

PRESS RELEASE 25th January 2010:

The Henry Review and Changes to FBT Concessions for Charities: Media Errors

There have been a number of stories in the national media over the past few days reporting that the Henry Taxation Review has recommended abolition of the FBT 'threshold' concession for Charities and Public Hospitals.

In what may be an attempt to pre-emptively "sell" these changes to an understandably sceptical public, the following misrepresentations and inaccuracies have somehow been included.

1. The FBT concession is worth a *maximum* of \$7,460 per person, not \$30,000 as has been reported

The \$30,000 figure refers to the *grossed-up* value of fringe benefits included under the tax concession. In fact in the vast majority of cases, the actual after-tax saving delivered by this concession is only \$4,815 (and even those on the top marginal rate can only save a maximum of \$7,460).

For Public Hospital workers the concession is even smaller, with most workers achieving an after-tax saving of only \$2,730.

2. The FBT concession is neither complex nor 'open to rorting'

The FBT concession allows qualifying employees to salary package *any* expenditure up to the prescribed limit. This could be the cost of purchasing daily groceries or the cost of renting a jumping castle for a birthday party – it doesn't matter *what* the expenditure is as long as it is less than the annual limit.

This is neither complex nor open to rorting as every employee in a qualifying industry gets exactly the same limit regardless of what they spend their money on.

3. The FBT concession is not for 'high-paid executives'

The FBT concession is available to *all* staff who work for a Charity or Public Hospital.

Many of the media articles have mentioned Porthes and holiday homes for 'high-paid executives', but in reality the concession that the Review proposes to abolish has nothing to do with these items.

4. The FBT concession is neither costly nor inefficient

The threshold concession for charities and Public Hospitals is robust, efficient and a low-cost way of delivering assistance to workers in the Charity and Public Hospital sector.

In fact the cost of administering the assistance is generally less than 1.5% of the total after-tax savings delivered to these employees ***and is borne by the employees themselves.***

A complex, government administered system of grants and cash rebates is a far less efficient way of delivering this benefit, and will almost certainly see a significant reduction in the value of the assistance delivered to workers in these important industries.

The Salary Packaging Administration Industry agrees that tax policy and reform is important, and that genuine 'rorts' should be carefully reviewed and addressed. Nonetheless a positive outcome for Australians can only be achieved **if the public debate is accurately informed.**

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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.

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