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Improving the utilisation of the fringe benefits tax concession by Public Benevolent Institutions

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Joe Zabar

Crawford School of Public Policy
Australian National University

Benjamin Jefferson

Crawford School of Public Policy
Australian National University

Abstract

Public Benevolent Institutions (PBIs) are a class of charity which are entitled to access a Fringe Benefits Tax (FBT) Concession. We explore the history of this concession and how it has evolved since its introduction. The paper also identifies barriers which inhibit access to the FBT Concession by employees of PBI charities, as well as offering some suggestions, at both a policy level and practice, to address these barriers.

Keywords: Public Benevolent Institutions, charity, fringe benefits tax

** We thank the salary sacrifice providers and charities which participated in our online survey through which valuable insights about the concession and some of the barriers to its utilisation were provided.*

Author contact: jfzabar1@gmail.com

Tax and Transfer Policy Institute

Crawford School of Public Policy

College of **Asia and the Pacific**

+61 2 6125 9318

tax.policy@anu.edu.au

The Australian National University

Canberra ACT 0200 Australia

www.anu.edu.au

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1. Executive Summary

The Australian tax code creates opportunities for Public Benevolent Institutions (PBIs – a specific sub-type of charitable organisation) to leverage a Fringe Benefit Tax Concession. This concession enables employees of a PBI to access a capped amount of fringe benefits from their employer without having those benefits included in their assessable income.

In practice the employees of PBI's are utilising the Concession at levels well below optimal. There are several causes for employee's reluctance to use the Concession. Key amongst these is that those fringe benefits, while excluded from assessable income for taxation, are still considered income when the amount an individual is required to pay down on their higher education (HECS-HELP) debt is assessed. The resulting drop in 'take home pay' can be significant, and the benefit of taking fringe benefits obscured.

The other key barrier to PBI employees' inclination to make use of the Concession emerges from their lack of knowledge of the Concession and the benefit it offers them.

PBI's do important work for the public good. The Fringe Benefit Tax Concession is intended to incentivise employees to work for PBIs, to improve the PBIs' ability to attract good employees, and ultimately to add to the public good created by those Institutions. Thus, it is in the national interest to improve the extent to which PBI employees benefit from the Concession.

A shift in policy, to discount fringe benefits from the calculation of higher education debt, is likely to significantly improve employees' inclination to take untaxed fringe benefits in lieu of taxable income.

Practical measures also likely to contribute to employees' use of the Concession include:

- Salary packaging providers working directly with PBI employers, in preference to engaging directly with individual employees
- PBIs and salary packaging providers improving employees' understanding of the benefits available from the Concession
- PBIs promoting fringe benefits and the associated Concession as part of their regular recruitment activity, and setting targets for the take-up of fringe benefits amongst their employees.

2. Introduction

In this paper we explore the relationship between the charity sector, Australia's tax code and the history of the introduction of the Fringe Benefit Tax Concession (the Concession) as it applies to Public Benevolent Institutions (PBIs). The paper identifies barriers precluding use of the Concession, that is the factors which deter employees of PBIs directly or indirectly from accessing the Concession as part of their employment. It also explores policy and implementation changes that could be introduced to increase the utilisation of this concession amongst employees of PBIs.

The findings and recommendations in this paper have been informed by a survey of ten PBI employers with a combined workforce of 3,400 staff and four salary packaging provider organisations, with coverage of over 263,500 employees.

The survey questions (see Attachment 1) developed for this paper were designed primarily to provide insights into the respective attitudes of employers and providers and was open over the period of May and June 2022. The associated quantitative data collected through the survey enabled us to understand some of the characteristics of the respondents as well as develop a better understanding of the complex interactions and competing motivations which influence the utilisation of the Concession.

The paper makes no findings nor judgments on the efficacy of the Fringe Benefits Tax Concession. Instead, its focus is to assess and articulate ways to increase the uptake of the Concession by PBIs' employees to enhance the capacity of PBI organisations to deliver their charitable purpose.

3. Taxation and Charities

3.1 The Charity Sector

The role of charities in our society has evolved over time. Charities today are as diverse in size and scope as businesses in the for-profit sector. While many charities have adopted the systems and practices of the business sector, they remain fundamentally different. Charities exist for a charitable purpose that is for the public benefit and not for profit¹. The foundation upon which charities exist – public benefit – is similar to the purpose of government; but charities are not part of government. Charities belong to a class of entities which are neither government nor business but hold the characteristics of both. They are in effect a third sector.

