



The Hon Josh Frydenberg MP
Treasurer of the Commonwealth of Australia
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

29 April 2019

Dear Sir

Remote Area Tax Concessions and Payments

1. PricewaterhouseCoopers (**PwC**) welcomes the opportunity to make a submission to the Productivity Commission in relation to the issues and questions outlined in the consultation paper released for comment in March 2019, titled “Remote Area Tax Concessions and payments” (**Consultation Paper**), which was prepared in response to Treasury’s request to undertake a study into the zone tax offset and related remote area tax concessions and payments.
2. Our submission most specifically outlines policy considerations and also raises some practical challenges based on our experience advising clients on the Fringe Benefits Tax (**FBT**) remote area concessions. Applying our expertise on the subject matter, we have addressed the economic and employment effects of the FBT remote area concessions, the policy objectives and finally the options of revising current arrangements.

A. Economic and Employment Effects

3. We acknowledge and agree that the intended effect of region-based policies, such as the FBT 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’.
4. Given our role in advising various industries on FBT, including advising on benefit policies and the review and preparation of numerous clients’ FBT returns, we have access to data that is publically unavailable. Across our entire client base nationally, we have witnessed lower than expected take-up of the FBT remote area concessions. We consider that the reason for the low application is twofold. Firstly, the complexity in of the current law has made it hard to comprehend for employers. This had led to employers not taking advantage of the concessions for fear of non-compliance, or to outsource the management of benefits to salary packaging bureaus (which may not be financially or administratively viable, particularly for smaller-scale taxpayers). Secondly, the rigid eligibility requirements have caused a number of clients to fail the remote area criteria as outlined in the *Fringe Benefits Tax Assessment Act 1986 (FBTAA)*. These are discussed in further

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detail later in our submission.

5. Within the last 24 months, we have seen an increase in the take up of the FBT remote area concessions across our client base in Queensland and Western Australia. The industries of employers who are using the FBT remote area concessions include mining, construction, pastoral, health, timber and power generation. In all cases, the increase in take up was due to employers needing to find ways to attract and/or keep talent. There has also been a shift from using Fly-In-Fly-Out workers to employing locals, including relocating staff to live in local areas. Many of our clients report difficulties in encouraging employees to move due to lifestyle considerations including schooling and partner's career options.

B. Objectives of remote area assistance programs

6. In considering whether the FBT remote area concessions are delivering on their policy objectives, it is important to have regard to the whether those objectives remain appropriate in contemporary Australia. Historically, we agree that the FBT remote area concessions were introduced to lessen the impact of the then new FBT regime on business operations in remote areas. The intended effect was to make employment in remote areas more attractive, advancing population, development and output in these regions.
7. As outlined in our own *Connected Cities* publication in November 2017, major cities are now struggling with congestion, housing affordability, and inequitable access to infrastructure, amenity and services¹. As quoted by Alan Tudge MP, the Minister for Cities, Urban Infrastructure and Population, 'overall the costs of congestion to the economy are already great and rising steeply. The Bureau of Infrastructure, Transport and Regional Economics estimates the costs of congestion in Australia's capital cities to be \$25 billion a year in 2017/18 rising to \$40 billion a year by 2030. This is a serious challenge for families and a serious economic challenge for the nation'². Despite the strong economic performance in cities, people are being pushed to urban fringes often not well connected to jobs and services, or well serviced by public transport.
8. Alan Tudge MP further submits that there are certain factors driving the increase in urban congestion in the rapidly growing cities. In fact, '75 per cent of the population growth has been to our three largest population areas: Melbourne, Sydney and South East Queensland', and yet the 'smaller States and many regional areas that have barely grown and crying out for more people'.
9. This trend is supported by data in the most recent Census, which considered that urban population growth is aggravated by the current population trend across Australia. The ABS states 'internal migration is the principal driver of population redistribution in Australia, leading to growth on the fringe of our major cities, as well as in selected regional and coastal centres, but also loss from parts of regional and remote Australia'³. Both major Federal parties consider that one solution to

