

The Commissioners
Productivity Commission
Canberra ACT 2601

25 September 2019

Dear Sirs,

RE: Response to Remote Area Tax Concessions and Payments Productivity Commission Draft Report *August 2019*

Please reconsider the proposed introduction of fringe benefits tax on currently exempt remote area housing benefits for farming/grazing employees.

Your draft recommendation I have addressed is:

DRAFT RECOMMENDATION 8.1 TIGHTEN TAX TREATMENT OF EMPLOYER-PROVIDED HOUSING

The Australian Government should amend the *Fringe Benefits Tax Assessment Act 1986* (Cth) to change the tax treatment of employer-provided housing. Specifically, it should:

- revert the exemption for employer-provided housing (section 58ZC) to a 50 per cent concession (as it was prior to 2000)
- remove the provision that enables employers to claim the concession because it is 'customary' to provide housing (section 58ZC(2)(d)(iii))
- remove the provision that extends the concession to additional areas for 'certain regional employers' (section 140(1A)).

Reasons:

1. Compliance Burden

Assessing the commercial value of a farm cottage 30, 40 or 100 kms from a town would be imposing a cost without a benefit for any party.

The housing supplied for farm employees is generally not otherwise earning an income. The housing is ordinarily too far away from towns and mostly built many years ago and not well maintained. Shearer's quarters are typically basic, at best.

The housing provided currently does not qualify as remote for exemption from fringe benefits unless it is at least 40 kilometres from a town of between 14,000 – 130,000 people, or 100 kilometres from a town with a population over 130,000.

Costs of requiring valuations for this housing stock to confirm the very low market valuation and costs of complying with fringe benefits tax returns are likely to be expensive, while the market value of the housing benefit on which the employer would be taxed is likely to be nil or very small.

Compliance would far outweigh any housing benefits provided for shearing and crutching teams (short term casual labour contracts) that usually reside on the property for a week or two.

The draft states that employers providing housing to employees are disproportionately likely to be larger businesses. This may prove to be incorrect as data is currently not collected.

I expect the cost of compliance for farming/grazing businesses would be greater than any revenue collected by the ATO.

2. Disincentive for employment

Employment opportunities on farming or grazing properties are increasing.

Even in my small client base I see farm incomes rising, although the drought has now impacted severely.

Since the early 1990's, farm incomes have been very low. There has not been sufficient income from primary production to employ necessary paid labour. As farm incomes rise, the capacity to employ much needed additional labour increases. Applying further tax and compliance on primary production employers would be a significant disincentive to employment.

Getting employees to work on remote farms without providing a house would be extremely difficult.

Wages paid to agricultural workers cannot compete with mining wages. Adding additional costs on farm housing supplied would exacerbate this gap. Costs of running a car to and from the nearest town daily would be an expensive option for the employee. There is also the issue of safety for employees travelling on country roads early in the morning and late in the day. There is no public transport.

Mining employees can often carpool for the start of a shift. It would be unusual for a grazing enterprise to have more than 1 employee at a time. The exception to this would be shearing.

3. Disincentive to improve housing supplied to employees

Imposing a fringe benefit tax on housing supplied would be a significant barrier to employers who might otherwise improve housing supplied to employees.

The housing supplied is not supplied to farm employees as a perk, but as a necessary requirement for employees for whom rental accommodation is too far away from their workplace.

4. Housing availability is inflexible

It is not cost effective to build new housing to structure farming employees remuneration more tax effectively, as purported in the Draft Report.

Yours faithfully,

Anna McLaughlin