The charity sector in Australia currently has around 60,000 entities² supporting a range of causes as diverse as community welfare and poverty relief, caring for the elderly, sick and those with a disability, education through to animal welfare and the environment. The sector employs³ more than 1.3 million people and a further 3.5 million volunteers supporting the

¹ *Charities Act 2013* (Cth) (Section 6)

² Australian Charities and Not For Profits Commission (2022). *ACNC Registered Charities*. <https://data.gov.au/dataset/ds-dga-b050b242-4487-4306-abf5-07ca073e5594/details?q=>

³ *Ibid*

sector's activities. Total annual revenue for the sector⁴ in 2020 was estimated to be AUD 176 billion.

The relationship between Australian charities and the tax code is different to that of most other entities in Australia; it is in essence defined by exemption or relief from taxes. Similar tax treatment for charities applies in other common law countries such as England, New Zealand, Canada and the United States of America.

3.2 Australia's Tax Code - a Social Policy Lever

The Australian tax and transfer system is designed to raise the revenue necessary to finance government expenditure, while trying to maintain the policy principles of efficiency, equity and simplicity.

In particular, in line with the desire to fairly distribute income, the tax and transfer system explicitly promotes charitable goods and services. Most evidently, exemptions are given because charities provide goods and services which society values, but which are under-provided by the free market⁵. This is by virtue of the positive externalities of charity work, whereby private providers do not receive the full benefit of the work.

However, this leaves open the question of why it is that charities are funded by 'tax expenditures' rather than subsidised by equivalent cash transfers. The naïve response is that the system works this way because it always has. Indeed, charitable institutions have been exempt from income tax since 1799 when it was first introduced in the United Kingdom – Ann O'Connell's research suggests this quirk of the legal system carried over into the tax system of early colonial Australia⁶.

Even taking this justification at face value, we might still ask why exemptions were made in the first place – and why they have not yet been entirely removed. More sophisticated justifications for charitable tax exemptions refer to one of two general defences – either that it is more expedient to support charitable services through tax exemptions than cash transfers, or that charitable entities are sufficiently different from corporate entities that taxing them is ethically or legally unjustified.

In the report *Taxation and Philanthropy*, the OECD discusses practical arguments for and against tax expenditures as a means to support charities⁷. One reason charities might prefer to be funded by tax exemption rather than direct subsidies is that the tax exemption moves the locus of power closer to the charity – rather than having to petition the government for funding, they receive a guaranteed proportional reduction in costs each year. A reason for the government to prefer tax expenditures over subsidies is that government funding might lead to 'crowding out' of charitable donations – if the public has already paid taxes and sees those taxes supporting charities, they may then be less likely to support those charities.⁸

⁴ Australian Charities and Not For Profits Commission (2022). 'Australian Charities Report' 8th Edition 7 June 2022, <https://www.acnc.gov.au/tools/reports/australian-charities-report-8th-edition>

⁵ Strand, J. (1985). The charitable contribution deduction: A politico-economic analysis

⁶ O'Connell, A. (2020). Taxation of Charities and Not-for-profits. LexisNexis Australia.

⁷ OECD (2020), "The case for providing tax concessions for philanthropy", in *Taxation and Philanthropy*, OECD Publishing, Paris, <https://doi.org/10.1787/722d538f-en>.

⁸ Bekkers R, Wit A. (2016). 'Government Support and Charitable Donations: A Meta-Analysis of the Crowding Out Hypothesis'. *Journal of Public Administration Research and Theory*, Vol 27, No 2, 1 April 2017.

3.3 Evolution of Charity Tax Exemptions

To understand the relationship between the Australian tax code and charity policy one needs to appreciate its evolution over centuries. The principle of exempting Australian charities from certain taxes has its origins dating back to the *Duties on Income Tax Act 1799*⁹, which included an exemption for corporations, fraternities and societies established for charitable purposes only.

Charitable purposes were first defined within the *Charitable Uses Act 1601* (referred to as the Statute of Elizabeth)¹⁰. However, the foundations of today's charitable definition arise from the judgement in the *Income Tax Special Commissioners v Pemsel 1891* (Pemsel's Case)¹¹. *Pemsel* defined the categories of charitable purpose as:

- The relief of poverty;
- The advancement of education;
- The advancement of religion; and
- Other purposes beneficial to the community.

