



Restaurant  
& Catering

SAVOUR  
AUSTRALIA



20 July 2018

Board of Taxation Secretariat  
The Treasury – Melbourne Office  
Level 6, 120 Collins Street  
Melbourne VIC 3121

E: [taxboard@treasury.gov.au](mailto:taxboard@treasury.gov.au)

Dear Sir/Madam,

Restaurant & Catering Australia (R&CA) welcomes the Board of Taxation's review of Australia's small business tax concessions. R&CA appreciates the opportunity to provide a submission to the Board with feedback on how small business tax concessions are utilised within the café, restaurant and catering sector. R&CA also seeks to identify other opportunities to both simplify and improve the existing arrangements for the benefit of small business owners more generally.

The café, restaurant and catering sector makes a significant contribution to national economic and employment outcomes. As of May 2018, the sector generates a combined industry-wide turnover of \$44.7 billion which has grown at a rate of 3.2 per cent over the preceding 12 months.<sup>1</sup> In addition, the sector currently employs 633,300 people which is expected to increase to a total of 695,100 by May 2022.<sup>2</sup> The employment growth projected is higher than any other sub sector in the Australian economy.<sup>3</sup> The sector consists of 45,092 individual businesses as of 30 June 2018, including 41,429 cafés and restaurants and 3,663 caterers.<sup>4</sup> Significantly, 92.1 per cent of these businesses are small businesses employing 19 people or less.<sup>5</sup>

R&CA broadly agrees with the six individual principles outlined in the Board's Consultation Guide. R&CA strongly supports the notion that small business tax concessions should be designed with the entire business lifecycle in mind rather than at one point of the business' operation. This is particularly relevant for the café, restaurant and catering sector as there are significantly higher entry and exit rates than for most other industries.<sup>6</sup> R&CA is also pleased that the Consultation Paper has explicitly acknowledged the importance of assisting with cash flow for small businesses. The café, restaurant and catering sector is highly seasonal in nature which can have significant implications for business cash flow. Evidence of the seasonality of the sector can be seen in the

<sup>1</sup> Australian Bureau of Statistics (ABS) (2018) 8501.0 - Retail Trade, Australia, May 2018.

<sup>2</sup> Department of Jobs and Small Business (2018) *Employment Projections to May 2022*.

<sup>3</sup> Ibid.

<sup>4</sup> ABS (2018) 8165.0 - Counts of Australian Businesses, including Entries and Exits, Jun 2013 to Jun 2017.

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.



RESTAURANT & CATERING INDUSTRY ASSOCIATION

PO Box 121, SURRY HILLS NSW 2010 T: 1300 722 878 F: 1300 722 396 E: [info@restaurantcater.asn.au](mailto:info@restaurantcater.asn.au)

HOSTPLUS [www.rca.asn.au](http://www.rca.asn.au) [www.savouraustralia.com.au](http://www.savouraustralia.com.au)

fact that in the month of December 2016, the café, restaurant and catering sector experienced an overall turnover of \$2.3 billion<sup>7</sup> compared to June 2016 where total turnover was \$1.9 billion.<sup>8</sup>

Of the existing small business tax concessions under the current framework, one of the most highly utilised and popular concessions amongst café, restaurant and catering owners is the instant asset write-off program. R&CA argues that the instant asset write-off program which allows small businesses to instantly deduct assets of up to \$20,000 should be made a permanent measure. Significant assets costing approximately \$20,000 such as commercial ovens, coffee machines and equipment are each eligible under the current instant-asset write off program. R&CA notes that as of the 2018-19 Federal Budget, the initiative has been extended until 30 June 2019, however following this date the threshold will revert to \$1,000. By extending this program indefinitely, this will allow small business-owners greater certainty and the ability to organise and plan asset purchases further in advance.

In regards to the issue of Fringe Benefits Tax (FBT), R&CA has long advocated for changes to the current FBT system, recognising the compliance cost to small businesses is proportionately higher than for large corporations. This argument has centred on the inequity that exists in the ability of small businesses to employ strategies to avoid FBT compared to big businesses. For instance, large, well-resourced corporations can employ FBT-avoidance strategies such as having boardroom catering or “in-house” meals rather than ordering meals from a café or restaurant. Small businesses simply do not have the resources to adopt the same kind of FBT-avoidance strategies of larger businesses, contributing to the inherent unfairness of this system.

The hospitality sector is further affected by the FBT system due to the treatment of restaurant meals as employee fringe benefits, as opposed to a legitimate form of doing business. R&CA argues that having meals which are genuinely for business purposes attract FBT unfairly penalises hospitality operators and small café and restaurant businesses. Classifying meals purchased from cafés and restaurants as a legitimate form of business would also have the effect of stimulating increased economic activity at restaurants and cafés and further contribute to the jobs growth associated with this sector.

Based on the compliance cost and lack of access to strategies to minimise the burden of FBT, R&CA argues that small businesses should be exempt entirely from FBT under the *Small Business Entitlement* concessions. Small businesses with a turnover of less than \$2 million currently receive concessions on FBT for car parking as is highlighted in the Board of Taxation’s Consultation Paper for this review.<sup>9</sup> R&CA argued in its 2018-19 Pre-Budget submission that these concessions should be extended to include all FBT.<sup>10</sup> The Association’s position has not changed since this submission was written.

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<sup>7</sup> Australian Bureau of Statistics (ABS) (2017) *8501.0 - Retail Trade, Australia, Dec 2016*.

<sup>8</sup> Australian Bureau of Statistics, (2017) *8501.0 - Retail Trade, Australia, Jun 2016*.

<sup>9</sup> Australian Taxation Office (ATO) (2017) *FBT concessions*, 22 May.

<sup>10</sup> Restaurant & Catering Australia (R&CA) (2018) *Federal Budget 2018-2019 – R&CA Submission to the Australian Treasury*.

I thank you for your consideration of the matters raised within this submission. R&CA looks forward to the publication of the Final Report from this Review in the coming months. In the meantime, should there be any matters raised within this submission that you wish to discuss, please do not hesitate to contact me on 0468 328 513 or [julianap@restaurantcater.asn.au](mailto:julianap@restaurantcater.asn.au)

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Juliana Payne', written in a cursive style.

**Juliana Payne**  
**Chief Executive Officer**  
**Restaurant & Catering Australia**