



20 June 2008
Senator Hurley
Chair
Senate Economics Committee
Parliament House
Canberra ACT 2600

Dear Senator

Re: Inquiry into TAX LAWS AMENDMENT (BUDGET MEASURES) BILL 2008

ACOSS welcomes the opportunity to make this short submission on the Government's Budget proposals to tighten exemptions from Fringe Benefits Tax in regard to meal cards and work related items such as laptops.

We support the thrust of these changes to prevent abuse of exemptions to Fringe Benefits Tax (FBT) that were originally intended to apply only to meals consumed in the workplace and items such as laptops used mainly for work related purposes. They are consistent with the original intent of the FBT, which was to protect the personal income tax base by ensuring that fringe benefits for personal use were brought to tax.

More broadly, ACOSS supports tax and social security policies that take account of people's ability to pay or need for income support in a fair and consistent way. Loopholes in these systems that enable people who are relatively well off to use accounting devices to minimise their incomes undermine the fairness and integrity of the tax and social security systems. As well as improving the fairness of the programs concerned, closing these loopholes would save the Government money that could then be devoted to improving services for low and middle income people. One way to achieve this is to use broad rather than narrow definitions of income for tax and income test purposes.

There has been some publicity recently about the effects of a separate measure legislated in 2006 on employees in public benevolent institutions – the use of gross rather than net income as the basis for taking account of the value of fringe benefits in the Family Tax Benefit income test. We understand that this measure was introduced as part of a complex package of child support changes legislated in 2006. ACOSS is concerned about the effect of that legislation on community services and their employees and is developing proposals to address the problem, but it should not be confused with the measures in the Bill currently before the Senate or other Budget measures relating to fringe benefits. The changes legislated in 2006 that are of concern to ACOSS were of a technical nature, changing the formula by which reportable fringe benefits were taken into account.

Should you have any queries about this submission please contact myself or Peter Davidson our Senior Policy Officer at this office.

Yours sincerely

Gregor Macfie
Acting CEO