



## **Responding to the Australian Government Productivity Commission Draft Report on Remote Area Tax Concessions and Payments**

### **National Aboriginal and Torres Strait Islander Housing Authority (NATSIHA)**

This submission provides the context for considering the impact of the proposed Remote Area Tax Concession changes on Aboriginal and Torres Strait Islander (ATSI) people and communities. Specifically, and in response to the Information Requests and findings, NATSIHA has provided commentary with specific reference to housing.

As noted in prior NATSIHA reports a coordinated approach to considering the needs of ATSI people is required including a National Indigenous Housing Strategy. This is especially relevant as there appears to have been little engagement with ATSI communities in the formulation of this report and many assumption based findings that may not properly represent the approximate third of all people living in remote areas. This is why an organisation such as NATSIHA is required, to advocate for a coordinated approach to ensuring that the needs of ATSI people and communities are represented and they are able to access safe, secure housing across the lifespan.

Acknowledging that housing ownership provides the foundation for economic prosperity and that housing condition and amenity is directly linked to peoples wellbeing, NATSIHA would also seek to understand the market distortion and inflation that can occur where tax concessions require employer based housing. This is often pricing families out of the market or conversely creating a false market due to seasonal demand.

#### **General Comments – the Broader Context – Draft Findings 2.1,2.2,2.3,2.4,3.1**

It is recognised that areas once considered remote are no longer subject to the lack of infrastructure experienced over 60 years ago and NATSIHA acknowledge that advances in technology have reduced the impacts of remote living for non-ATSI Australians. However, these advances cannot discount the lived experience of many small communities that are still not able to take advantages of the technologies available in major towns and cities, the

costs of these, and are still unable to access the most basic of essential services such as access to clean drinking water, consistent electricity and adequate housing.

Aboriginal and Torres Strait Islander peoples have inherent cultural connection and obligation to country. This is represented by the noted figure of 28% of people living in remote areas of Australia are ATSI people. NATSIHA would agree that there is a significant disparity in income distribution and economic equity for this population. This must be considered in any proposed changes to Remote Area Tax Concessions and Payments and the resulting impacts. More specifically NATSIHA would call for a better understanding of the impacts for low income populations and the impact on limited labour markets in these locations. Without a coordinated effort across all levels of government to consider an end to end analysis of the current implicit and explicit incentives in remote areas it would appear these changes could impact ATSI people's ability to attain and maintain generational capital.

Connection to country and the resulting lack of migration away from remote areas has broader impacts for ATSI people. Generally, the non-ATSI populations of remote towns are shrinking, ageing and exiting from historic farming and cropping enterprises whilst ATSI populations are younger and subject to the resulting retraction of essential Commonwealth services due to population changes. Furthermore, the main recipients of remote area tax concessions appear to be larger scale mining employees or employees of state and federal government departments.

It must be recognised that the cost of living in remote communities is higher. This is proven when considering the higher cost of service delivery per capita in these areas. Considering that a majority of ATSI people have historically been excluded from education and labour markets this has resulted in a disproportionate number of people and families on statutory or low incomes comparable with their non-ATSI counterparts. Further to this, cost of living includes travel, access to fresh produce, housing condition, access to housing maintenance trades, cost of water, electricity and the health costs associated with climate extremes. All must be considered and weighted to create a comparable understanding of cost of living.

Whilst Remote Area Tax Concessions are just one of suite of cross government incentives and subsidy a coordinated policy approach is required.

#### **The Zone Tax Offset – Draft Finding – 4.1,4.2,5.1,5.2**

Noting the misalignment of geographies considered as remote, NATSHIA would support the more equitable approach as that offered by the Australian Bureau of Statistics or the Accessibility and Remoteness Index of Australia (ARIA) though with some caution. Whilst a more contemporary measure, the experience of States and Territories delivering Commonwealth housing programs in the past has often found this index has split Local Government Areas in half leading to inequity in the delivery of services, community dissatisfaction and resulting programs have not addressed or engaged local communities to develop a better way forward.

Noting the recommendation to abolish the Zone Tax Offset, NATSHIA would note that for those Indigenous businesses operating remotely, the offset does provide some relief for the costs associated with remote operations. This is particularly relevant when considering the costs of housing maintenance, supply chain, logistics and higher wages costs for expertise.

#### **The Remote Area Allowance – Draft Finding 61,6.2 and recs 6.1,6.2**

NATSIHA supports both recommendations and agrees that a realignment of boundaries is required to provide an equity based approach to the Remote Area Allowance. As mentioned above NATSIHA would caution how these boundaries are applied ensuring whole towns are considered within the limits.

Cost of living cannot be considered by traditional means of considering Consumer Price Index staples as a comparable measure of the cost of household goods. As noted in previously, a new matrix or tool is required that not only considers the price of household goods but also considers the cost of travel, services and the cost of housing. NATSHIA would argue that a rise in excess of 2.5% per annum would be required.

Whilst remote housing is somewhat less expensive than major towns and cities, maintenance and management costs, including the cost of construction results in over capitalisation of assets. As an example the average price of a new family home in Wilcannia NSW is over \$500,000 whilst the value upon completion would be less than 50%. Further more the cost of tradespeople requires a call out fee of \$1,000 prior to any assessment of works required.

#### **Fringe Benefit Tax Remote Area Concessions – Draft Findings 7.1,7.2 draft rec 8.1,8.2,8.3**

NATSIHA would agree that it is often the case that state and federal employees, resources or mining employees and associated service employees reap the net gain of the FBT concessions. It is often the case that lower income ATSI people and those from remote communities are unable to avail themselves of the housing concession even though they provide the link between ATSI communities and service sector engagement.

NATSIHA would argue that more needs to be done to ensure that these roles are taken up by community residents, that remote community residents are supported to fulfil those roles and that the correct tax incentive is available to them to improve their housing circumstance. As an example Aboriginal Liaison Officers or Teachers Aides in remote communities are unable to access housing associated with their role as they are permanent residents of the community.

With distinct reference to employer provided housing and removing or reducing the concession NATSIHA would argue this may have unintended consequences for the delivery of services to remote communities especially in relation to health and education. **NATSIHA would argue that this change not apply to the health and human services sector and that health and human services staff both from outside and inside communities continue to be provided at the 100% rebate.**

**Information Request 5**

Any change of Zone to align with ARIA boundaries must consider the impact on Local Government Areas, Aboriginal Land and nation boundaries and requires further discussion with ATSI governance groups.

**Information Request 6**

Removing housing entitlement for health, housing and human service staff will have detrimental impacts for ATSI communities. These sectors are already significantly underfunded. It is assumed that any “gap” or reduction in allowance will fall back to the State and Territories to fund and this requires further consultation with the health and human services sectors.

In conclusion, the impact of government legislative, policy and program review continues to have more negative than positive impacts on the short, medium and longer term health and well being of Australia’s First Nations Peoples. In this regard, NATSIHA welcomes any invitations and opportunities to inform these process via our State and Territory representatives and consultative processes.

Yours sincerely

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