviour in a way that satisfies Government policy goals.

This submission contends that the following FBT concessions have significant potential to further promote the Government's current emissions reduction initiatives:

- **FBT concession for public transport:** a capped valuation concession, e.g. a 25% discount, for employer reimbursement of costs incurred in using public transport to travel to and from work, and
- **FBT concession for bicycle purchase costs:** a valuation concession or exemption for employer assistance to employees in relation to the purchase of a bicycle.

Both of the above changes were suggested in the initial round of submissions to the Review and could deliver significant environmental benefits.

### **5. FBT concession for public transport**

A number of first-round submissions to the Review argue in favour of an FBT exemption or concession for public transport, including:

<b>First Round Submission Applicant</b>	<b>Proposed amendment to FBT car concession</b>
 <b>Australian Conservation Foundation</b>	“... extending FBT exemptions to salary packaged public transport and active transport options”
 <b>Tourism &amp; Transport Forum Australia</b>	“An equal FBT exemption to salary-packaged cars for public transport users.”

The above submissions highlighted the potential environmental benefits of using Australia's FBT laws to encourage workers to use public transport to attend their place of employment in preference to a private vehicle. The submissions also note additional benefits such as congestion reduction in Australia's large cities.

Similar to the FBT concession for bicycle purchase costs discussed below, an FBT concession for public transport would be effective in influencing taxpayer behaviour – especially employee taxpayers.

The cost to Federal Government revenue from implementing this concession can be effectively managed through the use of built-in cost limiters. This submission recommends that the Review consider the following in this regard:

- limiting the FBT concession to a valuation discount (e.g. value at 75% of cost) rather than a complete exemption; and/or
- capping the value of the FBT concession to a specified amount per employee.

Given that employee travel to and from work comprises such a large component of Australian vehicle use and congestion an FBT concession for public transport costs has the potential to

deliver significant change to vehicle use patterns. Implementation of an FBT concession for public transport costs should therefore be strongly considered in order to better pursue policy objectives aimed at decreasing vehicle congestion.

## 6. FBT concession for bicycle purchase costs

A number of first-round submissions to the Review also argue in favour of an FBT exemption for bicycles. This submission notes that this is another area in which the Government can better utilise FBT as a policy tool, i.e. by formulating a concession for employee use of bicycles.

First Round Submission Applicant	Proposed amendment to FBT car concession
 <b>Australian Conservation Foundation</b>	“Recommendation 5.4: Exempt public transport and active transport benefits from fringe benefits tax.”
 The Cycling Promotion Fund	“We note and endorse the policy initiatives adopted in other countries to promote bicycle use and other forms of sustainable and active transportation, recognising both the severity of transport problems and the powerful incentive that taxes can have on behaviour.”
 The Australian Bicycle Council	“Consideration should be given to the removal of FBT where cycling is promoted by employers as a means of encouraging more widespread application of sustainable transport options.”

The potential benefits of an FBT concession for bicycle purchase costs are highlighted by a similar scheme has already been successfully introduced in the United Kingdom. This scheme has lead to a range of benefits which derive from an increase in the use of bicycles by employees for home to work transport.

### UK bicycle subsidy scheme:

Employers in the UK are able to assist their employees to obtain bicycles that are suitable for travel to and from work through a scheme that, in effect, amounts to an FBT concession.

Under the UK’s Cycle to Work initiative employers can purchase bicycles and provide them for employee use, while allowing the employees to repay the purchase price over three years using pre-tax income.

The scheme is limited in a number of significant ways however, in order to better tailor its outcomes to the specific environmental policy being prosecuted by the UK government, e.g.:

- The employee must use the bicycle more than 50% of the time for journeys between home and their workplace;
- The scheme must not be limited to specific employees – i.e. it must be freely available to all employees and not offered to specific groups on more favourable terms, and
- Ownership cannot be transferred to the employee during the repayment period.

The scheme is seen as providing both environmental and general workforce health benefits, both of which are current policy priorities for the UK government.

Once again, the UK Cycle to Work Scheme **demonstrates the potency of FBT concessions as a means of pursuing government policy**. Rather than abandoning FBT as a policy implementation tool, the UK have actively embraced it and in the process delivered significant community health and environmental benefits. At the same time UK businesses have been given a valuable tool for relieving wage pressure through the use of tax-effective remuneration options.

This submission recommends that the Review consider implementation of a similar 'Cycle to Work' scheme in Australia through creation of a targeted FBT concession.

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## **Part 3. FBT concessions for the Not-For-Profit Sector**

A key goal of the Future Tax System Review is the reduction in complexity of Australia’s taxation laws. It was a common theme of many first round submissions to note that Australia’s FBT laws are unnecessarily complex given the relatively small proportion of Australia’s overall tax take that they represent.

With that in mind this submission notes that all FBT concessions apply valuation and/or exemption rules that involve some level of complexity. While this complexity can be an impediment to the introduction of new FBT concessions, or indeed the retention of current FBT concessions, it is important to note that this will not always be the case.

One significant example of a FBT law that is not overly complex is the FBT concessions for the not-for-profit industry (“the NFP industry”)

### **7. Preserving tax law simplicity: the NFP industry incentives**

The following ‘Consultation Question’ has been specifically asked in relation to the current review:

Given the impact of the tax concessions for NFP organisations on competition, compliance costs and equity, would alternative arrangements (such as the provision of direct funding) be a more efficient way of assisting these organisations to further their philanthropic and community-based activities?