These four charity heads continue to be reflected in Australia's charity law today, albeit modified to better reflect the contemporary context in which charities operate. Since 2013 an expanded and contemporised list of charitable purposes have been codified by way of the Charities Act 2013¹².

Charity subtypes, such as Public Benevolent Institutions (PBI), are afforded additional tax concessions. The Australian Charities and Not for Profit Commission¹³ defines a PBI as a charitable institution with a main purpose of providing benevolent relief to people in need. The case of *Perpetual Trustee Co Ltd v Commissioner of Taxation (1931)*¹⁴ established that a PBI is benevolent if it is organised, promoted or conducted for the relief of poverty or distress (sickness, disability, destitution, suffering, misfortune or helplessness). PBIs are charities whose purpose is to support our society's most vulnerable and disadvantaged people.

The definition of charitable purpose has evolved since *Pemsel*. That said it would be incorrect to assume that all charities regardless of their purpose are viewed similarly under Australia's tax code. Access to tax exemptions such as land and payroll tax will vary according to the type of charity and the jurisdiction in which it operates.

At the Commonwealth level too, access to tax exemptions or benefits such as deductible gift recipient (DGR) status varies with the purpose of the charities (See Appendix 2). Charities which are deemed PBIs and Health Promotion Charities (HPCs), receive the greatest level of concessional support, namely through the provision of an additional concession, a capped exemption from Fringe Benefits Tax (FBT).

⁹ Duties on Income Tax Act 1799, 39 Geo 3, c 13, s 4.

¹⁰ Charitable Uses Act 1601 (UK), 43 Eliz 1 c 4

¹¹ [1891] AC 531 (HL)

¹² Charities Act 2013 [Section 12]

¹³ Commissioner's Interpretation Statement: Public Benevolent Institutions – CIS 2016/03

¹⁴ 45 CLR 224

4. History of the Fringe Benefits (FBT) Concession

The Fringe Benefits Tax (FBT) was introduced by the Hawke Government in 1986, following the publication of the 1985 *Tax Reform White Paper*. The underlying motivation was to address the erosion of the personal income tax base as companies substituted cash compensation for employment fringe benefits, such as paid business lunches. The base broadening reforms of 1986 included the FBT to undermine this erosion and capture comprehensive personal income in the tax base.

The initial FBT assessment bill introduced to parliament contained no mention of charities nor not-for-profit entities¹⁵. In an exchange between the then Treasurer Mr Keating and Liberal MP, Mr Hodges, clarification was sought from the government as to whether charities would be exempt from FBT. Keating responded to these inquiries stating that:

“The fringe benefits tax will apply to all taxed and tax-exempt bodies, other than churches. Churches are now exempt under the Income Tax Assessment Act. It will impact upon the school system and the education system both public and private.”¹⁶

When asked specifically about charitable organisations Keating answered:

“Yes, it [FBT] will apply to charitable organisations. There is no reason why a charitable institution should give fringe benefits any more than anyone else.”¹⁷

Despite Keating’s initial refusal to exempt charities or adjacent institutions from the new fringe benefits tax, Queensland Senator, Flo Bjelke-Petersen influenced the attitude of the house, arguing:

“What started out as an attack by the Government on company executives has ended up as an attack on charitable and welfare organisations. These tax-exempt non-government bodies, most of which are struggling to make ends meet and to maintain their current level of services, will now be hit by a tax where none existed before.”¹⁸

An amendment put by the Liberal opposition initially failed; a redrafted amendment by the minor party the Australian Democrats modified the definition of charities which would receive exemption:

“To the lay person... the mention of charities and charitable organisations... would appear [to be] a perfectly appropriate lynchpin on which to hang an amendment to exempt those particular charitable organisations... Quite clearly that definition of what is legally known as a public benevolent institution is the word that we, in this place, and most people in the community would regard as applying to what we would normally call a charitable organisation.”¹⁹

Ultimately, the amendment passed, exempting Public Benevolent Institutions from FBT.

