

AUSTRALIAN SPORTS FEDERATIONS ALLIANCE

Advocating for Sport for All Australians

PHYSICAL ACTIVITY TAX REBATE INITIATIVE

PROMOTING BETTER HEALTH OUTCOMES FOR ALL AUSTRALIAN CHILDREN

March 2007



The Physical Activity Tax Rebate Initiative is an initiative of the Australian Sports Federations Alliance (ASFA).

The ASFA comprises ACTSPORT, NSW Sports Federation, Sports Federation of Queensland, Sport SA, Tas Sport, VicSport, Western Australian Sports Federation and the Confederation of Australian Sport.

Collectively, ASFA represents over 500 national, state and territory bodies, and through them, millions of Australians who participate in organised sport and active recreation activities.

Overview

Australia is a paradox when it comes to physical activity. There is nothing binds us together as a nation quite like our love of sport. Yet we have alarmingly high levels of obesity with one in four young Australians under the age of 18 suffering from it with increasing incidence of children not engaging in any organised sporting or physical activity out of school ...

The Hon John Howard MP, Prime Minister, 29 June 2004¹

The Initiative

- ✓ The Australian Sports Federations Alliance (ASFA) calls on the Federal Government to introduce a tax deductible rebate to allow parents, guardians and carers of dependant children to make a per child claim for approved costs associated with their child or children's involvement in an eligible sport or active recreation activity.
- ✓ To adequately reflect current costs, as an absolute minimum the ASFA recommends this tax-deductible amount be set at no less than \$250 per child.
- ✓ Cost has been identified as a primary barrier limiting access to participation opportunities, particularly for low-income earners.
- ✓ The specific intent of this proposal is to introduce a tax rebate to help alleviate economic barriers that inhibit participation growth rates.

The Benefit

The majority of Australian households that have responsibility for dependant children are supported by adults whose net taxable income is between \$25,001 and \$75,000 per annum.

Based on these figures, at the minimum proposed tax deductible amount of \$250, families making a claim for eligible costs could save up to \$75 per child per financial year. This will provide some much needed economic relief for families who will still carry around 70% of the costs of their children's involvement in approved sport and active recreation activities.

The Case for the Physical Activity Tax Rebate

The Health and Sport Environment

In Australia, we are fully aware of the threat our rapidly increasing incidence rates of lifestyle related diseases such as diabetes, cardiovascular disease, overweight and obesity pose to the health of our nation. In the words of Prime Minister Howard himself, Australia is *"struggling as a nation with the challenge of obesity"*².

Australia's first burden of disease study attributed 13,000 deaths per year to physical inactivity³. That is 36 deaths per day, or 1.5 per hour. Too many Australians are dying from conditions linked to excess weight, such as heart disease, stroke, diabetes, osteo-arthritis and breast, bowel and endometrial cancer.

In financial terms, total costs attributable to the burden of lifestyle diseases are estimated to be \$3.7 billion annually⁴. Of these direct financial costs, the Federal Government is estimated to bear some \$1.4 billion⁵. A high cost for what are in many cases 'preventable' diseases.

It has been suggested we would save \$8 million annually for every 1% increase in the proportion of Australians achieving a sufficient level of physical activity for health⁶.

Our Children

In Australia, an estimated 1.5 million young people under the age of 18 are overweight or obese⁷. Research from the US indicates overweight adolescents have a 70% chance of becoming overweight adults⁸. In addition, follow-up studies of patients who were obese as adolescents showed a range of disturbing differences in adult outcomes such as lower education levels, lower incidence of marriage, lower household incomes and higher rates of poverty⁹.

The important role physical activity plays in promoting improved health outcomes for children is well documented. According to the University of Melbourne and Better Health¹⁰, some of the benefits of sport participation for children include:

- Reduced risk of obesity
- Increased cardiovascular fitness
- Mental health benefits, such as greater confidence
- Improved social and personal skills including cooperation and leadership
- Healthy growth of bones, muscles, ligaments and tendons
- Improved coordination and balance

The Children's Hospital at Westmead (CHW) fully supports the vital role physical activity and sport plays in the development of children. The CHW's *Charter of Physical Activity and Sport for Children and Youth*¹¹ states that:

1. Regular participation in physical activity and sport by children and youth is essential for their optimum health, growth, well being and self-esteem.
2. The right to be physically active and play sport should be recognised as a fundamental aspect of education and cultural life for all children and youth in Australia.
3. Access and opportunity to participate in affordable physical activity and sport must be made available to all children and youth of all ages and abilities.

Despite being fully aware of the vital link between physical activity and health, not enough is being done. ABS statistics indicate less than 50% of Australian children participate in organised sport once per week or more outside of school hours¹². Recent research by the Queensland University of Technology showed that today's school leaver has access to around 5000 hours less school-based physical activity than children did in the 1970's¹³.

Now more than ever, we must take every step possible to ensure all Australian children can regularly participate in an organised sport or active recreation activity that promotes improved physical health outcomes.

Increasing Physical Activity Access for All Australian Children

In Australia, we have an extensive community sport and active recreation network providing physical activity opportunities at all levels. As the amount of physical activity on offer in schools continues to decrease, the role the community sport and active recreation network plays in providing alternative options continues to gain in importance.

