



28 October 2019

Jonathan Coppel
Presiding Commissioner
Remote Area Tax Concessions and Payments study
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

Dear Commissioner

Feedback on the Productivity Commission Draft Report: Remote Area Tax Concessions and Payments Review

The East Kimberley Chamber of Commerce and Industry (**EKCCI**) is providing this submission in regard to the Productivity Commissions study being carried out into Remote Area Tax Concessions and Payments and the recently released Review. The EKCCI speaks for a diverse range of businesses employing thousands of local employees in every sector of our regional economy. The EKCCI, based in Kununurra, represents sole traders to multinational businesses operating across the vast East Kimberley region.

The Kimberley Regional Group (**KRG**) comprising the Shire of Wyndham East Kimberley, the Shire of Halls Creek, the Shire of Derby West Kimberley and the Shire of Broome, has provided a substantial and considered submission that outlines in detail the need for expanded taxation incentives and the risks inherent in the removal of these incentives. The EKCCI fully endorses the content of the KRG submission, however with the following comments.

- It is a well-known and documented fact that the GDP generated in the Kimberley and more generally the area above the Tropic of Capricorn is substantially higher per capita than the rest of Australia, including production and exports in minerals, agriculture, tourism and energy. Much of the wealth generated in Northern Australia is achieved despite the difficulties associated with transportation issues as well as recruiting and retaining staff. This is an issue as much for SME businesses as it is for the multinationals, with the issues being exacerbated in the remote Kimberley region.
- Many Federal and State government positions offer generous location allowances that cannot be matched by small business and NGOs. Small businesses that employ staff should receive generous tax breaks for retaining staff in remote areas. Small business often have to pay a higher wage than their city based equivalent but do not have the flexibility to increase prices / fees because they are competing with the city based firm for the same goods or services, especially in a more online-connected world. Small business is wearing the cost of the stagnant zone rebate.

East Kimberley Chamber of Commerce and Industry, PO Box 171, Kununurra WA 6743

✉: admin@ekcci.com.au 🌐: www.ekcci.com.au

- Draft Finding and Recommendation 5.1 is at odds with the Federal and State Governments commitment to develop Northern Australia and their recognition that the North will not develop without a major boost, with the zone tax offset being part of the larger package to attract and retain employees in the North. The assertion that *“Higher living costs or other aspects of life in remote areas do not warrant compensation from other taxpayers”* is condescending and implies other taxpayers are subsidising recipients of the zone tax offset, whereas it is a rebate that reduces a person tax. In addition, the Federal Government funds expensive infrastructure projects in major centres, that provide no direct benefit to taxpayers in the North, noting that tax earned in the North is used to fund those projects.
- Payroll tax rebate could be applied where the remote area employer employers locally. Professional staff should also be offered discounts for HELP debts in order to attract qualified staff to regions and these could be scaled relative to the remoteness.
- Remote area rent paid by the employer is exempt in Kununurra which is well utilised by government departments, not-for-profits, and to a lesser extent small business. While we believe this FBT exemption should be retained and promoted, it should be noted that small business competes for qualified staff with Government, who have access to housing that is provided at large discounts or free to staff.
- Rent paid under a lease held in the employee’s name can be paid by an employer with a 50% FBT discount, this should be changed to a 100% discount so that small business can access a greater benefit for their staff.
- Provision of power, mortgage payments and remote area travel are 50% reportable if provided to an employee in remote areas. These should be made 100% exempt so that small business do not need to go the expense of a FBT tax return in order to provide the benefit. Even if the amounts were capped, it would be a simpler system for employers to attract and retain staff. Currently, very few small businesses access these exemptions due to red tape/cost of the FBT return.
- Some FBT exemptions such as compassionate travel, apply to only certain family relationships and do not include the death / ill health of a sibling, applying to parents and children only.
- Additional remote area FBT exemptions such as being able to provide boarding allowances, not necessarily school fees, where the employee is not eligible for government rebates to school their children at boarding schools. Even where schools are available to year 12, they are often ill-equipped to offer all subjects, do not have adequate diversity of sporting activities and learning outcomes in remote areas can be poor. We often lose staff when their children get to high school age as they leave town.

From a productivity point of view, **retaining** staff in remote areas is beneficial for many reasons including:

- Having local firms available to undertake professional services means that an individualised service, with accountability can be provided;
- Long term relationships with prior knowledge of clients, systems and procedures leads to more efficiency;
- Individuals in the community benefit from greater stability of service provision – a doctor that knows your medical history; an accountant that knows your financial situation; a teacher that knows your children;
- The loss in productivity for many businesses during recruitment and training is a hidden cost experienced by many, as staff turnover in remote areas is high;
- Current amount of rebate is insufficient to attract staff to the area and it is not uncommon to have no professionals apply for vacant positions, despite extensive advertising; and
- The provision of meaningful remote area tax incentives would be a significant boost for businesses and industry to retain a skilled population.

Attracting good staff committed to the region ensures:

- Services can be provided instead of relying on visiting professionals;
- Service provision is on a par with services provided anywhere in Australia;
- We can help close the gap between urban and rural educational / health outcomes etc;
- Bringing new skills into the community and creating aspirations in students for a professional career; and
- New ideas and business development can occur so the community can grow its economic base and employ more people.

We trust you will reconsider the relevant Review Findings and Recommendation and if required, we are happy to discuss any aspect of the above or the challenges doing business in regional and remote Australia.

Yours sincerely

Allan Wedderburn
Board Member
East Kimberley Chamber of Commerce and Industry