

15 April 2019

Mr Jonathon Coppel
Commissioner
Productivity Commission
Locked Bag 2, Collins St East
Melbourne VIC 8003, Australia

Dear Mr Coppel

I refer to our recent telephone meeting regarding the Commission's current review of Remote Area Tax Concessions and Payments. Thank you for the opportunity to share our views.

As promised, I attach a list of Centre for Aboriginal Economic Policy Research (CAEPR) Publications that may be of relevance to your review.

CAEPR has not undertaken any recent work of direct relevance to your Inquiry, but we have produced a significant number of publications that relate to the economic and social status of Indigenous people across remote Australia. In particular, our work in relation to the outcomes of the 2016 Census (available on our web site) may be of interest to you and your team.

In relation to the matters we discussed, we were pleased to hear that you are proposing to visit a number of remote communities in the NT and NSW, and would reiterate our suggestion that you approach a number of the peak advocacy bodies relevant to remote Australia. It seems likely to us that given the nature of this review, many Indigenous people and their organisations may not fully appreciate the potential implications of your work for their economic and social wellbeing going forward. I also propose to send copies of this letter to a number of key Indigenous organisations, which will serve to encourage them to consider making submissions.

We also reiterate our suggestion that the Commission's review should examine a number of important issues in undertaking the review. Of course, Indigenous citizens in remote areas are among the most disadvantaged citizens in the nation, and in our view this reinforces the policy importance of maintaining the existing tax arrangements or at least reconfiguring them in ways which take active account of the economic disadvantages they confront.

In addition, we see benefit in the review considering the following issues:

- whether the existing tax arrangements in relation to royalty payments in the NT which involve withholding taxation at source, and the tax free status of native title payments, might have the unintended effect of reducing Indigenous access to the ZTO.
- Given the policy importance of Indigenous commercial development, we see little justification for any moves to withdraw the FBT concessions that are currently available to remote businesses.
- Given the over-representation of Indigenous citizens in the income support cohort, and the under-representation of Indigenous citizens in employment, the disparity in rates between ZTO and RAA impacts disproportionately on Indigenous citizens, and deserves to be reconsidered.
- Given the importance of housing to remote Indigenous communities, and the potential for the increased reliance of private sector financing for both community and key staff housing, we do not consider it would be wise to reduce or limit the application of the FBT concessions for housing provision in remote areas.
- Given the increased economic and financial responsibilities of PBCs for land management, and their key roles in economic development, there are advantages in ensuing that they are not subject to increased imposts by withdrawal of the current taxation arrangements. Indeed, it would be valuable to consider the incentives necessary to help promote Indigenous economic development in remote Australia.

Thank you again for providing the opportunity to speak with you and your team. Please let me know whether we can be of further assistance. I am happy for this letter to be published as a formal submission if you consider that to be an appropriate course of action.

Yours sincerely

Professor Tony Dreise
Director, CAEPR

CAEPR Publications

Refer to the various papers on our website in the section related to the 2016 Census. Available at <http://caepr.cass.anu.edu.au/research/publications/2016-census-papers>.

Of particular relevance to this Inquiry is:

Markham, F & Biddle, N (2018), Income, Poverty and Inequality, 2016 Census Paper 2: Centre for Aboriginal Economic Policy Research (CAEPR), The Australian National University. Available at:

<http://caepr.cass.anu.edu.au/research/publications/income-poverty-and-inequality>

Venn, D and Biddle, N (2018) Employment outcomes, 2016 Census Paper 5: Centre for Aboriginal Economic Policy Research (CAEPR), The Australian National University. Available at:

<http://caepr.cass.anu.edu.au/research/publications/employment-outcomes>

Other recent CAEPR publications of relevance to your terms of reference include:

Fowkes L (2019). The application of income support obligations and penalties to remote Indigenous Australians, 2013–18, Working Paper 126, Centre for Aboriginal Economic Policy Research (CAEPR), The Australian National University

Shirodkar, S & Hunter, B & Foley, D (2019). Ongoing growth in the number of Indigenous Australians in business, Working Paper 125, Centre for Aboriginal Economic Policy Research (CAEPR), The Australian National University.

Background on the Withholding Tax issue:

Martin, F (2010). Native title payments and their tax consequences: is the federal government's recommendation of a withholding tax the best approach?, UNSW Law Journal 33(3)