Unfortunately, despite working extremely hard to continue to meet increased demands, evidence suggests participation growth rates have slowed in recent times. Trends identified in the Exercise in Recreation and Sport Survey¹⁴ show, after constant growth between 2001 and 2004, current participation levels in both regular and organised physical activity appear to be static, if not declining slightly.

Participation rates are stagnating because the grass-roots sport and active recreation sector is finding it increasingly difficult to overcome a growing number of barriers that are having an impact on growth rates. For many years we have been aware that lack of access to facilities, competing interests with other leisure pursuits and time pressures have been affecting growth.

Recent research suggests increasing costs are also rapidly becoming a primary barrier. A research and evaluation study into the Federal Government's Active After School Communities program¹⁵ indicated a key barrier to increasing participation in sport and physical activity by both active and inactive children was cost. This finding was supported by research conducted by the Sports Federation of Queensland¹⁶ which showed price was the most prevalent of all the barriers cited.

The reality is the costs of providing safe physical activities are increasing; and they are being driven upward by a range of factors beyond the control of the providers themselves. Community sport and active recreation clubs are primarily small not-for-profit volunteer run organisations. These clubs are not setting high fees to cover player payments or engage in promotional advertising campaigns.

Community clubs simply set their participation fees at a minimum required to cover basic operating overheads, equipment needs and associated administration costs such as hire fees and insurance premiums. The bottom line is community clubs and associations simply cannot cut costs of delivery without compromising quality.

If we are to maintain, or preferably increase current participation levels by offering more opportunities to those children not currently engaged without compromising standards, more must be done to help alleviate the costs to parents.

The Case For Federal Intervention

The ASFA calls on the Federal Government to introduce a tax deductible rebate for approved costs for dependant children's participation in sport and active recreation activities that promote improved physical health outcomes. This will provide some much needed financial relief for clubs and for parents, carers and guardians of our children, and will allow us to create more participation opportunities for all young Australians.

By supporting this tax incentive Australia's Federal Government will be making a substantive investment in the future health of the nation by:

1. Helping community groups maintain, and in the future increase existing levels of participation in physical activities amongst Australian children.
2. Reducing the incidence of lifestyle related illnesses in children.
3. Instilling in children behaviours that translate into healthier adult lifestyle patterns.

On January 1, 2007 Canada's Children's Fitness Tax Credit¹⁷ came into effect. The Fitness Tax Credit allows parents to claim a maximum of \$500 per year for each child who is under 16 at any time during the year. This credit covers eligible fees for involvement in *"an ongoing program, suitable for children, in which substantially all of the activities undertaken include a significant amount of physical activity that contribute to cardio-respiratory endurance, plus one or more of muscular strength, muscular endurance, flexibility and balance."*

Clearly more can be done at the government level. The ASFA recognises the commitment representatives on all sides of politics have made toward solving Australia's lifestyle related diseases crisis. The time for talking has passed - it is time for action.

Budget Impact

The majority of Australian households that have responsibility for dependant children are supported by adults whose net taxable income is between \$25,001 and \$75,000 per annum. The annual taxable rate for income in this tax bracket is \$2,850, plus 30 cents per dollar over \$25,000 pa (not including the Medicare Levy).

Based on the figures above, a family making a \$250 claim for eligible expenses could save up to \$75 per child per financial year.

Example Calculation:

Mr. Smith has a Taxable Income of \$50,000 for the year ended 30/6/07 with \$10,350 Tax Payable.

Claiming \$250 for cost of his daughter's seasonal basketball fees Mr. Smith's Taxable Income is reduced to \$49,750.

Mr. Smith's Total Tax Payable is reduced to \$10,275, which creates a tax saving of \$75.

It is estimated the costs to government would be in the vicinity of \$113 million per year in foregone tax revenue if a claim was made for the 50% of children aged 5-16 in Australia who currently participate in sport or active recreation once per week or more, (approximately 1.5 million children) at an average marginal tax rate of 30%.

If you consider this \$113 million investment in the context of the \$3.7 billion dollars it costs us to bear the burden of lifestyle related disease in Australia, and the significant returns gained by making this investment in the future health of this nation, introducing a physical activity tax rebate makes very good sense.

Note on Low-Income Earners

The ASFA is fully aware a tax deductible rebate does not provide assistance to those low income earners under the \$6,000 income tax threshold. The ASFA also acknowledges that, included in this income bracket, are families who require significant support to access vital sport and active recreation activities to assist in promoting improved health outcomes.

The ASFA is fully committed to working with Government, sport and active recreation organisations and other key stakeholders to develop initiatives to specifically assist low income earners to access sport and active recreation opportunities.

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Definitions:

Dependant Child: The Australian Taxation Office defines a dependant as "A person who needs your financial support. The ASFA have defined a child as "school aged" i.e. between the ages of 5 and 17 years.

Approved costs: The ASFA envisage approved costs to include seasonal or membership fees or other direct costs associated with the child's participation in the eligible program.

Eligible Sport or Active Recreation Activity: The ASFA recommend an eligible sport or active recreation activity would be an ongoing program, suitable for children, in which substantially all of the activities include a significant amount of physical activity that contributes to improved physical health outcomes.