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24 August 2020

The Treasury
Langston Crescent
Parkes ACT 2600
CANBERRA
24 August 2020

Dear Treasurer

Re: Foodbank Australia - National Food Waste Tax Incentive reform proposal

Foodbank Australia Limited (Foodbank) submits as part of the pre-budget submissions, an overview of a proposed National Food Waste Tax Incentive, as a potential reform option to specifically target the relief of food waste as a policy objective.

Foodbank's activities

Foodbank is a not-for-profit charity registered with the Australian Charities and not-for-profits Commission (ACNC). As Australia's largest provider of vital food and groceries to food relief charities, Foodbank accounts for over 70% of the food provided by food rescue organisations across Australia.

Foodbank currently distributes to over 2,400 charities nationally and also supplies food for over 2,500 school breakfast programs nationally, working across the entire Australian food and grocery sector including farmers, wholesalers, manufacturers and retailers to redirect food waste otherwise going to landfill.

Tax Reform proposal for the introduction of a National Food Waste Tax Incentive

It is submitted that Implementation of a National Food Waste Tax Incentive by the Federal Government would yield the following benefits for Australia:

- Directly assist in achieving the 50 percent target for reduction of food waste in Australia by 2030 as announced by the Federal Government in the National Food Waste Strategy (i.e. to achieve the target of halving food waste by 2030). This strategy aligns with Australia's obligations in accordance with the United Nations Sustainable Development Goals and under the United Nations Framework Convention on Climate Change in reducing greenhouse gas emissions, principally through diverting food waste from landfill.
- Generating net economic gains to Australia taking to account the large economic, social and environmental benefits that flow from the reduction in food waste which is currently estimated to cost the Australian economy \$20 billion annually.
- Injecting additional stimulus into the economy and create jobs for the future.

In summary, we consider that the introduction of a specific food waste tax incentive in Australia (covering both the donation of food as well as related services, including freight, packaging, storage and distribution) should further incentivise the reduction of food waste in Australia giving rise to large net social, economic and environmental returns for all Australians both now and into the future.

As part of this submission we have included details of the proposed tax incentive as well as a policy costing request for reference by Treasury.

We can be contacted on (02) 9887 4177 to further discuss this tax reform proposal.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Brianna Casey', with a large, sweeping flourish at the end.

Brianna Casey

Chief Executive Officer - Foodbank Australia

Att:

Appendix One - Proposed National Food Waste Tax Incentive summary

Appendix Two - Treasury Policy Costing Request supporting the National Food Waste Tax Incentive

Overview of food relief tax incentive policy

Whilst the income tax law in Australia contains an extensive regime providing for the tax deductibility of charitable donations, it does not at present provide tax incentives that specifically target the relief of food waste as a policy objective.

It is submitted that the introduction of a specific food relief tax incentive would further assist in achieving the 50 percent target for reduction of food waste in Australia by 2030 announced by the Federal Government in the National Food Waste Strategy.

From a policy costing perspective, it is considered that net economic gains to Australia should result from the introduction of such an incentive taking to account the large economic, social and environmental benefits that flow from the reduction in food waste.

Currently, tax incentives in Australia include those providing specific tax deductions, which broadly reduce a taxpayer's assessable income (and thereby their liability to income tax) as well as tax offsets and cash tax incentives. Cash tax incentives and offsets broadly reduce a taxpayer's tax liability and thus generally confer a greater benefit, especially in the case of refundable tax offsets, which are payable to taxpayers as a cash tax 'refund' even where their tax liability is nil. The benefit of a tax offset is also that there is an existing legislative framework of such incentives in Australia's tax law which could be easily adapted to include a food waste reduction incentive.

Globally, food waste tax incentives have been introduced in a number of other key global jurisdictions (including OECD countries) in particular the United States, the United Kingdom, France, Canada and the Netherlands.

We have considered the tax incentives offered globally to put forward design options for the introduction of a specific food relief tax incentive in Australia.

Options for reform

Our primary recommendation is for a specific food waste tax incentive to be implemented (the 'National Food Waste Tax Incentive') with design features broadly in line with the current R&D tax offset with appropriate limitations and safeguards, and drawing on international precedents of food relief donation incentives.

