

To whom it may concern

Regarding the intended review into the intersection of FTB and FBT, in the past I have written to several parties about this very subject (I might even have documented something for a prior Parliamentary review some time ago). It is of interest to me as to why this review is now being considered, and whether previous submissions on this matter to the CPA (for instance) have initiated this review.

If that were the case, then documenting my submission is a futile exercise as the matter I raise will likely already be in scope. Without knowing the (ins/outs) of the review it is impossible for me to know this.

For what it is worth: Note this issue is of particular interest to those (many) employees within the non profit areas (health for example) of the economy.

When an individual (eg a Nurse) receives Fringe benefits, subject to the threshold limits available to those employees (the \$8,755/\$17,000 (PBI/Charity) limit) available under the FBT legislation it is not uncommon that this concession, is recognised for what it is (a tax break) uniquely available to a select group of employees in our economy (whatever other employees in the economy think about the arrangement). Up until fairly recent times the vast bulk of employees in the WA public health system (as an example) tended to shy away from this concession as many were convinced it was "too good to be true".

This changed a few years ago when the provider of salary packaging in the WA health sector was opened up to competition. As part of the opening up process many staff who previously never bothered with salary packaging were now being proactively encouraged to join the 'bandwagon'. This was obviously of great value to the new providers who recognised a huge source of untapped commission.

The rub however comes from the fact that many of the newer 'recruits' were lower paid staff (eg patient service assistants and other admin type staff) who invariably would be lucky to earn \$50,000 p.a. Many also work part time. For many of the higher paid staff (medical etc) they were already packaging to the hilt anyhow and needed no convincing.

For these (newer) staff taking part of their salary (pre tax) to perhaps pay mortgages etc is great in theory. However, when their fringe benefits are calculated for payment summary purposes (the RFBA) is grossed up by the 1.9417 factor as per FBT legislation. This in effect treats the value to those employees of the fringe benefit as being equal to a tax saving of 47%, when in fact the true value is 30%. The employee is deemed to be earning more income than they physically are. This is a quirk of FBT history where it had originally been the preserve of higher income earners who would likely have been in the top tax bracket, thus preserving the position of that employee whether in a pre or post tax position.

Clearly, with the inclusion of many lower income individuals (as part of the concessional arrangements) this FBT impost can be quite onerous on individuals. The gross up of RFBA's affects many other means tested areas (eg HECS/ Medicare Surcharge etc).

Notwithstanding the amount of roting that is likely going on under this concessional arrangement (particularly in the non reportable areas such as car parking and specifically meal entertainment) which is another matter (for another venue) this RFBA gross up arrangement is an impost for individuals of low(er) income.

Regards

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