



KPMG Impact Podcast

Australia national food waste tax incentive

Time: 15.47 minutes

Participants: Loek Helderma, Global Tax Lead, KPMG Impact, KPMG in the Netherlands; Robert Poole, Head of Consumer & Retail, KPMG Australia; Catherine Dean, Partner, Corporate Tax, KPMG Australia; Jenny Wong, Director, Australian Tax Centre, KPMG; and Sarah Pennell, General Manager, Foodbank Australia

Welcome to our KPMG IMPACT podcast.

I'm Loek Helderma, the global lead for tax with KPMG Impact, a global initiative designed to build a more sustainable and resilient future.

Today, our podcast reflects on the development of a tax proposal in Australia by Foodbank.

Our main guest is Foodbank General Manager Sarah Pennell and includes my colleagues Kathryn Dean and Jenny Wong from KPMG Australia. They helped Foodbank on the technical content of the waste tax incentive.

But first, we begin with an introduction from Robert Poole, a partner in Management Consulting responsible for Consumer and Retail in Australia. Robert, over to you.

Robert Poole:

Hi! Thanks, Loek. I'm the head of Consumer and Retail in the KPMG practice in Australia. And in that position, I had the privilege of being able to support the food waste initiatives in this country, and that was through the Food Waste Cooperative Research Center and also client we have called Foodbank, charitable organization, that helps accumulate and distribute food to people who may be doing it tough in Australia. I'll let Sarah talk about that.

They had some ideas that they needed some technical support, particularly in the tax space. And that general charitable sector that's helping feed Australians who are in need, Loek.

Loek Helderma:

Thanks for that Robert. Very interesting. I'm looking forward to hearing more about it. So, what is it, Catherine? Can you give an overview of the incentive?

Catherine Dean:

Loek, the National Food Waste Tax Incentive proposal involves the introduction of a new tax incentive, applying to donations of food as well as food relief services, such as transport and logistics. It's limited to donations made to a registered charity providing food relief or other welfare services to people in need.

We did consider a number of options. Our primary option proposed was a two-tiered tax incentive in the form of a non-refundable or refundable tax offset. So, for example, for small business, such as primary producers with turnover of up to \$20 million, there would be a 45 percent cash refundable tax offset incentive based on the cost of the donated food or services. For larger businesses, a 40 percent non-refundable tax offset to donors of \$20 million or more, based on the cost of those donated food or services, would apply.

Loek Helderma:

Ok! Very, very interesting. I'm very curious to learn more about further development in Australia as far as this incentive is concerned. But what do you hope to achieve by this proposal?

Catherine Dean:

Thanks very much, Loek. Look, I think we're hoping to achieve three things through this proposal. Firstly, a reduction in the food waste going to landfills. This policy will help Australia achieve its food waste reduction target of 50 percent by 2030. I'll let Sarah Pennell from Foodbank talk a bit more about the food waste problem and the work Foodbank is doing, but that's our first aim. Secondly, the policy aim is to help address food insecurity in Australia. In Australia, we've had bushfires one year, and now with COVID, the charity sector really needs our support.

This proposal will encourage companies to actively reduce food waste, and also provide food relief through the donation of food and services to Australian charities for those people in need in our community.

Finally, it's about jobs. This policy will help create jobs and flow on economic activity by boosting relevant supporting activities and services as a result of the incentive. It will ensure that companies can actually be properly resourced to manage their food waste and have processes in place to ensure this food goes to food relief.

Loek Helderman:

Ok Sarah, could you maybe give your perspective from national food waste?

Sarah Pennell:

Yes. Foodbank is the largest food relief organization in Australia. We have been in operation for 27 years, and we act as a bridge between the food industry and charities, redirecting food waste and also general donations from the food industry.

In spite of our work, there is still a gap. And a lot of people are seeking food relief who the charities are unable to help. So we're constantly looking for ways to be able to increase the amount of food that we're able to redirect. And what we realized some time ago is that there really wasn't a great financial incentive for companies to donate their food waste, because, in tax terms, food that was donated to charities was treated exactly the same as food that that was dumped. So basically, it was just a stock write-off.

And when you factor in that it often costs the company money in order to store and transport the donations to charities, they were actually worse off if they donated. So, we knew that we really needed to put a case to the government to change that situation.

Yes, and we were aware that countries, overseas countries, the US, and some European countries had adopted such an approach and it had had a very positive impact. And we had been mentioning this to the government for some time, but they kept coming back to us saying what we need is a business case. What we need is to understand the impacts of this change. And of course, we at Foodbank were not capable of being able to produce that work. And this is where KPMG was able to come in and really help us to put a strong case to the government for change.

Loek Helderman:

I'm also curious on what other countries do in this respect. Not sure who's going to answer this. Catherine, Jenny?

Jenny Wong:

So, we reached out to our international offices and asked the question to particularly to KPMG in the United States, US, Canada, France, United Kingdom, and the Netherlands as to what they do with incentives in relation to reducing food waste. And what we found is that all of these countries have some type of comprehensive tax and legal structure or framework to reduce food waste.

So, for example, United States has both a comprehensive tax and legal framework designed to reduce food waste, and it's in the form of an enhanced deduction. So, for example, if you donated \$30 worth of potatoes and it costs you \$30, then the United States would give you a \$60 enhanced deduction to encourage you to do that sort of charitable work.

