



Report 08.131
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Committee Transport & Access Committee
Author Jill M. Beck Manager, Transport Strategy
Implementation

Tax Reform - Removing Barriers to Sustainable Transport

1. Purpose

To seek the committee's support for advocating proposed Fringe Benefit Tax (FBT) changes for employers implementing workplace travel plan measures that encourage employees to shift to sustainable modes of transport to work.

2. Significance of the decision

The matters for decision in this report **do not** trigger the significance policy of the Council or otherwise trigger section 76(3)(b) of the Local Government Act 2002.

3. Background

The matter of fringe benefit tax rules and a proposal for changes that support sustainable transport initiatives was presented to the Regional Land Transport Committee at its meeting of 30 August 2007.

The report (Report 07.185 17 August 2007) sought the Committee's support for advocating proposed FBT changes for employers implementing workplace travel plan measures that encourage shifts to sustainable modes of transport to work. In particular, the proposal targets single occupancy car trips to work and is one of a number of possible methods that could better align transport related employee benefits. Specifically, this proposal consists of a pilot scheme involving the application of the following combination of tax concessions and FBT applications:

- Fringe Benefit Tax Rebates – Involves rebates to businesses equal to the full value of FBT paid for travel plan incentives offered to employees. These incentives may include subsidised public transport, interest free loans for the purchase of bicycles or annual public transport passes, raingear or cycle products and payments for

emergency taxi rides or public transport for employees involved in carpooling, walking or cycling as a means of travel to work.

- Increased Miscellaneous Fringe Benefits Threshold – Involves increasing the current threshold of \$15,000 available to employers for tax free miscellaneous fringe benefits provided to their employees. This element increases the ability to promote and encourage sustainable modes of travel.
- Application of Fringe Benefit Tax on Employer Car Parks – Involves the application of an FBT rate payable by employers on car parks available to employees. The application of FBT on car parks serves to discourage private vehicle use where appropriate while the previous elements serve to promote and encourage more sustainable modes.

Following some discussion the Regional Land Transport Committee asked that officers:

- undertake further discussion with stakeholders;
- initiate discussions with appropriate central government officials and Local Government New Zealand to explore opportunities for developing this concept on a national basis;
- report back in the first quarter of 2008, with recommendations to advance the concept.

4. Consultation

During the latter part of 2007, Greater Wellington officers sought feedback from the following key stakeholders:

Land Transport New Zealand	Ministry of Transport
Ministry for the Environment	Local Government New Zealand
Auckland Regional Transport Authority	Wellington Chamber of Commerce
Auckland Chamber of Commerce	Canterbury Employers' Chamber of Commerce
The Employers' and Manufacturers' Association	Environment Canterbury
Manukau City Council	Auckland City Council
Waitakere City Council	Rodney District Council
North Shore City Council	

A summary of the feedback is in Attachment 1.

5. Discussion

The New Zealand Energy Efficiency and Conservation Strategy (NEECS) Action Plan considers the support of businesses developing workplace travel plans important for managing demand for travel and serves to contribute to both the targets and outcomes in NEECS and the Regional Land Transport Strategy.

Quite rightly, workplace travel plans are not all about incentivising sustainable transport options through the above proposed tax treatments. To a great degree workplace travel plans involve the organisation themselves putting into place and funding a range of measures that suit the individual worksite/s and its employees. Some of the measures organisations in New Zealand are choosing to put into place include cycle storage and shower/change facilities, flexible work hours and telework, guaranteed ride home programmes, public transport info/ticket provision, carpooling schemes and parking policies and fleet management systems.

It is when there are a range of options available and encouragement to do so that the propensity to voluntarily change travel habits becomes greater for those that can. Achieving behaviour change such as employees leaving their cars at home more often and using more sustainable modes occurs over time. The ongoing implementation of incentive measures is essential for travel planning in New Zealand to achieve both individual employer objectives relating to sustainability as well as regional and national environment, social, health, sustainable transport and economic objectives.

It is estimated that the fiscal impact on the Regional Council of one of the measures in the proposed package, the application of FBT on employer provided car parks, would impact the council centre by increasing the payable FBT by approximately \$69K per annum. While this alone may appear to negatively impact the council, the proposal sets out a pragmatic and balanced approach of applying a combination of measures that serves to promote and encourage sustainable modes of transport while helping to minimise private vehicle use and therefore traffic congestion and emissions during peak commute hours.

6. Next steps

It should be noted that the next step was to be a report back to the Regional Land Transport Committee. However, it is believed that the Transport and Access Committee may be in the best position to support encouraging behaviour change through achievable sustainable transport options and move the region forward towards more equitable treatments of transport-related employee benefits in New Zealand. This involves:

- The Transport and Access Committee Chair, on behalf of the Committee, engages with the Minister of Transport on the proposal.

- The Transport and Access Committee Chair, on behalf of the Committee communicates to the Ministers of Revenue and Finance in support of and investigation of this initiative.

7. Recommendations

That the Committee:

1. ***Receives the report.***
2. ***Notes the content of the report and its attachments;***
3. ***Agrees that the Chair on behalf of the Transport and Access Committee commences discussions with Central Government for tax reforms to minimise the fringe benefit tax costs on travel plan measures in line with the Government's transportation and environment policies.***

Report prepared by:

Report approved by:

Jill M. Beck
Manager, Transport Strategy
Implementation

Jane Davis
Divisional Manager

Attachment 1: Consultation Feedback