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AFTS Secretariat

Henry Review
The Treasury
Langton Crescent
PARKES ACT 2600

by email to: AFTSubmissions@treasury.gov.au

MTF Submission on Australia's Future Tax System

The (MTF) is a local government transport advocacy and networking group, with a membership of 19 Melbourne metropolitan local governments, with associate members from across the transport sector. It should be noted that when the MTF presents a submission on behalf of its local government members, the views presented are independent of the views of associate members.

Given its transport focus, this MTF submission to the review of Australia's Tax system, is confined to the taxation treatment of transport modes.

Review of Fringe Benefit Tax

Fringe benefits tax (FBT) is structured so as to provide greater benefits the more a motor vehicle is used. This is evident from the following table where the FBT rate reduces from 26% to 7%.

Initial Cost Base	Annualised Km	%	Taxable Value	Type	Grossed Up Benefit	FBT Payable
25,770.00	40,102	7	1,803.90	1	3,724.51	1,731.90
25,770.00	28,166	11	2,834.70	1	5,852.81	2,721.55
25,770.00	18,193	20	5,154.00	1	10,641.46	4,948.28
25,770.00	11,466	26	6,700.20	1	13,833.90	6,432.76

The structure of the current statutory FBT formula has the impact of encouraging greater use of motor vehicles in order to achieve a lower percentage rate of taxation in respect of the vehicle.

At a time when governments, communities and individuals are concerned with the need to minimise green house gas generation, it is vital to ensure that taxation and other policies and processes are not diametrically opposed to that goal.

The MTF thus seeks a review of the graduated formula for FBT charges on motor vehicles. This should properly reflect government and community priorities to reduce the use of motor vehicles, in order to reduce greenhouse gas emissions, and to improve health and air quality outcomes.

Fuel tax credits and subsidies for mining, trucking, and aviation fuels

Apart from FBT, as highlighted by the Australian Conservation Foundation in a recent analysis, the 2007/08 budget papers show that for every dollar committed to reducing or mitigating climate change, Australia spends \$12 rewarding activities that cause the problem!¹ This must be redressed!

Tax incentives for employers offering public transport passes, car pooling, car sharing, bikes

Travel to and from work has generally been viewed in the tax system as a private expense. This has been compromised by tax advantages for car use. The tax system does not actively support sustainable transport modes. The failure to provide tax incentives for employers offering public transport passes, car pooling, car sharing, or bicycles, should be reviewed.

The MTF seeks reform of the taxation system not only to create a level playing field between private vehicles and public transport commuters, but to reverse the incentives for use of cars and trucks which discriminate against public transport and rail freight modes.

The MTF appreciates the opportunity to provide its submission and looks forward to the Review outcome.

Jackie Fristacky
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¹ K Davidson, *Fringe benefit that exacerbates greenhouse gas emissions is a march of folly*, The Age, 15 October 2007.