



Monday, 1 June 2015

Tax White Paper Task Force  
The Treasury and the Minister for Small Business  
Langton Crescent  
PARKES ACT 2600

Email: [bettertax@treasury.gov.au](mailto:bettertax@treasury.gov.au)

**Re: Submission to The Treasury and the Minister for Small Business regarding the Re:think:  
Tax Discussion Paper**

St John Ambulance Australia (St John) thanks the Tax White Paper Task Force and Minister for Small Business for the opportunity to provide input into a review of the tax system. St John has chosen to respond to a selection of questions most relevant to our charitable Public Benevolent Institution (PBI) status.

St John is a large charity that receives significant tax concessions in the area of income tax, GST concessions and Fringe Benefits Tax (FBT). These concessions assist St John in running the ambulance services in the Northern Territory and Western Australia, in providing affordable first aid services at events, providing an emergency response across Australia in times of disaster, amongst other programs freely available to the community.

St John relies on these concessions to carry out its charitable services across Australia and is concerned that certain proposed changes to these concessions will greatly impact St John and in turn, the Australian community.

**Background**

Internationally, St John is one the world's oldest health charities.

For over 130 years St John Ambulance Australia has given Australians the power to save lives with first aid. Recognised as the most reliable provider of first aid training, kits and event health services, St John is respected for its community support and event and emergency response. For the second year in a row, St John has been ranked as the third most reputable charity in AMR's Charity Reputation Index.

As well as providing a critical first aid response at events and during emergencies, St John empowers the community by increasing resilience through first aid learning. In 2014, St John issued 669,630 training certificates (being 2.85% of the Australian population trained in life-saving first aid), contributed over 3.3 million hours of ambulatory services, over 1.2 million hours volunteer service to the community and freely trained 260,000 students under our free First Aid in Schools Program.

Additionally, St John also serves the community by providing a youth development program, various community care programs, a public access defibrillation program and ophthalmic programs. In some states/territories, St John volunteers also operate in rural and remote areas where emergency ambulatory services can be hours away, providing an emergency response that these communities would otherwise go without for extended periods of time.

St John is largely self-funded via its sale of first aid kits and supplies, and first aid training services, with government contracts limited to provision of ambulance services in Western Australia and Northern Territory, some community services programs and specific project grants.

### ***Economic Contribution of St John in Australia***

In 2009/2010, St John commissioned Access Economics to conduct research to quantify the economic contribution that St John makes to Australia through three of its programs; provision of first aid services at events and emergencies, first aid training and Project HeartStart (the National Defibrillation Program). The value of the contribution to Australian society was conservatively estimated at \$1 million a day, equating to over \$365 million per year.

Although this financial contribution alone is substantial, the contribution is significantly more if all the other programs St John conducts or has increased since the study was undertaken are taken into consideration. These include St John providing leadership training of our volunteers, our free First Aid in Schools Program that trains over 260,000 students annually and increased resilience of the Australian community as a result of first aid learning.

### **Are the current tax arrangements for the NFP sector appropriate?**

As previously mentioned, St John is a self-funded charity that relies upon the funds generated from the sale of first aid kits and training to fund its charitable purpose of saving lives.

The tax concessions that St John receives are essential for St John to provide the vital event health services, disaster assistance and community-based first aid training programs across Australia. Many of these services are provided at no cost to the community or are highly subsidised. Without these tax concessions, **many of these services will cease to exist.**

Please find below St John's response to the concessions identified for review in the discussion paper, including the anticipated impact of significant change to these concessions on St John and the Australian community.

### ***Income tax exemptions***

St John undertakes significant activities on a fee for service basis and uses any surpluses generated to fulfil the charitable purposes of St John. The funds generated from these services help provide uniforms for volunteers, first aid supplies, volunteer training and the staffing of emergency response in times of disaster.

If St John did not receive income tax exempt status it would not be able to conduct many of these charitable services. If essential services provided by St John, such as providing first aid in emergencies, were not conducted by us, governments will need to outlay considerable

additional expenditure to replace these services due to the increased burden placed on emergency services and hospitals.

Additionally, St John's first aid services are provided at large public events, such as music festivals, which also reduces the burden on emergency services, with only cases requiring critical care utilising emergency and hospital services. These services save governments money that can be redirected into other aspects of the health service system.

