



## A Tiny Tax Change to Public Transport

Posted by [Phil Hart](#) on December 15, 2007 - 6:58am in [The Oil Drum: Australia/New Zealand](#)

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*This is a guest post by **Greg Baker** (meganerd) in Sydney.*

I run a small company, and I've noticed an incongruity in the Australian tax legislation which is penalising public transport over private transport. I'm trying to drum up (sorry, couldn't resist) some support for getting some legislation changed.

Here's the deal:

- if I pay for an employee to take a taxi to a client's office every morning and afternoon, there's no question that that is a valid business expense. I can deduct it fully from the company's income.
- I could also choose to pay for train or bus tickets for an employee to go back and forth to a client's office each day.
- BUT... if I go for the cheapest and most environmentally-friendly option, and pay for them to have a TravelPass (in Sydney, this is a ticket that lets you ride on any train, bus or ferry in a certain set of regions for a week), then it is regarded as a fringe benefit since they could also use it for personal use out of work hours.

It's kind of silly.

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Here's what I think needs to be done. We need to have an amendment to the Fringe Benefits Tax Act of 1986, adding a clause 47A(1B) which states:

**"Where:**

***i) an employer provides a residual benefit of a time-based pass to use of public transport;***

***ii) the employee uses the pass to travel between places at which the employee performs duties of that employment;***

***the benefit is an exempt benefit."***

The effect would be that it would encourage employers to supply TravelPasses (and the equivalent) to their staff because it would be cheaper to do so than it is at the moment.

You could have a quarterly or yearly universal public transport pass bundled in as part of your salary, for example as long as you could demonstrate that as part of your job you sometimes had

to leave your normal place of work and go somewhere else. (i.e. in the same way that lots of people salary sacrifice cars, this levels the playing field for a salary-sacrifice universal public transport pass).

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I realise that "Support 47A(1B) FBT changes!" doesn't really make a good T-shirt. It's not as good a poster issue as (say) making all public transport free with a 100% government subsidy of all trains, buses and ferries. But:

- it's a small change that I think could get bi-partisan support easily
- it's not controversial... I don't think we'll be seeing "Down with 47A(1B) FBT!" bumper stickers
- it's a step in the right direction... it does bring us closer towards the model where the default mode of transport is public, with private transport being the unusual exception.

What do folks here think? A good idea? Too tedious? Would you lobby your (possibly new) local member to support a change like this? Who would object to it?

*Addendum by Phil: The [Senate Inquiry into Australia's Future Oil Supply](#) drew pretty strong conclusions about the Fringe Benefits Tax:*

- *5.26 Many submissions argued that the concessionary tax treatment of cars as a fringe benefit should be abolished. They argued that the concession encourages the use of cars for commuting and is contrary to widely held government policy goals to promote public transport and restrain urban traffic congestion.*
- *5.27 The concession was worth about \$1.1 billion in 2004-5.21 The tax forgone is about 43% of the tax that would be collected if the taxable fringe benefit was calculated accurately. The concession is worth, on average, about \$2,300 per vehicle.<sup>22</sup>*
- *5.28 The statutory formula method of calculating the tax liability, which creates the concessionary aspect, was adopted to minimise compliance costs and to support the Australian car industry, which at the time (1986) attracted significant government support and provided nearly 85% of car sales.*
- *5.29 The Institute of Chartered Accountants in Australia (the ICAA) argues that the concessionary treatment should be ended, since: • it undesirably distorts economic behaviour; • as a way of assisting the Australian car industry it is poorly targeted, as now only 29% of new cars are Australian-made.*
- *5.30 The ICAA points out that the question of minimising compliance costs is distinct from the question of whether the tax should be concessionary. A statutory formula method could be maintained for the sake of easy compliance, while the concessionary aspect could be removed by adjusting the rates.*



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