



AUSTRALIAN SALARY PACKAGING INDUSTRY ASSOCIATION

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The Henry Review and Changes to FBT Concessions

ASPIA welcomes the release of the Australia's Future Tax System review ("the Henry review") by the Australian Federal Government. A full and detailed understanding of the recommendations contained within the review is critical to:

- employers that utilise pre-tax remuneration products,
- employees that rely on the tax savings delivered by these products, and
- the Salary Packaging industry as a whole.

It is of significant benefit to Australian employers *and* employees that access to all recommendations contained within the review is now available.

It must be noted, however, that in some respects **the release of the review (and the Government's response) raises more questions than it answers**. A number of recommendations are explained in only vague terms and the lack of guidance in the Government's response only compounds the uncertainty.

In particular, the Salary Packaging Industry would like to see further guidance issued in relation to the following issues:

1. **Recommendation 9:** the proposal to tax an undefined range of "readily valued" benefits in employee hands is only vaguely defined despite its potential to significantly **impact both the tax paid by Australian employees and their overall compliance burden**.

More detail is necessary in order to properly gauge the potential impact of this recommendation.

2. **Recommendation 9(b):** the proposal to value cars for taxation purposes at a flat 20% rate, instead of the four rates currently available under the statutory formula method, would result in **significant changes to employee car use and packaging decisions**.

The Government's position in relation to this recommendation **should be identified** for the purposes of community/business consultation.

ASPIA does however congratulate the Government on its decision to specifically reject the (long anticipated) Henry review recommendation to abolish the 'threshold' benefit for not-for-profit employers.

Rejection of this proposal offers remuneration certainty to employers and employees in this important sector of the Australian economy.

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For further comment or information in relation to the above items please contact our technical spokesperson on this issue, Simon Ellis on (02) 9112 4265 or 0423 206 215.

For general media enquiries about the Australian Salary Packaging Industry Association please contact the association's media liaison: Brad Dobinson Phone: (02) 9911 3072 or 0411 115 669.