If St John had to pay tax on our earnings, there would be less money available to run community-based projects, such as staffing an emergency response during a disaster– and with a significant consequential detriment to the Australian community.

### ***Refundable franking credits***

Over its 130 years of operation, St John has built up some reserves and has an investment portfolio designed to help fund community-based projects as well as carry out research in first aid and medical research. The reserves are essential to ensure that St John can continue to operate in difficult times and provide the necessary funds for capital expenditure. Although it is a relatively small amount, St John benefits from the franking credits received from its investment portfolio and uses these credits to fund its charitable activities. If these were no longer available to St John, many of our charitable services would suffer and the community would be at a disadvantage.

### ***Fringe Benefits Tax (FBT) Concession***

As a PBI, St John is currently able to use the FBT exemption to attract staff. Although many people would like to work for a charity, organisations such as St John experience difficulty in competing with private enterprise and government where wages are (generally) higher.

St John entities employ over 1400 people across Australia, and in many areas experiences difficulty in competing with commercial and government operations able to offer higher wages. The FBT concessions allow St John to offer a higher salary package than it would normally be able to afford, which assists attracting suitably qualified staff.

If the ability to access FBT concessions was removed, St John estimates the impact to staff salaries would be significant. St John would only be left with two options; the first to increase salaries to match other sectors, which would lead to a consequential reduction in both staff and charitable work accordingly, or the second, not increase salaries and risk the loss of good staff with industry knowledge to the private and government sectors. In the Northern Territory and Western Australia where the government provide funding to St John to run the ambulance service, these governments would need to increase their funding substantially to St John so the ambulance service could still be run cost effectively and at its current capacity otherwise risk detrimental outcomes to the community. Changes in FBT concessions could otherwise result in less ambulances and paramedics on the road, which undermines the effectiveness of this critical emergency service.

More generally, St John is concerned that a change to the way FBT concessions are provided will have a detrimental impact on the charitable and Not-For-Profit (NFP) Sector. If employees are not adequately compensated by government or through the tax system for the loss of the FBT concession, it will have a highly negative impact on both charitable organisations and recipients of the services these organisations provide. The end result will be an inability to attract highly capable staff to the sector.

The method for administering FBT concessions was discussed in the Not-For-Profit Sector Tax Concession Working Group Paper in which there were various options suggested. One option suggested in that paper was for the government to separately fund these concessions. It would be an enormous administrative burden if St John and other charities were required to apply directly to government to replace these FBT concessions. St John does not see this as a viable solution to this issue.

Another option was that an amount of \$2,800 per employee be made available. However, it is difficult to set an amount per employee as the current concession is dependent upon the marginal tax rates of employees.

The White Paper acknowledges the enormous role that NFPs have in Australian society. NFPs contribute to around 3.8 per cent of GDP, employ almost 1.1 million people, generated revenue of about \$107 billion and provide care to members of our community most in need. These positive results are only possible because NFPs, just like commercial businesses, are able to attract and retain quality staff. To do this, NFPs need to be able to compete with business with respect to wages. **Removal of FBT exemptions undermines the NFP Sector's ability to undertake its vital work.**

Neither of the options presented by the Not-For-Profit Sector Tax Concession Working Group are ideal in our view. **St John supports the current method of providing FBT exemptions.**

**However it must be recognised that this FBT benefit has decreased over time.** As the existing caps for FBT concessions have not increased for several years, the benefits have slowly been decreasing due to changes in tax rates. **St John proposes that the FBT concessions should be indexed in relation to the Wage Price Index.**

### ***Other FBT Concessions***

#### ***Meal Entertainment***

The meal and entertainment concession also assists St John to attract suitable staff. Removing this concession (or including it within the cap of general FBT concessions) will impact on St John's ability to provide its services. St John agrees with the recent budget decision to cap meal entertainment and entertainment facility leasing benefit, although St John believes it would be simpler and fairer if the cap was set at \$10,000.

All meal and accommodation costs should be covered and not subject to interpretation by individual providers.

#### ***GST Concessions***

As a not-for-profit entity, St John is able to access some GST concessions. An example is in the area of first aid services when St John provides services to the public at less than 50% of the market value of this service. The value of this concession is passed on directly to the community (as these events are normally small community events such as school fetes or football games), and as the organisers of the event do not have to pay GST for St John providing the service, the community benefits.

