

COMMUNITY SECTOR INDUSTRY ISSUES FORUM

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Services Sustainability and Taxation

Forum Address by Joe Zabar
UnitingCare Australia

It's a pleasure to be here today - the issue surrounding the FBT concession is more about the viability of services than simply whether we need to receive a tax break.

As we have been told by the Government and economic commentators alike, the current review of Australia's tax and transfer system is the most significant review of economic policy undertaken in the past 30 years and has the potential to transform the development of Australian society for decades.

With such far reaching potential comes an obligation and responsibility on the government to ensure that the tax-transfer system serves society's needs and allows its citizens to fulfil their aspirations. It is therefore incumbent upon the Government to ensure that the structure and mechanisms of our tax-transfer system are enablers of social policy rather than the drivers of it.

We are all well aware of the basic theories which drive Australia's market-based economy and there would be little surprise if I stated that the principles of a market-based economy are not genuinely reflected in the way our sector operates.

Market-based principles do not always apply in our sector for two main reasons:

- first, the primary purchaser of services is the Government, and it effectively sets the price its willing to pay for those services; and
- secondly, our sector continues to provide services because we are driven by mission and not by profit.

Despite some recent shifts in thinking, governments have recognised that market principles have not translated well in our sector and to address this have utilised a range of economic levers to encourage the delivery of social services. These levers include:

- the indexation of funding or new funding to meet growing or new demand; and
- providing a range of tax concessions to not-for profit organisations in the form of income tax relief, DGR as well as FBT, payroll (State) and GST concessions.

However, over the course of the Henry Review process there has been a noticeable increase in opposition to the provision of tax concessions to PBI organisations. While the government bureaucracy has always been sceptical about the merits of the FBT

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