¹ <https://www.pwc.com.au/agendas/cities/connected-cities.html>

² <http://alantudge.com.au/Media/Speeches/tabid/72/articleType/ArticleView/articleId/994/language/en-US/Speech-THE-CONGESTION-CHALLENGE-MORE-INFRASTRUCTURE-AND-STRONGER-POPULATION-PLANNING-TO-GET-BETTER-CITIES.aspx>

³ <https://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/2071.0~2016~Main%20Features~Population%20Shift:%20Understanding%20Internal%20Migration%20in%20Australia~69>

this mounting problem is to help grow smaller States and regions. This would improve the balance of economic growth between our fastest growing population areas versus others by re-balancing our population growth, with particular focus on smaller States and regions. Given the modern day issue, we consider FBT remote area tax concessions critical to achieving the intended goal of increasing balance and productivity, particularly in regional areas, by way of incentivizing both employers and employees to relocate.

10. Notwithstanding the above, regional and remote areas are struggling to find people to fill job vacancies. The Standard, the local newspaper for the South-West region of Victoria, recently featured a front page headline stating 'Wanted: 1000 Workers' in relation to persistent job vacancies in Warrnambool. The City Council's economic growth director further stated 'there are the traditional skills shortages around agriculture such as dairy hands, diesel mechanics, meat and livestock workers and there are also shortages in professional occupations ... We need graduate accountants, financial planners, and the demand for health specialists is ongoing'⁴.
11. In order to determine the most appropriate tax concessions to boost employment in these regions, it is important to consider why people move away from urban areas. According to The Conversation, an independent, not-for-profit media outlet with articles authored predominantly by academics, the most important factors are economic or aesthetic⁵. In terms of the latter, there has been a substantial push for a 'sea change' in recent times, as outlined by Nicholas Osbaldiston, with individuals escaping 'the metropolis for lifestyles in small coastal, country, or mountainside locales'⁶. According to The Conversation, economic factors include 'obvious issues like housing affordability, debt (via mortgage), stress and overwork'.
12. Notwithstanding, individuals are not going to move to a remote or regional area if there is no or limited employment available. For example, no individual will move to a remote outback community with no job prospects, even if the Government gave them a personal \$10k tax cut to do so; put simply, the lack of job prospects and therefore security is not offset by the tax savings. Therefore, to some extent, the remote area tax concessions have to have a dual focus, enabling employers to consider regional moves and enabling accompanying employee movement. This provides a more sustainable long-term solution to address the afore-noted and continuing population growth imbalance.
13. Accordingly, the FBT remote area concessions remain a sensible way of incentivising employees to relocate due to the connection with employment. An employee who is provided with a number of benefits to entice relocation, including remote area housing funded by their employer (or through salary packaging, enabling a real ongoing personal tax saving) at no tax cost, is in a financially improved position compared to if they remained in their original place of residence. This satisfies the modern day economic policy of migrating individuals away from metropolitan areas. In summation, we consider that the FBT remote area concessions are an important tool to distribute employment and population growth across Australia, as well as supporting smaller regions.

4 <https://www.standard.net.au/story/5421160/south-west-boom-creates-glut-of-1000-vacant-jobs-across-region/>

5 <https://theconversation.com/meet-the-new-seachangers-now-its-younger-australians-moving-out-of-the-big-cities-103762>

6 <https://www.palgrave.com/gp/book/9781137007612>



C. Options of revising current arrangements

14. Given the challenges faced by contemporary Australia, we propose several areas of reform in relation to the FBT remote area concessions so they are more efficient, equitable and simple.

Modernising the Remote Area Definition

15. Whilst there are several accommodation-related remote area concessions contained within the FBT regime (this issue is addressed further below), the key determinant with respect to access to the concessions is that the accommodation and employment of the individual is not proximate to an 'eligible urban area'.
16. Eligible urban areas are defined under section 140 of the FBTA, based on the 1981 Census population:

Classification 1:

- not in Zone A or Zone B for income tax purposes;
- at least 40 kms from an urban centre that had a population of 14,000 to less than 130,000; and
- at least 100 kms from an urban centre that had a population of 130,000 or more.

Classification 2:

- in Zone A or Zone B for income tax purposes;
- at least 40 kms from an urban centre that had a population of 28,000 to less than 130,000; and
- at least 100 kms from an urban centre of 130 000 or more.