St John Event Health Services (EHS) volunteers provide a vital service to the community, ensuring safety and support for all attendees at events, ranging from small community based activities to major sporting fixtures, music festivals, public gatherings and disaster evacuation centres. Consequently, the strain on the Health System is significantly reduced due to the

decrease in unnecessary emergency triple zero (000) calls and visits to hospitals. As services are provided GST free, this assists St John Ambulance Australia to engage in providing EHS to many of the smaller, not-for-profit organisations requiring first aid services that cannot afford the rates charged by commercially based organisations.

#### *Deductible Gifts*

As previously stated, St John is a self-funding organisation with income primarily generated via first aid training, sale of kits and EHS. St John does seek donations from the community from time to time, particularly to support specific charitable activities. Whilst these donations are a very small part of its total income, St John believes having DGR status is important as it allows our donors to support a charity they trust and believe in, as well as receiving a tax deduction for their donation. We have no doubt that if DGR status was removed, the level of donations would drop significantly.

#### **To what extent do the tax arrangements for the NFP sector raise particular concerns about competitive advantage compared to the tax arrangements for for-profit organisations?**

The concessions that have been provided to the NFP sector recognise the different purpose of the NFP sector, which is not to raise money for shareholders but to provide a public benefit and add value to the lives of people in the community. Even where organisations like St John engage in fee for service activities, it does not mean that they are commercial entities since the income generated from such activities is applied for the real benefit of the public and in line with their charitable purpose.

The NFP sector often operates in industries where for-profit organisations have little interest. For St John, this is particularly so in the area of providing event health services for small community events such as school fetes, local sporting events and community gatherings. For smaller organisations that utilise St John's first aid services, removal of concessions means that these organisations may be unable to afford first aid services as previously outlined. Without first aid services present, many community events will not be able to proceed or lives will be placed at risk where they do.

The NFP sector is also often at a disadvantage and cannot compete with for-profit organisations due to difficulty in accessing capital as well as acquiring long term government contracts. Although St John is not reliant on government funding (with the exception of the ambulance services and some other small community-based programs), St John does rely heavily on the FBT concessions to help match the higher salaries paid by the public and private sectors, and to meet its key goal of making first aid a part of everybody's life, and in turn, save lives in the community.

#### **49. What, if any, administrative arrangements could be simplified that would result in similar outcomes, but with reduced compliance costs?**

One area previously mentioned is the need for all charities to apply to the Australian Taxation Office for DGR status. As the ACNC has now taken over the administration of charities there is now a clear process for determining charitable status. This could easily be extended to include DGR status which would reduce the administrative burden for NFPs.

Another simplification would be for organisations to apply to the ACNC for Overseas Aid Deductible Gift Recipient Status (OADGS). It is estimated that it takes charities several years to receive OADGS and there is considerable work required by the charity and also government departments to assess the application. Many NFPs find applying for OAGDS onerous administratively, costly (such as in wages and legal fees) and overly difficult to achieve. These challenges often make it too difficult for NFPs to pursue despite their legitimate and beneficial activities overseas. A streamlined process operated by the ACNC would potentially lead to huge savings by the government and the sector.

## Conclusion

The Tax Discussion Paper stated that the revenue foregone from providing tax concessions is significant; it also suggested that these concessions provide NFPs with a competitive advantage. The Tax Discussion Paper also recognised that the NPF sector does provide services where for-profit private sector organisations do not, and that these tax concessions do help provide societal outcomes.

However, the paper **has not recognised the increased costs that would be incurred by government and society if the NFP sector did not carry out these activities**. It also did not acknowledge that there is not a level playing field and the difficulties that NFPs do have with competing with organisations that do not have similar challenges with funding. Any reduction in tax concessions for NFPs would serve only to place St John and other NFPs at a competitive disadvantage and therefore harming the service delivery to those Australian citizens most in need.

As stated herein, St John makes a significant impact to the Australian community. If the tax concessions were reduced this would have a detrimental impact on governments and Australian citizens alike; specifically, we anticipate that such a move will lead to poorer health outcomes as well as a detrimental impact on government's budgets.

St John welcomes the opportunity to comment on the *Re:think* paper. I am happy to discuss any aspect of this submission.

Yours sincerely,



Peter LeCornu  
Chief Executive Officer  
St John Ambulance Australia