Key features of the proposed National Food Waste Tax Incentive are summarised below:

- This incentive would be in the form of a non-refundable or refundable tax offset (subject to aggregated turnover thresholds) rather than a deduction. We would suggest a 45 percent cash refundable tax offset incentive would be available for donors with up to \$20 million in aggregated turnover, and a 40 percent non-refundable tax offset would be available donors with turnover of \$20 million or more. Such an incentive would be advantageous for those smaller taxpayers with aggregated turnover below \$20 million who are not taxpaying (for example primary producers in a tax loss position). Such taxpayers would still be eligible for a cash tax refund for donations of food and services.
- This incentive would apply to donations of food as well as food relief services (for example costs of services that are causally related to food relief such as transport, logistics and warehousing costs).
- For simplicity, this incentive would be payable based on the costs incurred in providing the relevant food trading stock or food relief donation services.
- The incentive would be limited to donations made to a registered charity providing food relief or other welfare services to people in need (i.e. a public benevolent institution).
- The incentive would be limited to donations made while carrying on a business. For example, a business that redistributes food to a manufacturing business that processes the donated food for

redistribution to those in need would qualify for the tax incentive. The incentive would assist the food manufacturing industry that is currently not operating at full capacity because of the COVID-19 global pandemic by creating new employment opportunities.

- Appropriate safeguards could be put in place in terms of governance relating to this tax incentive. Specific reporting of food waste donations for which the tax incentive is claimed could be similar to, for example, the framework of the current Taxable Payments Annual Reporting ('TPAR') regime providing details to the ATO of all donations subject to the Food Waste Incentive on an annual basis for data matching purposes.

If enacted, the proposed National Food Waste Incentive would contribute materially to stimulating activity in the economy at a time when this is needed. An incentive of this kind would support not only the donation of food but would also potentially create important flow-on economic activity including job creation by stimulating relevant supporting activities and services as a result of the incentive.

Our secondary option would be for an enhanced deduction option similar to that adopted by the United States, which would provide the taxpayer with a choice to deduct 200 percent of the cost or 120 percent of the market value provided.

Summary

In summary, we consider that the introduction of a specific food tax incentive in Australia (covering both the donation of food as well as related services, including freight, packaging, storage and distribution) should further incentivise the reduction of food waste in Australia giving rise to large net social, economic and environmental returns for all Australians both now and into the future.

Description of policy

Purpose or intention of the policy:

The introduction of the proposed National Food Waste Tax Incentive (covering both the donation of food as well as related services, including freight, packaging, storage and distribution) will incentivise businesses to reduce food waste in Australia giving rise to large net social, economic and environmental returns.

This will assist in achieving the 50 percent target for reduction of food waste in Australia by 2030 announced by the Federal Government in the National Food Waste Strategy.

The National Food Waste Tax Incentive has been designed considering the existing legislative framework in Australia and considering food waste tax incentives globally.

Summary of policy specification

(as applicable, please attach copies of relevant policy documents or announcements):

Our policy recommendation includes a primary and a secondary option for a tax incentive. Our primary recommendation is for a refundable or non-refundable tax offset to be implemented with design features similar to the current R&D tax incentive and including appropriate limitations and safeguards. Our secondary option would be for an enhanced deduction option similar to that adopted by the United States, which would provide the taxpayer with a choice to deduct 200 percent of the cost or 120 percent of the market value of goods or services provided.

Intended date of implementation:

Potentially 6 months after being legislated, or the beginning of the income year of legislation.

Intended duration of policy:

The recommendation is intended to be implemented as an ongoing policy, but there is possibility for review in the future to assess costs.

Details of any transitional arrangements associated with policy implementation:

N/A

Is the policy part of a package?

(If yes, list the components and interactions with proposed or existing policies.)

No

Will funding/thresholds/rates require indexation?

(If yes, list factors to be used.)

No

Where relevant, is funding for the policy to be demand driven or a capped amount?

(If a capped amount, are the costs of administering the policy to be included within the capped amount or are they additional to the capped amount?)

The policy is demand driven as it depends on uptake of the policy.

Will third parties (for example the States/Territories) have a role in funding or delivering the policy?

(If yes, is the Australian Government contribution capped, with additional costs to be met by third parties, or is another funding formula envisaged?)

No

Are there associated savings, offsets, or expenses?

(If yes, please provide details.)

Currently, food waste is estimated to cost the Australian economy over \$20 billion annually.

The introduction of the proposed National Food Waste Tax Incentive (covering both the donation of food as well as related services, including freight, packaging, storage and distribution) will incentivise businesses to reduce food waste in Australia giving rise to large net social, economic and environmental returns.

The current social return of the activities of Foodbank and its fellow stakeholders alone has been estimated to be \$571 million per annum (calculated as A\$23 per kilogram of food donated multiplied by food and grocery items delivered by Foodbank and its stakeholders alone of 24.8 million kilograms). The social return on investment of Foodbank's activities alone in 2018 was estimated at \$980 million.