Classification 3:

- the employer is a certain regional employer;
- the employer is providing a housing benefit; and
- the location is at least 100 kms from an urban centre that in the 1981 Census had a population of 130,000 or more.

Certain regional employers include certain hospitals, charitable institutions and police services.

17. Given the eligible urban area, and therefore what constitutes remote areas for FBT purposes, has remained unchanged since the FBTA was introduced in 1986, we consider it critical to refresh these provisions to reflect the growing population and contemporary living arrangements. The update must consider various social and economic factors. Firstly, the population of Australia has grown by approximately 10 million since 1981. Secondly, the migration trend away from remote and regional areas must be factored into the threshold requirements, given the overall population re-distribution policy consideration. Thirdly, there are varying degrees of remoteness, and the



concessions must treat regions with similar economic, social and infrastructure capacity in the same way.

18. The easiest way to update the remote area definition would be to update the population figures based on the 2016 census. However, we consider that this would lead to inequitable outcomes amongst regions and further, unless continuously refreshed for new censuses, will again become outdated in due course. As alluded to above, Australia faces extreme levels of population migration from remote and regional areas and often, the consideration for individuals migrating is around access to better-developed social, economic and infrastructure. Therefore, consideration of population alone is a misnomer, as population attraction could be due to varied reasons unconnected to employment (for example, a coastal town with attractive weather conditions may attract many retirees thereby inflating population numbers, but may still only boast limited job opportunities).
19. As an example of how population numbers can skew this assessment, we note that under the current list of remote areas, Byron Bay is considered remote and Albany is considered an eligible urban area. An employee in Byron Bay is faced with far greater access to education, infrastructure, and services compared their Albany counterpart. And yet, under the current rules, a Byron Bay employee would be eligible to for the FBT remote area concessions, whilst the Albany employee does not. This seems unfair given the relative level of 'connectiveness' of Byron Bay to the rest of Australia compared to Albany. For instance, Byron Bay has a high level of transport options to the Gold Coast or Sydney, and even has access to an airport in close proximity. Albany employees are faced with over a four drive to the closest city of Perth.
20. As such, we submit that the remote area definition must look beyond just population data, and also consider aspects of relative 'connectiveness' to wider Australia. Issues faced by these regions include higher fuel consumption and therefore costs (for example, individuals who have to travel large distances to their local supermarket) and higher airfare prices (due to small airports with limited routes, or even no local runways). Thought must also be given to towns that have a high population due to unprecedented circumstances, such as the mining boom, but lack adequate accommodation and public facilities, as well as low availability of social opportunities, such as music and sporting events.
21. We acknowledge that broadening the remote area scope beyond population data will require some subjective analysis, however we strongly believe that this will lead to the most equitable outcome. We propose applying zones to delineate between subjectively assessed urban and remote areas. Postcodes appear to be the most appropriate approach, as this would ensure housing in the same town is treated identically. We suggest creating a list of urban areas by postcode, and allowing all other postcodes to fall out of the urban area and therefore to be considered remote. Crucially, this list would need to be updated within certain time frames (such as five year intervals) to observe the relative change in remoteness of areas overtime. This would also reduce inequitable outcomes in remote areas that encounter population decline.

