

Dear Commissioners,

I am the managing director of a small boutique Financial Planning firm, Infocus North QLD, having started my practice back in 2011 in Weipa (special zone). I lived in Weipa for a total of 8 years and now live and maintain an office in Cairns.

In my practice I link up with a tax accountant and on average complete 180 Individual Tax Returns per annum for our clients. I work with my Financial Planning client on an extremely intimate level having a deep understanding of both their financial situation and personal situation. I truly understand the drivers that take people remote, away from their family and friendship networks.

Our clients are trying to get ahead financially. This mean different things for all clients. For some it's about fixing their cash flow and paying off their personal debts, others it's about saving for their 1st home and for others it may be about building wealth to that they are self-funded in retirement not having to rely on taxpayer funded welfare.

I can attest first hand that the challenges of living remote are real. Rent is high and the cost of living is +20% more expensive. Despite this we found living in a small remote community to offer many advantages, in particular it was a great place to start our family.

I'd like to provide feedback regarding your draft report into 'Remote Area Tax Concessions and Payments':

1. **Page 2:** *The ZTO is an ineffective and blunt instrument. There is no evidence to suggest that the ZTO currently affects where people choose to live or work. Some areas are no longer isolated, but remain eligible. Were it to be retained, the ZTO would need to be overhauled.*

Comments:

There is no evidence because none has been gathered. I have countless client specific real-life examples as to how this ZTO has been used. Every year as mentioned we complete 150 to 200 ITR's. A high portion of these result in a small tax refund of between \$1,000 and \$2,000. The vast majority of these small refunds are spent in the local community either updating white goods, furniture or lifestyle assets. Taking this away will have a large 'localised' flow on effect.

Whist this is not the primary reason that one chooses to live in a remote zone it is these small benefits that keep people there.

As an employer, the most expensive part of employing locally is in the training of staff. I'm sure this is no different for big employers such as RIO Tinto. A higher turnover of staff will have a flow on effect to productivity and profits. This is reality but something that you will not be able to measure when making this decision.

I agree that some areas are no longer isolated and the \$50 odd that I am now entitled to in the Cairns region is redundant. I believe a more targeted approach is required to the partial removal of the ZTO.

2. **Page 2:** *Reforms to eligibility would still leave the ZTO without a compelling rationale. There is no general role for Government to compensate taxpayers for the disadvantages of life in particular areas. Higher wages in the zones across a wide skill spectrum suggests that the market compensates workers, at least to some extent, for the disadvantages of remote living. For those looking to settle in remote communities, issues of liveability and lifestyle also play an important part, with remote living largely a matter of choice. The ZTO should therefore be abolished.*

Comments:

I agree that there is no general role for Government to compensate taxpayers for the disadvantages of life in particular areas. However, Weipa as an example, is certainly punching above its weight for a tax revenue generation point of view. The town would generate significant company tax revenue, a significantly higher average income tax revenue and mining royalties

(state). Due to the town/local government structure this remote town receives little Federal or State funding which I understand is a complex issue and falls outside the scope of your report. However, put simply these remote residence are paying for services they are not receiving! That to me seems inequitable.

Whilst higher wages in the zones may occur in some instances this is not the case across the board. In a small town like Weipa, yes, the big mining company, RIO Tinto, does pay high wages. However, if you consider the town on a whole there are many employers that struggle to attract employees as they are dealing with the same margins as the real world if they want to stay in business. I don't agree that the market can compensate workers as noted.

3. **Page 2:** *FBT remote area concessions should be redesigned to be consistent with the fundamental principle of equitable tax treatment while reducing the cost burden on taxpayers.*

Comments:

I can relate this area to an employee benefit that is paid to Weipa residence. The 'Remote Area Travel Allowance' may be used for flights or vehicle travel and is salary packaged. The purpose of this is to attract employees and retrain employees in the area. In some instances this is used for annual leave. In most instances this is the annual trip or 6 monthly trip that our clients take. Quiet often this is a time that they will take to organise the Christmas presents, service the car, visit family, have the annual dentist / specialist visit that they don't have access to in Weipa. Right now I have two clients that are using their families RATA benefits to cover the transport cost while she goes through chemotherapy treatment with her breast cancer. This client in particular is under severe financial hardship and without this employee benefit would be forced to take out personal debt simply to get to a location that offers treatment. Later in the document (page 233) you refer to 'holiday transport'. I believe labelling this in such a way to be misleading.

4. **Page 2:** *Most significantly, concessions on employer-provided housing should change. The current exemption should be reverted to a 50 per cent concession (as it was prior to 2000), and provisions allowing employers to claim housing exemptions solely because it is 'customary' to do so should be removed.*

Comments:

Having read the report, I believe the removal of this benefit for remote workers to be the most distressing. For most of my clients they are skilled workers who can make similar money back in 'civilisation'. The removal of all of these points raised above will undoubtedly force them to question if they choose to remain in a location such as Weipa. When they seek advice from me I'd have to agree that it is no longer in their interest to remain in the remote zone. All mining towns such as Weipa will struggle to attract and retain employees with these proposed changes. I fear the cost to the nation will far outweigh the costs as they stand if these mines can't operate in an efficient manner.

Thank you for taking the time to read my submission. Please don't hesitate to contact me should you have any questions.

Kind regards,

Adam Woodhouse