Over time, exemptions for the FBT were expanded. Initially available only to PBIs, in 2000 the exemption was extended to employees of public hospitals who were technically employed by a Commonwealth, state or territory public authority (“A New Tax System (Fringe Benefits) Act 2000 (Cth)). The exemption also expanded to include employees of

¹⁵ Fringe Benefits Tax Assessment Act (Cth) 1986

¹⁶ Parliament of Australia Hansard, 17 October 1985, Page 2330, Paul Keating

¹⁷ Ibid

¹⁸ Parliamentary Hansard, 30 May 1986, 3077, Florence Bjelke-Petersen

¹⁹ Parliamentary Hansard, 3 June 1986, 3271, Janine Haines

hospitals operated by a non-profit society or corporation. In 2001 and 2004 the exemption was extended to employees of health promotion charities (HPCs) and ambulance services respectively.

However, to control the 'tax expenditures' made through the FBT exemption, caps on total exemptible amounts were introduced in 2001; \$17,000 (grossed-up value) for all employees of hospitals and ambulance services, and \$30,000 for PBIs and HPCs employees. A further cap was introduced in 2016 – a limit of \$5,000 (grossed-up value) per year, per employee on concessions for meals and entertainment.

These changes to the policy as well as changes in the structure of the Australian economy and society in the past 40 years suggest that the actual effects of the legislation may differ substantially from when it was introduced.

5. Emergence of salary packaging providers

Salary packaging providers began to emerge in the late 1990s. Today these providers – both for profit and not for profit - play an important role in the administration of a range of employee related pre-tax expenses available under Australia's tax code.

The types of pre-tax deductible expenses administered by salary packaging providers includes additional superannuation payments, novated leases, disability and income protection insurance, and for the PBI sector Fringe Benefits Tax concessions as well as meal entertainment.

The growth of the salary packaging industry has in part been driven by the demand from employees and employers alike to maximise the salary value through leveraging the tax code. The inherent complexity of Australia's tax code led to many employers, especially PBIs, to outsource the administration of these arrangements. Outsourcing was made more desirable to PBIs because of the opportunity to pass on the full cost of the service to the employee.

6. Utilisation of the FBT Concession

Data on the actual utilisation of the Concession by employees of PBI employers is not readily available. Based on our survey results, utilisation of the of the Concession varies greatly across PBI employers. We found that uptake of salary packaging ranged from less than 50% with one employer to almost 100% with another. The median uptake was 70%.

To understand the interactions of PBI employers and salary packaging providers with the current benefits regime, we invited market participants to share their thoughts on the policy's effectiveness and utilisation. A series of prompting questions (see Attachment 1) generated some insights into the respective attitudes of employers and providers, while associated quantitative data collection enabled us to understand some of the characteristics of respondents in more depth. This primary, focus-group style of data provides a starting point for the formulation of a policy/practice regime that will further benefit both employees and employers.

6.1 Employers

Ten employers gave feedback on their experience with the Concession, including an organisation with fewer than 10 employees and an organisation with over 1,000 employees.

The total coverage was over 3,400 staff, with an average organisational headcount of 362. Responses were received from organisations in the sectors of welfare services, overseas aid and development, disability care, aged care, and advocacy. The most common sector of respondents was welfare services.

The uptake of salary packaging by employees varies dramatically between organisations. This motivated our interest in the reasons some employees might not use salary packaging, and the extent to which organisational culture influenced that reasoning. Employers in general suggested they strongly encourage uptake of salary packaging to their employees. They think the Concession process is neither overly complex nor limited in the benefits it offers employees earning less than \$45,000 a year.

While responses from employers suggested they had a strong commitment to utilising the Concession, some of the qualitative responses shed light on why there may be employees less likely to use salary packaging. From the survey, employers identified employees with a HECS-HELP debt or those with child support payment as cohorts unlikely to consider utilising the Concession.

When an employee has a HECS-HELP debt, the required amount of repayment is calculated based on the HECS-HELP Repayable Income (HRI), which is total taxable income plus gross fringe benefits. Similarly, the grossed-up value of the Concession is also a feature in the calculation of the child support payments.

