



CATHOLIC HEALTH

Australia

1 June 2015

Tax White Paper Task Force
The Treasury
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Submission in response to the Tax Discussion Paper

Catholic Health Australia's (CHA) submission focuses only on Chapter 7: *Not-for-profit sector (NFP)*.

Catholic Health Australia represents the largest owner grouping of health and aged care services in Australia. The Catholic sector embraces 66 hospitals, eight dedicated hospices with palliative care services and over 550 aged care services. These aged care services comprise 23,000 residential aged care beds, over 8,500 home care packages and around 6,000 retirement and independent living units for seniors and low income residents.

This submission is written from the perspective of Catholic aged care providers.

The Church and charitable sector forms the most significant part of the aged care sector with 60 per cent of all residential and over 85 per cent of all home care places operated by this sector.

The tax exempt status of the NFP sector plays an important role in enabling the sector to deliver to consumers the aged care services that would otherwise not be provided. This is particularly the case with residential aged care where almost 70 per cent of the services in regional and remote Australia are delivered by the NFP sector. The current FBT and salary sacrifice arrangements are important tools in attracting qualified staff to move to these communities thus ensuring continuity of high standards of care and support and quality accommodation.





Salary sacrifice arrangements have been a feature of the NFP sector prior to the introduction of the FBT and, including meal entertainment and facility leasing, are important elements in the NFP attraction and retention strategies. The aged care sector is a low wage sector of the economy, and employers in this sector are often unable to compete with the salaries other sectors of the economy, including the public sector, can sustain. The offer of the three components of salary packaging, meal entertainment and facility leasing are means by which they can increase a person's "take home" pay. If any of the three options were removed, it would significantly reduce their ability to remain competitive in the labour market.

Consideration of this issue also has to be in the context of the ageing of Australia's population. Being able to offer competitive terms and conditions will be particularly important for the sector to secure the large skilled workforce that will be required. Currently there are some 300,000 people working in aged care. In evidence to the Productivity Commission's 2011 inquiry into aged care, the then Department of Health and Ageing estimated that the workforce requirement would grow to over 800,000 by 2050.

The salary packaging cap has been gradually eroded over the years with the change in tax free thresholds. Whereas salary packaging provided benefit for staff at \$15,000 around 10 years ago the benefit now only applies at around \$22,000. This removes the attractiveness of this benefit for many lower paid workers and particular for those who are employed part time. To correct this going forward, the cap needs to be increased each year by CPI.

In summary, we would wish to highlight the importance of the salary sacrifice and related FBT provisions to the ability of the aged care sector to attract and retain the workforce that will be required to care for the growing number of older Australians. In their absence, other measures will be necessary to secure the skilled aged care workforce that will be required.

Please contact Richard Gray at richardg@cha.org.au should you require any clarification of matters raised in this submission.

Yours sincerely

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Catholic Health Australia

