



SOUTH WEST RED

REGIONAL GROWTH, COMMUNITY PROSPERITY

Australian Government

Productivity Commission

Zonal Tax Offset

Response to Productivity Commission Draft Report

September 2019

South West Regional Economic Development

5th October 2019

South West Regional Economic Development (SWRED) is the collective of the six Local Governments of South West Queensland and we acknowledge the Productivity Commissions efforts in compiling of the draft report into Remote Area Tax Concessions and Payments of August 2019.

The South West Regional Economic Development comprises the six Local Government areas of Maranoa Regional Council, Balonne Shire Council, Murweh Shire Council, Paroo Shire Council, Quilpie Shire Council and Bulloo Shire Council. It has a total area of 319,884.2 km², or 18.4 per cent of the total area of the state.

The combined SWRED regional economy has grown from having a strong reliance mostly on primary industries to incorporating more diversified economies centered in the major centers of Roma, St George, Charleville, Quilpie, Cunnamulla and Thargomindah. Industries such as CSG, mining, transport, logistics and warehousing, food processing, tourism and health care have all contributed to creating an economically diverse and stable region.

Our response to the draft findings tabled in the report is not favourable regarding the current review recommendations tabled by the Commissioner. We are disappointed that the Commissioner has taken a negative view of the importance of increasing Zonal Tax Offset, improving the Remote Area Allowance and streamlining Fringe Benefit Tax concessions, in order to enhance economic stability and regional liveability within South West Queensland.

As stated in the Commissioner's report, we agree that the Remote Area Tax concessions are outdated, inequitable and poorly designed. The concessions were apt when they were first implemented in 1945 however successive policy makers have failed to kept abreast of regional economies throughout Australia in order to ensure that remote tax arrangements are appropriate and deliver on what it is they were designed to do.

We put to the Commissioner that our region has three main arguments in support of not only retaining, but enhancing Remote Area Tax offsets for South West Queensland, being:

- Support for remote-area economic development. Tax Zone rebates provide a degree of partial compensation as an incentive to attract employees to regional areas. Zone rebates also assist in the provision of local infrastructure in terms of housing and support services, such as health and education in the remote areas.
- Compensation for the higher prices of necessities in the remote areas, namely electricity and food. This is particularly important for social security recipients and lower socio economic disadvantage people to encourage healthy wellbeing.
- Partial compensation for the costs of accessing government services from the remote areas. Though the primary responsibility here lies with service providers, the Zone rebates recognise that remote area residents bear a share of these costs.

Response to the Commissioners information requests:

Zone Tax Offset (ZTO)

SWRED does not support the Commissioner's recommendation to removed ZTO. We are of the opinion that ZTO should be vastly increased for South West to remedy the fact that ZTO has not

been indexed for over 30 years. We are of the view that, in real terms and value of ZTO, the ZTO for South West Queensland should be aligned to CPI and a first positive step would be to compensate the region for the period lost through ZTO remediation actions.

We do however support the Commissioner's recommendation that the redrawing of Zone Tax boundaries is appropriate, so far as the current boundaries have not evolved appropriately since 1945, a period of some 74 years. The lack of evolution in the current boundary areas of eligibility have not kept abreast of the changing economic and social migrations throughout remote Australia.

Remote Area Allowance (RAA)

The RAA entitlements are an important benefit to those whom are entitled to it throughout south West Queensland. The RAA benefit assists to offset the higher than normal costs, such as transport and communication, incurred whilst living in remote areas. We do agree with the Commissioner's recommendation that a revision of the current boundaries for eligibility are just for a redrawing of the existing Zone Tax boundaries, as such action will bring the FAA into alignment with current geographical placement of populations within contemporary Australia .

Fringe Benefit Tax (FBT)

SWRED does not support any of the Commissioner's recommendations in relation to FBT. The assumptions made by the Commissioner are far from plausible and does not consider the benefits that FBT offers to remote communities in assisting in the offsetting housing costs to incentivise employees to settle in our region, as FBT provides significant value to employees with concessions for remote area purchase assistance, mortgage interest, rent and loans for housing used by both employers and employees.

The Commissioner's view that the current concessions are overly generous is not correct and the draft report fails to present arguments as to why the Commissioner has come to this view. Abolishing the current FBT concessions would result in the unintended consequence of disproportionately disadvantaging lower paid employees whose income is supplemented with salary packaging arrangements.

Conclusion.

SWRED are of the opinion that all of the Commissioner's recommendations put forward, other than the re drawing of Zonal Tax boundaries, are detrimental to the economic, social and emotional wellbeing of our area and will further erode what little incentives we do have to attract people. The recommendations are not conducive to regional development and population growth within our region. Should the recommendations put forward by the Commissioner be adopted, it will result in a proliferation of degradation to our regional attractiveness and place greater financial hardships on those whom live here and further erode our ability to attract new businesses and employees.

We appreciate the opportunity to submit a response to the Commissioner's draft report recommendations and look forward to the final report by the Productivity Commission.