The Canadians also have a deduction system as well, not as generous as the United States. They also have tax incentives at the provincial level that provides, on top of the federal level, an additional incentive to reduce food waste.

France is the interesting one where they also have very generous tax incentive regime for food donations that covers, not only the cost of donating the food, but also logistical costs like transport, storage, delivery – all of that.

The United Kingdom, it's fair to say there isn't a comprehensive framework or incentives, like Australia, at present. Food redistribution to charities compete with other forms of disposal. Similar issue to what we have here. There was a UK inquiry and a parliamentary report on food waste in England. I think it was 2016 and 2017, where there was a call or need to do something about it and there isn't a comprehensive framework in that regard.

But the Netherlands has tax incentives for food donations capped at a maximum 50 percent of annual profit or €100,000. So, those are the countries we looked at that have some type of comprehensive framework.

Sarah Pennell:

It varies around the world. There are certainly still a lot of countries that don't have any incentives at all and look with great envy at those countries that have been able to establish something to incentivize the reduction of food waste.

What we're doing here in Australia and what KPMG have been able to bring is a very clever approach where although there are all these different examples around the world, KPMG has picked up on Australia's existing tax programs and the way in which they handle incentives, such as promoting research and development and so on.

So, they've picked up on existing models within the Australian tax system and said we could do something similar in terms of food waste and basically that's providing an option which people are familiar and comfortable with and they understand how it works, which is great.

Loek Helderman:

Yeah, I can see why we need this sort of tax incentives to be honest, but can you give us a bit of information around the numbers involved? So, why do we need it and what was the rationale for introducing or getting this introduced in Australia for instance?

Sarah Pennell:

Well, food insecurity in Australia is quite high, which is surprising to many people. You know we consider ourselves to be the lucky country. But, 20 percent of Australians seek food relief at some point in the year. And at the moment we are not providing enough food relief to help all those people. It's

really important that we create a scenario where reducing food waste is connected to providing food relief.

We want to ensure that in the minds of business those two things go together. So there's a big push to reduce food waste. As Catherine has already mentioned, we're signed up to the Sustainable Development Goals and want to reduce food waste by half by 2030. But we want to make sure that in delivering on that reduction, edible food going to food relief is the first port of call.

So, in terms of all the initiatives to reduce food waste, there's very much adhering to a hierarchy which says if the food is edible, it needs to go to food relief first before we start considering things like nutraceuticals, or animal feed, or biofuels, or all the other things that can be done with food waste.

So, at Foodbank, obviously we're very pleased about that. And that's why this tax reform proposal has been supported by everybody in the food waste reduction world here in Australia.

Loek Helderman:

Ok, thank you. Catherine?

Catherine Dean:

Loek, if I add to Miss Sarah's comments. From a numbers perspective, the policy makes sense because currently food waste just going to landfill in Australia costs the economy here over \$20 billion a year, which is an absolutely staggering amount when I read about it.

As Sarah has mentioned, it will directly assist in achieving the 50 percent target for reduction in food waste in Australia by 2030 that was announced by the federal government back in 2017. Finally, the Fight Food Waste Cooperative Research Center and the National Food Waste Strategy implementation roadmap have identified tax reform as the key approach here for reducing food waste. So, the use of the tax system to incentivize this is really critical.

Loek Helderman:

So, in terms of the proposal and its state, where is this proposal up to at this point?

Sarah Pennell:

We have submitted it to government for consideration and its part of our free budget submission for 2022. And we're currently undertaking advocacy in Canberra to get a positive attention for the proposal. And we're receiving very positive signals, but obviously with COVID and everything else that's going on, politicians have a very full legislative agenda. And so we need to keep beating the drum in order to get their attention and to get our proposal on the list.

Loek Helderman:

There's always a cost to such a proposal through legislative measures like this. Can you share a bit of that as well, Catherine or Sarah?

Catherine Dean:

Sure, Loek. KPMG has indicatively estimated the national food waste tax incentive to have a direct cost to the federal government revenue of approximately \$50–100 million per year. It's actually a minimal cost in comparison to the large, offsetting social, economic, environmental benefits of approximately \$2 billion per annum, and against the current cost of food waste to the Australian economy of over \$20 billion annually.

So really, this policy is about helping people in need, jobs in the economy, and helping the environment as well.

Loek Helderman:

So, and who funded this proposal?

Catherine Dean:

The Fight Food Waste Cooperative Research Centre and Foodbank, along with KPMG.

Loek Helderman:

And who's supporting the proposal? You touched on this. And then I think we have to round up our podcast, but can you share a bit of that as well like Catherine or Jenny, Sarah?

Sarah Pennell:

I can mention that we have gone to many in the food and food logistics sector and they have all contributed their support to this proposal.

So, we have a number of entities, both in terms of food industry, National Farmers' Federation, Logistics Council, transport organizations. Really, we've managed to obtain support across the board from the sector for this proposal.

Loek Helderman:

Great, well, very nice talking to you. This policy is a win for Australia, that's for sure. It's a win for the people, the economy, and the environment and that's really what we're looking for in terms of meeting the sustainability goals. So, thanks for your contribution and nice talking to you.

Multiple Speakers:

Thank you.