



29 April 2019

Jonathan Coppel
Presiding Commissioner
Productivity Commission
GPO Box 1428, CANBERRA CITY
ACT 2601

Dear Jonathan

REMOTE AREA TAX CONCESSIONS AND PAYMENTS

Thank you for the opportunity to comment on the Issues Paper relating to Remote Area Tax Concessions and Payments.

As the peak national industry body for hundreds of mining and mineral exploration companies throughout Australia, the Association of Mining and Exploration Companies (AMEC) has a direct interest in the development of public policies which are aimed at economic growth and creating job opportunities.

As detailed in the Paper, the eligible zones for the Zone Tax Offset (ZTO) were originally established in 1945¹, the Remote Area Allowance in 1984 and the Fringe Benefits Tax remote area concession in 1986². Although each concession is conceptually appreciated there have been no substantial changes to the design of each since inception, and not kept up to date with contemporary needs, or eroded financial values.

We note the Issues Paper indicates that *'typically, the intended effect of place-based policies, such as the Zone Tax Offset and the Fringe Benefit Tax remote area concessions, is to boost employment, population, and output in the target regions (or reduce the rate of decline) by making employment in those regions more financially attractive'*³

Based on the lack of any publicly available data, it is unclear to AMEC whether the original stated policy intent to attract employees to work and live in regional cities and remote areas has been achieved.

Some AMEC members have commented that with regards to mining and mineral exploration activities, Fringe Benefits Tax (FBT) and the absence of a real regional rebate has been detrimental to some regional towns. Whilst the application of FBT is somewhat understandable in cities, applying it in regional areas without a substantive rebate or incentive can only negatively impact towns.

¹ Ibid – page iii

² Ibid – page 2

³ Issues Paper – page 10

Association of Mining and Exploration Companies

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In previous years some mining companies built and operated towns, however the closure of some such towns in regional areas has re-inforced the Fly-In Fly-Out (FIFO) model and lack of desire for people to live there. Permanent residents require ready and cost-effective access to appropriate infrastructure and Government facilities and services, including health, education, police and child care.

One member indicated that changes to the treatment of FBT lead to a decision by one large mining company to sell all of its housing in the town and to no longer offer rent assistance to employees. This had a detrimental and long-lasting effect on the regionally located town.

Other members have indicated that the current level of the ZTO is manifestly too low as a mechanism to attract and retain employees in regional locations, not kept pace with the Consumer Price Index and, if based on the historical methodology of 3% of the medium wage, should be increased to at least \$2,500 per annum.

Other AMEC members have suggested that the FBT remote area concession should be significantly extended to greater effect by increasing the range of exemptions available under the initiative to address some of the disadvantages of remoteness.

A suggestion has also been made to update the definition of 'remote' to more appropriately target exemptions and concessions and enable long term planning and investment decisions by companies. Members consider that the definition should be updated to a more recent census noting that it currently refers to a 1981 definition, or consider aligning it with the Australian Bureau of Statistics remoteness areas⁴.

We further note that no reference appears to have been made to the FBT tax concession exemption for accommodation in a remote area overseas. AMEC has a number of Australian based member companies which have mining project interests in various overseas jurisdictions which also have an interest in tax concessions as they relate to overseas activities. Members consider that exempt benefits under the fringe benefits tax concession could be broadened to make it more attractive for Australian mining company taxpayers to work in remote overseas locations.

The AMEC Deputy Chief Executive, Graham Short looks forward to discussing these comments with you at a meeting in Perth on 7 May 2019.

Yours sincerely

Warren Pearce
Chief Executive Officer

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<http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/1270.0.55.005Main%20Features5July%202016?opendocument&tabname=Summary&prodno=1270.0.55.005&issue=July%202016&num=&view=>