



youth affairs network qld

# **ACTION**

## **FRINGE BENEFIT TAX (FBT)** **&** **SALARY SACRIFICE**

### **How do we defend ourselves?**

**ACTION is needed immediately – you can help!**

- ◆ Read the report attached. Do you relate to the Case studies? If the proposed \$17,000 exemption limit for FBT is introduced the impact on the youth sector will be significant. Hours will need to be reduced or jobs shed at your organisation. Workers will have less disposable income. Service delivery will suffer once again!
- ◆ Send the attached letter to your local Member of Parliament. Add address, name of member and sign. Add changes to the letter as you see necessary.
- ◆ Attend the meeting at YANQ on Friday 10<sup>th</sup> December 1999 in person or by teleconference.
- ◆ Send feedback on the report to YANQ by Wednesday 8<sup>th</sup> December by 5pm for preparation prior to the Friday meeting.
- ◆ For further information contact Bernice Smith, Director of YANQ. Ph: 3236 5400.

26<sup>th</sup> November 1999

Dear

This letter expresses my concern about the impact of the changes to Fringe Benefit Tax (FBT) legislation on the community youth sector for youth workers, organisations and young people.

You may be aware that many community youth organisations are using salary sacrifice to minimise employment costs. If the proposed \$17,000 exemption limit is introduced organisations will be required to pay Fringe Benefits Tax. Also the new reportable requirements for group certificates will mean that individual workers may face less disposable income in the 2000/2001 tax year and thereafter.

Salary sacrifice is widely used to either increase positions to cover gaps in service delivery or to provide above award wage levels in order to encourage workers with higher skill levels to remain within the industry.

**Whilst there are sound arguments for changes to the fringe benefits tax system, on grounds of equity, a consequence of the proposed changes may be a reduction in effective funding levels and therefore services provided by the welfare sector. It can be argued that the immediate source of the funding, by grant or tax exemption is irrelevant to the Government since the ultimate source of funding is the tax dollar.**

**The Community Services sector is vulnerable to any changes in costs.** The sector has a long history of providing services on minimal levels of funding. Never the less it does represent a significant and growing section of the workforce. If the effects of the New Tax System (ANTS) package result in a dampening of growth in the sector as hours are reduced or jobs are shed to accommodate funding shortfalls then this will have an effect on the overall employment levels. **Both the Federal Government and the State Government (with its 5% target) are committed to preserving jobs.** Reducing welfare sector funding levels will have **direct and indirect** effects on unemployment.

The most worrying aspect of effective cuts to resources in the youth sector is the **impact on young people**. The capacity of community youth workers to intervene to reduce the effects of social disadvantage and social dislocation is inevitably diminished. **A reduction of welfare services has detrimental effect on the well being of society as whole.** If no supplementation of grants is made to offset the increased costs of the changes then organisations will have no option other than cutting hours for service delivery, diverting resources to administrative functions, and thereby cutting services to clients.

I therefore request that you, as my local Member of Parliament, explore how will this legislation will impact on young people within our community. We would like to meet with you as soon as possible to discuss what can be done to ensure that youth services will not suffer as a result of the new Tax System.

Yours faithfully

PARLIAMENT OF AUSTRALIA

HOUSE OF REPRESENTATIVES

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