This submission notes that legislative complexity *does not* act as a significant impediment to delivery of the FBT concessions for Public Benevolent Institutions and some Public Hospitals. This is reflected in the following submission from the St Vincent de Paul Society:

<b>First Round Submission Applicant</b>	<b>Proposed amendment to FBT car concession</b>
 <b>The St Vincent de Paul Society</b>	“There are few problems with the current tax system’s treatment of charities. In fact, the Society has always considered favourably the ATO’s administration of the present taxation Acts and Regulations as the affect Charitable Institutions and Public Benevolent Institutions.”

In addition to the support of Australian charities, such as above, the Applicants note that Australian industry and technology has also stepped in to assist smaller organisations address the issue of FBT law complexity. Specifically, the Australian salary packaging industry has been helpful in delivering these concessions to small to medium charities simply and effectively.

The salary packaging industry facilitates the delivery of benefits associated with Australia’s various FBT concessions and in particular vehicle and charity/hospital concessions. To the extent that taxation law complexity is necessary in order to achieve specific policy outcomes (for example in order to protect revenue) the salary packaging industry operates to mitigate the impact of that complexity through expert advice and innovative technology.

That is, the salary packaging industry makes taxpayer use of FBT concessions easy – even where those concessions contain elements of legislative complexity. In fact, this very point

was made by Mr Ken Henry in the Architecture of Australia’s tax and transfer system paper released in August 2008:

Technological changes mean that it is now much easier for employers and employees to utilise salary sacrifice arrangements. Several companies specialise in providing these arrangements, further enhancing their accessibility.

As such this submission’s response to the Consultation Question noted above is that removal of the FBT concessions for philanthropic and community-based organisations would not lead to an increase in the efficiency with which these concessions are passed on to taxpayers. In fact, alternative tax concessions, particularly moving the concessions from FBT to Income Tax, has the potential to significantly complicate delivery of the tax savings especially if the changes are such that the salary packaging industry can no longer facilitate delivery of the benefits.

**Key Message:** removal of the FBT concessions for philanthropic and community-based organisations would not lead to an increase in the efficiency with which these concessions are passed on to taxpayers. The Australian salary packaging industry already facilitates easy access to the present concessions.

## 8. Preserving the value of the FBT concessions for the NFP industry

The current FBT concessions for the NFP industry apply a ‘tax-free threshold’ to all fringe benefits provided to eligible employees. Those thresholds have been set at specified amounts, depending on the NFP industry within which the employee works:

- a \$17,000 grossed-up taxable value threshold for not-for profit hospital employees, and
- a \$30,000 grossed-up taxable value threshold for Public Benevolent Institution employees

It is significant to note that the above thresholds are not indexed to the Australian CPI and their value has therefore been eroded since introduction. It is equally clear that the value of these concessions will continue to erode unless the Review acts to preserve this through indexation of the threshold amount.

First Round Submission Applicant	Proposed amendment to FBT car concession
 <p><b>The St Vincent de Paul Society</b></p>	<p>“The indexing of the FBT exemption to average male weekly earnings would be a simple measure to ensure that the FBT exemption kept in line with wage movements. This would meet the government’s objective in helping charities to attract competent staff. The indexation should occur with relation back to the date the capped threshold was set at \$30,000 per employee.”</p>

It cannot have been the legislative intention that this exemption be allowed to slowly lose value over time as the Australian economy grows – such a conclusion would be entirely contrary to its purpose. The NFP sector in Australia cannot afford to have the value of a

critical remuneration tool, one designed to assist them compete with commercial employers, erode whilst the private sector salaries with which they are competing continue to grow.

This submission proposes that the FBT threshold concession for the NFP sector be indexed annually in order to preserve its value. Furthermore, we submit that any indexation applied should be calculated from the date the threshold exemption was initially included in order to recover the value that has already been lost.

**Key Message:** In order to protect the value of the NFP FBT concessions, and therefore their usefulness to the NFP sector in attracting employees, the Review must recommend **annual indexation of the exempt threshold limits.**

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## **Conclusion**

This submission makes the following key points in relation to the application of FBT in Australia:

### **The FBT concession for cars:**

- is in Australia's fundamental interests as it promotes economic activity within the motor vehicle and related industry sectors. The need for retention of this concession is particularly high in the current economic climate given current global financial crisis
- is necessary for Australian business efficiency: some form of concession must be retained in order to avoid complex 'Operating Cost Method' calculations for all employer-provided vehicles
- will result in the loss of a remuneration benefit that many Australian families depend on – particularly those at the lower end of the remuneration spectrum, and
- is a valuable policy tool that, with modification, can encourage Australian drivers and employers to make vehicle purchase and usage decisions that are not harmful to the Australian environment.

### **New FBT concessions should be considered:**

- an FBT concession for public transport costs has the potential to deliver significant change to vehicle use patterns within Australia thereby assisting the government to pursue its stated environmental policy objectives, and
- An FBT concession for bicycle purchase costs, similar to the scheme underway in the UK, would deliver significant incentives for Australian workers to not only reduce their vehicle emissions, but also to embrace a more healthy and active lifestyle.

### **The not-for-profit sector FBT concessions:**

- Should be retained within the FBT Act as Australian industry has built an effective framework through which this benefit is delivered directly to NFP industry employees, and
- Should be indexed to the CPI in order to prevent erosion of value, thereby preserving the level of assistance offered to the NFP sector.

Through adoption of the above points it is this submission's contention that the Henry Taxation Review can significantly improve and/or maintain the level of economic, environmental and community benefit arising from the application of taxation law.

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