Social, economic and environmental benefits of approximately A\$2 billion per annum could be estimated by multiplying the estimated A\$23 of social, economic and environmental value created per kilogram of food donated against an estimated donation of 87 million kilograms of food.

Implementation of the policy would directly assist in achieving the targets of the Federal Government's National Food Waste Strategy (i.e. to achieve the target of halving food waste by 2030), whilst injecting additional stimulus into the economy and creating jobs across Australia for the future.

Does the policy relate to a previous budget measure or program?

(If yes, which measure or program?)

No.

Administration of policy:

(Who will administer the policy (for example, Australian Government entity, the States, non-government organisation, etc)?)

It is proposed the tax incentive would be a Federal tax policy administered by the Australian Taxation Office.

Are there any specific administrative arrangements for the policy (for example, eligibility assessments) that need to be considered?

This tax policy would be implemented as an aspect of the Australian tax self-assessment system.

The tax incentive as with other tax policies will require taxpayers to determine their own taxable income and file their annual income tax return.

Potentially, there may be some administrative costs incurred by the ATO in the implementation and ongoing administration of the food waste tax assessment scheme. Appropriate safeguards would also be applied.

Other analysis and supporting information

(Please provide any existing analysis or supporting information that may assist in costing the proposal, including:

Has the policy been costed by a third party?

If yes, please provide a copy of this costing and its assumptions?)

No

What are the estimated costs each year? Are these provided on a cash or fiscal basis?

What assumptions have been made in deriving the expected financial impact?

Estimated costs

We have estimated the incentive to have a direct cost to Federal Government revenue of approximately A\$50 - \$100 million per annum, calculated as follows:

- A \$522 million direct cost estimate is based on an average retail value of food of A\$6 per kilogram, and an estimated annual demand of 87 million kilograms of food donations.
- Based on the application of a non-refundable tax offset of 40% applicable to a corporate taxpayer paying tax at a 30% tax rate, a tax incentive of 10% would be available (\$52 million)
- Based on the application of a refundable tax offset of 45% applicable to a small business taxpayer paying tax at a 25% rate (applicable from the 2021-22 income year), a refundable tax incentive of 20% would be available (\$104 million).

The above costs appear small in comparison to the large offsetting social, economic and environmental benefits of approximately A\$2 billion per annum (outlined above) and against the current cost of food waste to the Australian economy of over \$20 billion annually.

List major data sources utilised to develop or cost the policy

(for example, ABS catalogue number 3201.0)

Arcadis, 2019, National Food Waste Baseline Final Assessment Report.

<https://www.environment.gov.au/system/files/pages/25e36a8c-3a9c-487c-a9cb-66ec15ba61d0/files/national-food-waste-baseline-final-assessment.pdf>

Commonwealth of Australia, 2017, National Food Waste Strategy: Halving Australia's food waste by 2030.

<https://www.environment.gov.au/protection/waste-resource-recovery/publications/national-food-waste-strategy>

Food Innovation Australia Limited, 2019. A Roadmap for reducing Australia's Foodwaste by half by 2030 Report. <https://fightfoodwastecrc.com.au/a-roadmap-to-halve-food-waste-by-2030/>

Fight Food Waste Cooperative Research Centre, 2019. Enhancing Foodbank's Stakeholder Engagement. Available at: https://fightfoodwastecrc.com.au/wp-content/uploads/2019/06/foodbank_stakeholders.pdf

Foodbank, 2019 The Case for a National Food Security Strategy <https://www.foodbank.org.au/wp-content/uploads/2019/04/Case-for-National-Food-Security-Strategy-2019.pdf>

Foodbank, 2019. Federal Election 2019: Funding and Policy Priorities Available at: <https://www.foodbank.org.au/wp-content/uploads/2019/04/Foodbank-Funding-Policy-Priorities-2019-1.pdf>

Foodbank, 2019, Hunger Report. <https://www.foodbank.org.au/wp-content/uploads/2019/10/Foodbank-Hunger-Report-2019.pdf?state=nsw-act>

Foodbank, 2014, Hunger Report <https://www.foodbank.org.au/wp-content/uploads/2019/06/Foodbank-Hunger-Report-2014.pdf>

Net Balance, 2014, The Social impact of Foodbank Australia's services - A Social Return on Investment (SROI) forecast, June 2014.

Has any analysis of the distributional impact of the policy been undertaken?

(If yes, please provide a copy of this analysis or provide details, such as:

- the expected community impact of the policy
- the number of people affected by the policy
- the expected uptake
- the basis for these impact assessments/assumptions)

No