While salary packaging can save HECS-HELP debt holders, the marginal benefit is reduced by the increased HECS-HELP repayments associated with the fringe benefits, producing a 'headwind' effect that limits the upside of salary packaging in particular for younger employees with a HECS-HELP debt. For a sense of the effect, we used an online salary packaging benefits calculator to compare the savings for an employee earning just below the median income (\$50 000) without any added benefits and no meal allowance. An employee without a HECS-HELP debt would benefit to the amount of \$3856 through the utilisation of the Concession. Whereas the value of the Concession for an employee with a HECS-HELP would be in the order of \$2439

The differing value of the Concession between the two employees on equal salary maybe a factor for some in deciding whether to utilise the Concession. However, it is more likely that a decision on whether to take up the Concession will be influenced by factors including poor administration of the Concession. In the case of employees with HECS-HELP debt there is a requirement to make additional tax payments to meet the HRI calculation. Where such additional tax payments are not made during the year, or the employee makes no provision for the additional tax payment, they can be confronted with an increased tax bill. It is the unbudgeted tax bill which can deter current and new employees from utilising the Concession.

Beyond the HECS-HELP issue, many employers suggested that the complexity of the system and a lack of understanding of how the Concession works, as well as limited understanding of the benefits available discouraged uptake. To elicit a deeper understanding of what could be done to remedy these issues, we asked employers what could be done by salary packaging providers and by government to increase uptake and make the system better for both employees and employers.

The overwhelming response was a preference for regular engagement with employees by the providers themselves, and explanations that were clear, simple and helpful – rather than over-complicated. With respect to government, some suggested indexation or increases of

the cap to adjust for changes in the cost of living since its introduction. However, the most consistently expressed suggestion was for government to reduce the headwind of HECS-HELP repayments on FBT benefits.

6.2 Providers

Four salary packaging provider organisations, with coverage of over 263,500 PBI and non-PBI employees, responded to our survey. The proportion of their client base which were PBIs varied from 100% to less than 20%.

Providers generally agreed with employers that the solution to underutilisation of the Concession was better education of employees with respect to the associated benefits. They thought that providers should have more direct access to employees, particularly at the point of onboarding, and that employers too should be more proactive in promoting the potential benefits of the concession as a staff retention tool. They agreed with employers that reducing the headwind effect of HECS-HELP debts would both increase uptake and improve the ability of PBI clients to retain and attract staff, particularly young talent.

7. Opportunities to improve utilisation

Increased utilisation of the Concession by employees of PBI organisations can be achieved with policy changes from government, especially with respect to the interaction between the Concession and HECS-HELP debts. Increased utilisation would also follow from practice changes by employers and salary packaging providers. These changes need not be complex nor costly.

7.1 Changes to Government Policy

When employers were asked to identify the main reasons for their employees not using salary sacrificing, the most common answer related to the perceived negative financial implications of the Concession on individuals with a HECS-HELP debt. By including gross fringe benefits in the HECS-HELP Repayable Income (HRI), the benefit of the FBT concession to the employee is significantly reduced.

To achieve the maximum value of the Concession and therefore increase the potential utilisation of the concession by employees carrying a HECS-HELP debt, this paper recommends:

Recommendation 1

Given the current workforce and skills issues affecting PBI entities operating particularly in the care and support sector; including disability and aged care; that consideration be given to exclude the Reportable Fringe Benefits Amount from the income calculation for the repayment of HECS-HELP debt for all PBI employees.

Another obvious policy change, raised through the self-guided focus group process, was an increase to the various FBT Concession caps. Such an increase may lead to an increase in the utilisation of the Concession. However, it is our view that the beneficiaries of any increase to the caps would most likely be those already utilising the Concession.

Instead, improvements to the utilisation levels of the Concession amongst employees would be achieved through enhancing the understanding of the Concession amongst both employees and employers.

7.2 Changes to implementation

As FBT is paid by employers, employers are accountable for reporting and other obligations associated with its administration. Many PBI employers have opted to outsource the administration of FBT to salary packaging providers.

A focus on the relationship between the PBI employer and the salary packaging provider will in our view improve the likelihood of increasing utilisation of the Concession, (and more so if Recommendation 1 of this paper is enacted). While the formal relationship for the administration of the Concession is between the employer and the salary packaging provider, the cost of the service is usually borne by the employee in receipt of the benefit. This is in contrast to the administration of other conditions of service provided by the employer to their employee.

In the self-guided focus group process, employers and salary packaging providers were asked what the other respective group could do to encourage employees to take up salary sacrificing. The employers identified regular engagement and visits by providers and a better explanation of the benefits. In turn salary packaging providers suggested greater access to the employees of their clients, particularly as part of their onboarding process and greater promotion by the employer of the full range of benefits available to the employee.

