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Australia's Future Tax System Review Panel  
AFTS Secretariat  
The Treasury  
Langton Crescent  
PARKES ACT 2600

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Dear Review Panel members

**POLICE FEDERATION OF AUSTRALIA: SUBMISSION ON  
AUSTRALIA'S FUTURE TAX SYSTEM**

This submission by the President of the Police Federation of Australia (PFA), endorsed by the PFA Executive, is made on behalf of Australia's 52,000 police officers from each State and Territory and the Commonwealth. The submission is not confidential.

We do not propose to address each of your Terms of Reference (ToR) or 'framing questions'. Instead our submission touches on a number the ToR, namely:

1. The tax system's role in funding quality public services that benefit individual members of the community and, through its design, impacts on the allocation of resources.
2. The comprehensive review's aim to create a tax structure that will position Australia to deal with the ...social....challenges of the 21<sup>st</sup> century and enhance Australia's economic and social outcomes.
3. The review's aim of enhancing overall economic, social and environmental wellbeing and ensuring appropriate incentives to work.

4. The relationship of the tax system with the transfer payments system and other social support payments, rules and concessions.

(These are your ToR numbers 1, 3, 4 and 7 respectively.)

We also touch on your 'framing questions' relating to

- major challenges facing Australia that need to be addressed through the tax-transfer system and
- problems with the current system.

### **Remote indigenous communities: tax benefit for essential workers**

One important challenge we, as an organization representing police officers, see is to deliver effective security and law and order in remote indigenous communities, a public service that every other community in Australia expects and receives.

As we have recently told the NT Intervention Review Board, these communities do not have the permanent police presence that they need (and the 66 extra police promised in 2008 have not been achieved). The NT Government cannot afford to attract and retain the necessary number of police officers for these communities, so the Australian Government has resorted to 'fly-in, fly-out' short-term police presence seconded, temporarily from the AFP and State police agencies. This is not an acceptable, or a long-term, solution.

These remote indigenous communities have been compared with 'failed states' in the Pacific region where Australia has sent APF and seconded State and Territory police to provide important law and order services.

Our current taxation system recognizes the hardship and difficulties of police and military service in such areas, including East Timor for example, by providing a significant tax exemption or a tax offset for those individuals who undertake that service. In comparison, the living conditions, remoteness and hardship experienced by those living in outback Australia are probably more onerous and lengthy than those in overseas policing locations. And yet those serving overseas receive a significant tax advantage. It probably costs the taxation system very little. For example, your paper, *Architecture of Australia's Tax and Transfer System*, at Table 2.10, says the zone<sup>1</sup> and overseas forces tax offset is valued at \$225 million and benefits 530,800 individuals.

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<sup>1</sup> We understand from discussions with the Assistant Treasurer that the zonal tax rebate for isolated areas has not increased in 15 years and that it is insignificant compared with the overseas tax exemption.

**We propose that reform of the tax system should include a specific tax benefit (comparable to defence and police personnel serving overseas) for individuals who are permanently resident in a remote indigenous community and are providing an essential public service. This would include police officers, nurses and teachers at a minimum.**

### **Fringe Benefits Tax**

Since 2004 the tax law has provided fringe benefits tax (FBT) and deductible gift recipient status to public ambulance services and public and non-profit hospitals. These essential services are therefore able to access:

- a fringe benefits tax exemption of up to \$17,000 of grossed-up taxable value per employee; and
- a remote area housing FBT exemption.

We believe these two special concessions should be extended to give equal treatment to police services for the following reasons:

- Police provide a unique service in the community – this is recognised in a number of regulatory areas and should also be recognised in the Fringe Benefits Tax system.
- Many of the duties that police perform do come within the scope of the definition of public benevolent institutions and the tax system should recognise this:
  - police do relieve suffering, misfortune etc;
  - police operate in a non-discriminatory manner for all members of the public; and
  - policing is a non-profit service.
- Police are often treated in a special manner consistent with other emergency service providers and that should be the case for FBT as well.
- The FBT law already specifically recognises the unique role of police officers by providing a special concession for travel on public transport which is not available to employees generally.
- In addition, emergency service vehicles for both police and ambulances have equivalent exemptions.

- There is a severe problem across Australia in attracting and retaining adequate police officers, including in remote areas, and extending these two concessions will assist in addressing the problem.

