

23 September 2020

The Hon Josh Frydenberg MP
Treasurer
Parliament House
CANBERRA ACT 2600

Dear Treasurer

Letter of support: Foodbank 2020-21 Budget Tax Reform Proposal

The undersigned would like to convey their strong support for the tax reform proposal contained in Foodbank's 2020-2021 Pre-Budget Submission. This proposal would not only help many Australians in need but also decrease food waste, promote sustainability and support businesses during tough times.

The signatories of this letter of support represent leaders of Australia's food and grocery supply, manufacturing and retail sector, transport sector as well as agricultural, rural, social service, public health and food waste research peak bodies. Many of these organisations and their members currently donate to Foodbank, Australia's largest hunger relief organisation, which distributes food and grocery items to thousands of charity organisations and schools. The proposal is also supported by food rescue organisations, OzHarvest and SecondBite.

Foodbank's proposal, which has been developed with the help of a project in collaboration with KPMG, Woolworths and the Fight Food Waste Cooperative Research Centre, recommends a two-tiered tax incentive based on being able to offset a percentage of costs related to food donations from taxable income. Its aim is to encourage food manufacturers, retailers and farmers to donate additional product to food relief rather than divert it to alternative uses such as animal feed or sending it to landfill. Foodbank is also seeking the incentivisation of donations of essential supply chain services related to food donation such as transportation and storage.

Sustainability is a key focus for the food and grocery industry and reducing food waste plays an essential role. This proposal would contribute to addressing the \$20 billion economic cost of food waste and is one of the pivotal initiatives in the National Food Waste Strategy launched by Josh Frydenberg in 2017 when Minister for Environment & Energy. The proposed incentives would also provide support to SMEs, particularly farmers and small transport operators, during these difficult times when they are being forced to cope with the impacts of COVID-19, bushfires and drought.

At the same time as addressing waste and supporting industry, these reforms would be an innovative industry-based mechanism to meet the growing demand for food relief and emergency support in Australia. They would contribute to bridging the current food supply gap which sees only 37% of charities meeting the full needs of food insecure clients – a gap that will only increase during the economic recovery from COVID-19 if the need to expand food relief efforts is not addressed.

Australia's current tax framework does not motivate manufacturers and producers to donate surplus stock – in fact, it is no better than if they send it for recycling or to landfill. This has to change. If tax settings were recalibrated to incentivise donations to food relief, industry would be supported to donate unwanted stock. Research completed by KPMG benchmarking approaches in other international jurisdictions including the United States, the United Kingdom, France, Canada and the

Netherlands, indicates that tax incentives are far and away the most effective way to positively impact donations to food relief.

While it is understood that extensive considerations must be taken into account in formulating tax policy, the magnitude of the changes proposed by Foodbank are likely to be modest in terms of foregone tax revenue for Government, particular in comparison to the positive economic, environmental and social outcomes for Australia.

Thank-you for considering the Foodbank proposal. If you would like to discuss it further with any of the organisations represented below, do not hesitate to make contact.

Yours sincerely