What is common to both is the importance of good information and regular connection between the salary packaging provider and PBI employees. The variability in uptake rates across PBIs suggests much could be done to improve quality and frequency of information provided to employees.

The relationship between the PBI employer and salary packaging provider should be of strategic workforce partners and not simply outsourcing administration of the Concession. The PBI employer should view the Concession as a critical tool to attract and retain staff rather than a simple condition of service for employees who opt to utilise it.

To achieve this, we suggest that the PBI employer be responsible for the full contractual relationship with the salary packaging provider including the financial costs of the service currently borne by the employee. Changing the relationship between the employer and salary packaging provider will, in our view, incentivise the executives of PBI organisations to extract the maximum value from the salary packaging provider in terms of developing information, support and services more tailored to the demands of their workforce.

We acknowledge that transferring the current financial cost of administering the Concession to employers may encourage some employers to limit or remove access to the Concession. However, the current tightness of Australia's labour market may impact negatively on those

employers who limit access or continue with the practice of charging employees for the benefit when other employers are not.

Recommendation 2

That PBI employers cover the fees payable to the salary packaging provider, previously borne by their employees, of the administration of the Concession.

In addition to realigning the financial relationship between the PBI employer and salary packaging provider, PBI employers would best consider the Concession a strategic tool to support workforce retention and attraction. Therefore, the PBI employer should ensure its workforce marketing and recruitment activities include proper acknowledgment of the availability and benefits of the Concession. Employers' onboarding process should include comprehensive and detailed discussion and information about the Concession. PBI employers who simply refer a new staff member to the salary packaging provider are isolating the recruit's onboarding from salary packaging, and will continue to reinforce a disconnect with the Concession.

Recommendation 3

PBI employers need to take stronger ownership of the FBT Concession through improved promotion of its benefits in its recruitment and retention activities and during staff induction and onboarding processes.

Most PBI employers have sufficiently robust systems to monitor the uptake level of the Concession. For the Concession to be a strategic tool in attracting and retaining staff, PBI employers should set annual targets for the percentage of employees utilising the Concession.

Recommendation 4

PBI employers set annual targets for the percentage of employees accessing the FBT Concession.

Salary packaging providers should develop tailored information to help improve employees' understanding of the operation of the Concession and its benefits and limitations. Recognition should also be given to the differing levels of financial literacy amongst certain cohorts within the PBI workforce. Care must be taken to ensure that information provided remains general and not of a type requiring a licenced financial advisor.

Recommendation 5

Salary packaging providers should develop information about the FBT Concession that is cognisant of the varying levels of financial literacy across the PBI workforce and where appropriate adjust the channels of communication used.

8. Conclusion

The Fringe Benefit Tax concession was born of good politics. Economists argue against it, Treasury continues to curb its value and yet the Concession remains a cornerstone of the tax concession arrangements for Public Benevolent Institutions after almost four decades.

At a time of workforce shortages in areas such as aged care and disability support, Public Benevolent Institutions can no longer ignore the value of optimising the utilisation of this important and useful tax concession. In this paper we offer recommendations to enhance the utilisation of the Concession amongst organisations privileged to have access to it.

While policy change around the HECS-HELP would have the greatest impact in increasing utilisation of the Concession amongst graduates entering the workforce, changing the attitude and level of engagement by employers, with respect to the Concession, will be most important in raising employee utilisation. It is incumbent upon the leaders of Public Benevolent Institutions to harness the value of the Concession to maximise their capacity to deliver the public and social good they provide to society.

Appendix 1

TTPI Fringe Benefits Tax Concession Survey: salary packaging providers

The survey questions below relate to employees of public benevolent institutions (PBIs) entitled to access the \$30,000 grossed up cap for FBT exemption.