There are already a number of precedents for the Commonwealth extending access to FBT concessions originally provided only to charities or public benevolent institutions, to non-charitable and government bodies. Extending such access for police services would be consistent with this recent trend.

**We propose an amendment the taxation legislation to provide police services with the same capped FBT concessions as legislated for ambulance services and public and non-profit hospitals.**

### **Other FBT barriers**

The FBT legislation also creates a number of barriers to police services providing benefits to police officers which are important to the services. These relate to car fringe benefits, car parking fringe benefits, home security, conveyancing and police chaplain services.

- Car fringe benefits: the FBT concession applying to overnight garaging of marked police vehicles does not extend to travel in unmarked police cars.
- Car parking fringe benefits: institutions such as scientific, religious, charitable and public educational institutions are provided with a specific exemption for car parking facilities provided to their employees, no such exemption is provided for car parking benefits provided to employees of the police services.
- Home security: where police services provide home security measures to help ensure the safety of their officers, who must deal with accused persons and convicted criminals, the police service must pay FBT on those measures.
- Conveyancing: police officers are required to move location for work purposes on a regular basis to provide police services across States and Territories, but where the property vacated is not sold in a two year period, FBT becomes payable on conveyancing expenses at the new location.
- Police chaplain: while religious institutions are exempt from FBT relating to fringe benefits provided to religious practitioners, that exemption does not extend to other employers of religious practitioners such as police services providing benefits to their Police Chaplains.

**We propose that police services be exempted from these five fringe benefit tax impositions so that they can provide such benefits for police officers and attract, train, retain and deploy more police.**

### **Superannuation Preservation Age**

The PFA understands that the superannuation laws apply a community-wide standard preservation age which was increased in 1993. However, the *Superannuation Industry (Supervision) Act 1993* includes a power to exempt specified categories of people so that a more flexible retirement regime can be provided. It was acknowledged at the time that a 'one-size-fits-all' approach was not necessarily suitable for the entire workforce.

The modern workplace provides flexibility for employees to retire at a later age and to exit and re-enter the workforce according to an individual's circumstances. There are situations where flexibility to retire earlier should also be facilitated without a tax penalty.

The PFA has been campaigning for several years for police to be able to retire with dignity from age 55. The reason for seeking greater flexibility for police is that policing is particularly physically and psychologically demanding and dangerous work and generally involves extensive years of shift-work, all of which take a severe toll on officers.

Over 97 years ago on 1 November 1906, Mr Joseph Carruthers the Member for St George & the Colonial Treasurer said in the NSW Parliament in the Second Reading Speech on the Police Regulation (Superannuation) Bill –

*"This bill proposes to carry out a promise which has, for a considerable time been made by, I think, all sides in politics towards the police of this country....I think it will be admitted that if there be a class of public officer who deserve the best treatment in regard to their old age, or their period of incapacity, it is the police force who have to protect the lives and property of the people of the country"*

This view is still relevant today for 52,000 men and women of Australia's police forces who, if current preservation age rules continue to be applied, will be expected to continue to *"protect the lives and property of the people of the country"* until they are 60.

In May 2000, the then NSW Police Commissioner called for a reduction in the retiring age for police. He proposed that police be able to exit policing with dignity after 20, 25 and 30 years of service. At the Police Commissioner's Conference in March 2003 the Police Commissioner's of Australia unanimously supported police officers being granted an exemption from the current preservation age rules. They agreed with the PFA that it was not sensible or

feasible to expect front-line police officers to continue working operationally after age 55.

In the United Kingdom and New Zealand police are able to retire at age 55. More favourable treatment of police compared with the general community is recognition of the physical and psychological demands of their work and that age-induced impairment of these capacities make it appropriate for their own safety – and that of the public they serve – to retire from age 55.

In response to the PFA's pre-election policy on this matter, the Australian Labor Party said 'Labor recognizes there are some special cases where access should have been permitted between fifty-five and sixty years for those born after 30 June 1960'. We estimate there are some 40,000 police officers born after July 1964 who would potentially benefit from greater flexibility in retirement age and for whom this is the highest priority reform.

**We propose that police be exempt from the standard superannuation preservation age to enable police to retire from age 55.**

We would be pleased to discuss our proposals with the Review Panel.

Yours sincerely

  
Vince Kelly  
President