

Chapter 5

Conclusions

5.1 The committee believes that the main amendments in the bill, while relatively modest steps, will make the tax system fairer and more efficient. It hopes that many more changes along similar lines will flow from the report of the Australia's Future Tax System Review Panel.

5.2 The measures increase revenue, and so are unpopular with some of those from whom the revenue is raised. However, the measures are in the overall public interest. They allow reductions in other forms of taxation. They also help the Government maintain a moderately restrictive fiscal stance, which supports the Reserve Bank in restraining inflation, and thereby lowers pressures on interest rates.

5.3 The main objections in submissions were to removing the exemption from fringe benefits tax currently enjoyed by people able to buy their lunch cheaper through salary sacrifice. The bill will mean these people have to pay the same for a lunch as those not able to package their salaries in this way. The bill does not, of course, stop people buying a healthy lunch or having it delivered to their workplace, or prevent employers subsidising this, although some of the objections might give this impression.

5.4 There is a case for holding off on reforms to the tax system until the Government responds to the Australia's Future Tax System Review Panel, to reduce the compliance costs for taxpayers of adjusting to changing rules. But on balance the committee feels it is better to make improvements now rather than waiting two or more years.

Recommendation 1

5.5 The committee recommends that the Senate pass the bill.

5.6 The committee notes concerns that the revenue to be raised by removing the fringe benefits tax exemption for meal cards may be considerably overstated. It accepts Treasury's arguments as to why it could not previously consult with industry about the measure.

Recommendation 2

5.7 The committee recommends that the Treasury consult with industry to reassess the revenue impact of removing the fringe benefits tax exemption for meal cards before the Mid-Year Economic and Fiscal Outlook.

Senator Annette Hurley

Chair