1. Does your organisation provide salary sacrificing services to not for profit entities that are Public Benevolent Institutions (PBIs)?
2. What percentage of your organisational client base are Public Benevolent Institutions (PBIs)?
3. What is the total number of employees utilising salary sacrifice which are from Public Benevolent Institutions (PBIs)?
4. Please indicate to what extent you agree with the following statement: "Employers have a good understanding of the benefits of salary sacrificing as a staff attraction/retention tool"
 - Strongly disagree
 - Disagree
 - Neither agree nor disagree
 - Agree
 - Strongly agree
5. Please indicate to what extent you agree with the following statement: "Employers actively encourage their staff to utilise salary sacrificing"
 - Strongly disagree
 - Disagree
 - Neither agree nor disagree
 - Agree
 - Strongly agree
6. Please indicate to what extent you agree with the following statement: "Salary sacrificing has little or no value for employees earning less than \$45 000 a year"
 - Strongly disagree
 - Disagree
 - Neither agree nor disagree
 - Agree
 - Strongly agree
7. What changes could be made by your clients to encourage their employees to utilise salary sacrificing?
8. What changes could be made by government to maximise the benefit of salary sacrificing for organisations and employees?

9. Of the total number of PBI staff who utilise your salary sacrificing services approximately what percentage of them are in the following gross annual income brackets? (%) (Note: the salary for part-time employees is their actual salary, not their full-time equivalent)
- Less than \$18 200
 - \$18 200 - \$45 000
 - \$45 000 - \$70 000
 - \$70 000 - \$120 000
 - \$120 000 - \$180 000
 - More than \$180 000

If you would be willing to participate in further discussions about the FBT concession with TTPI researchers, please enter a contact email here.

TTPI Fringe Benefits Tax Concession Survey: PBI employers

The survey questions below relate to employees of public benevolent institutions (PBIs) entitled to access the \$30,000 grossed up cap for FBT exemption.

1. As at your last payroll, how many staff did you employ?
2. What percentage of these staff use salary sacrificing?
3. Does your organisation outsource the management of its salary sacrifice scheme?
4. Apart from any administration fee does your organisation pass on the full value of the FBT concession to your employees?
5. Of the total number of PBI staff who utilise your salary sacrificing services approximately what percentage of them are in the following gross annual income brackets? (%) (Note: the salary for part-time employees is their actual salary, not their full-time equivalent)
 - Less than \$18 200
 - \$18 200 - \$45 000
 - \$45 000 - \$70 000
 - \$70 000 - \$120 000
 - \$120 000 - \$180 000
 - More than \$180 000
6. Please indicate to what extent you agree with the following statement: "Your organisation actively encourages employees to use salary sacrificing".
 - Strongly disagree
 - Disagree
 - Neither agree nor disagree
 - Agree

- Strongly agree
7. Please indicate to what extent you agree with the following statement: “Salary sacrificing is viewed by employees as being too complex”
- Strongly disagree
 - Disagree
 - Neither agree nor disagree
 - Agree
 - Strongly agree
8. Please indicate to what extent you agree with the following statement: “Salary sacrificing has little or no value for employees earning less than \$45 000 a year”
- Strongly disagree
 - Disagree
 - Neither agree nor disagree
 - Agree
 - Strongly agree
9. What do you think is the main reason why employees do not use salary sacrificing?
10. What could salary sacrifice providers do to encourage employees to utilise salary sacrificing?
11. What changes could be made by government to maximise the benefit of salary sacrificing for your organisation and employees?
12. Which sector(s) do you operate in?
- Disability care
 - Advocacy
 - Welfare services
 - Aged care
 - Overseas aid development
 - Other

If you would be willing to participate in further discussions about the FBT concession with TTPI researchers, please leave a contact email here.

Appendix 2

Summary of tax concessions²⁰

Tax Concession	Types of NFP organisation		
	Public Benevolent Institutions (PBIs) and Health Promotion Charities (HPCs)	Charities	Other NFP Organisations
Income tax exemption	Yes	Yes	Certain types only
FBT exemption (subject to capping threshold)	Yes	–	Certain types only Public and NFP hospitals, Ambulance services
FBT rebate	–	Yes	Certain types only
GST concessions for charities and gift deductible entities	Yes	Yes	Certain types only – the organisation must be a DGR
GST concessions for NFP organisations	Yes	Yes	Yes
DGR endorsement – the organisation must be endorsed by us unless the organisation is listed by name in tax law	Yes	Certain types only	Certain types only
Refunds of franking credits – the organisation must be a Charity endorsed by us or a DGR or an organisation is listed by name in tax law	Yes	Yes	Certain types only

²⁰ <https://www.ato.gov.au/Non-profit/Getting-started/Tax-concessions-for-not-for-profits/>

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