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16 NOV 2009

Cr Geoff Lake  
President  
Australian Local Government Association  
8 Geils Court  
DEAKIN ACT 2600

Dear Cr Lake

Thank you for your letter of 18 September 2009 concerning recommendations from the 2009 National General Assembly of Local Government. I apologise for the delay in responding.

### ***Fringe benefits tax and car benefits***

The 2009 National General Assembly of Local Government has made two recommendations about fringe benefits tax treatment of car benefits.

The Australia's Future Tax System Review, established by the Rudd Government in 2008, is nearing the end of a review that I have described as the most comprehensive review of the Australian taxation and transfer system, including state taxes, for at least 50 years.

One of the issues within the scope of the review is fringe benefits tax treatment of car benefits. I note that the environmental and other impacts of the fringe benefits tax treatment of car benefits was covered in the consultation papers released by the Review Panel in December 2008.

This issue and others are being considered by the Review Panel in the development of its recommendations for the final report in December 2009 – along with feedback provided through other consultation activities.

For more information on the review please visit [www.taxreview.treasury.gov.au](http://www.taxreview.treasury.gov.au) or call 1800 614 133.

### ***Local government election expenses***

This National General Assembly also called on the Australian Taxation Office to conduct a review of the tax deductibility arrangements applying to candidates' local government election expenses. The Assembly also asked that any review examine the arrangements applying to state and federal election candidate, and how best to ensure local government candidates can be made aware of their entitlements.

The Assembly's request for a review is a matter of tax policy and therefore falls within my portfolio responsibilities. I note that the Commissioner of Taxation has responsibility for the administration of the tax laws and not their design or development and therefore would be inappropriate to conduct such a review.

I have considered the request, however, I am not inclined to support a specific review into tax deductibility arrangements applying to candidates' local government election expenses at this time as this issue also falls within scope of Australia's Future Tax System Review as described above.

By way of background, it is a general principle in the income tax law that for a deduction to be available there needs to be an essential connection between the expense incurred and the individual's income producing activities. This means that the expenditure must be incurred as part of the operations by which the taxpayer earns income. In the case of costs incurred in seeking election to public office, such expenses are incurred at a point too soon to be regarded as incurred in gaining or producing assessable income.

However, as a concession to candidates for election to local government, the Government allows a deduction of up to \$1,000 for expenditure incurred on contesting an election for membership of a local governing body. While the election expenses of candidates for local government elections do not receive the same level of concessional treatment as candidates for State and Commonwealth elections, the concession provided is still significant.

I have forwarded a copy of your letter to the Commissioner for his information. The Commissioner's administrative responsibilities include the provision of educational materials to assist taxpayers with understanding their entitlements.

***Productivity Commission's inquiry into gambling***

Lastly, the National General Assembly requested that the Australian Government expand the current Terms of Reference of the Productivity Commission Review of Gambling to include the examination of 'capping' and other demand management strategies to minimise the impacts on problem gambling.

The Productivity Commission released an issues paper on 15 December 2008. This paper clearly indicated that the Commission will consider the issue of capping as part of a wide range of possible harm minimisation strategies. Please see Section 6 of the paper for the full details – the paper can be downloaded from: [www.pc.gov.au/projects/inquiry/gambling-2009/issuespaper](http://www.pc.gov.au/projects/inquiry/gambling-2009/issuespaper).

The Commission further considers the issue of capping in its draft report on gambling, which it released on 21 October 2009. Submissions are due by 18 December 2009. I would encourage you to engage further with the Commission after reading the report, to ensure your specific concerns are known to them. Further information about the inquiry can be found on the Commission's website: [www.pc.gov.au/projects/inquiry/gambling-2009](http://www.pc.gov.au/projects/inquiry/gambling-2009).

I trust this information will be of assistance to you.

Yours sincerely

WAYNE SWAN

<b>ALGA MAIL</b>	
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