Regional Australia

22. As referenced earlier, both major Federal parties have placed a major focus on regional development, and yet, the only FBT remote area concessions that are available to regional employers require them to meet the Classification 3 definition of an eligible urban areas (i.e. be limited category of employer such as a charity or a hospital). Alan Tudge MP stated that ‘some regional areas simply cannot fill the jobs available. There are an estimated 47,000 job vacancies in regional Australia today. Our population plan will ease congestion on the big capitals, while supporting those smaller cities and regions that want to grow. It is an integrated plan, that eases the migration rate, builds the necessary infrastructure and plans for the future’⁷.
23. State Governments have already begun implementing policies to redistribute people away from rapidly growing areas like Melbourne and Brisbane. The Office of State Revenue in Victoria has introduced a payroll tax concession for regional employers, allowing them to apply half the payroll tax rate compared to urban employers. Relocated employers, such as WorkSafe Victoria and the Transport Accident Commission to Geelong, Victoria, has created more attractive job opportunities for individuals to relocate to this area. In a similar vein, the Office of State Revenue in Queensland has introduced a Back to Work scheme, which gives eligible regional employers a rebate of up to \$20,000 to hire an unemployed jobseeker in a full-time position.
24. Given both the Federal Government push and State Government concessions already available, we submit the Federal tax system must also implement regional concessions to combat the rapid growth and congestion challenges faced by our cities.
25. Consideration should be given to providing a distinction between remote and regional employers. Simply extending the current FBT remote area concessions to regional areas would be poor policy intervention in our view, as, expectedly, regional towns are likely to have better social, economic and infrastructure development. For example, allowing for the same concessions would conceivably allow an employee in Newcastle to access the same financial benefit as an employee in outback Australia. Additionally, this would allow concessions to be accessible by a far broader reach of individuals, which is not the intended policy initiative. By way of illustration, we do not consider it rational to allow for all employees in regional areas to access concessional housing treatment – this would result in a large cost to government and result in adverse effects in terms of housing affordability and tax revenue.
26. Therefore, we consider that a second tier of FBT concessions should be made available for regional employers. The question lies in whether to allow both existing and new businesses access to the concessions. The concessions should be set up to incentivise employers to move to regional areas, and as such, it may not make sense to offer concessions for existing employers. However, this would result in an unfair outcome for employers who have already (and perhaps very recently) moved operations to regional areas.
27. As such, we propose allowing new regional employers a concession for a limited period post-move (for example, five years) for relevant employees. This would operate similar to the living away

⁷ <http://alantudge.com.au/Media/Speeches/tabid/72/articleType/ArticleView/articleId/994/language/en-US/Speech-THE-CONGESTION-CHALLENGE-MORE-INFRASTRUCTURE-AND-STRONGER-POPULATION-PLANNING-TO-GET-BETTER-CITIES.aspx>



from home FBT concessions, which allow for application for a 12 month period only. In terms of what the concessions are, consideration must be given to keeping the remote area and regional concessions separate, to ensure the tax and transfer is easy to understand and simple to comply with. For example, a simple initiative could be a FBT rebate of \$10,000 per employee for all new regional employers to lapse after five years. After this, regional employers will have access to a lower FBT rebate, perhaps up to \$2,000 per employee.

28. When designing what constitutes a regional area, we propose including a zoning arrangement similar to the remote area postcode discussed above.
29. One further alternative to consider is the creation of an exempt cap arrangement, applied at the employer level, similar to the current exemption for exempt employers (eg. public hospitals). This could be introduced to replace all the current remote area FBT exemptions/concessions, with a cap targeted at remote employers, and a separate cap targeted at regional employers. This would be aimed at reducing the existing complexity (of which is summarised below).

Simplifying accommodation, equalising outcomes and providing water-related concessions

30. As previously alluded to, the FBTAA stipulates several concessions for remote area accommodations benefits. Given the current legislation is complicated and difficult to follow, we have not provided specific legislative extracts, but instead have summarised the concessions below.

<i>Concession</i>	<i>Criteria</i>	<i>Reduction available</i>
<i>Remote area housing</i>	<ul style="list-style-type: none"> • for the tenancy period, accommodation is provided in a remote area; • the accommodation is provided to a current employee who occupies it as their usual place of residence and their usual place of employment is in a remote area; • it would be concluded that it must be necessary for you to provide accommodation for employees or to arrange to provide such accommodation because: <ul style="list-style-type: none"> • the nature of your business is such that employees are liable to move frequently from one residential location to another • there is insufficient suitable residential accommodation otherwise available at or near the place or places where the employees are employed, or • it is customary for employers in that industry to provide free or subsidised accommodation for employees; and • the benefit is provided under an arm's length arrangement, and not an arrangement entered into to obtain the concession. 	<ul style="list-style-type: none"> • The housing benefit provided is exempt.
<i>Remote area loan</i>	<ul style="list-style-type: none"> • you provide a loan fringe benefit connected with a dwelling to your employee; • the employee occupied or used the dwelling as their usual place of residence; and • the remote area definition is met. 	<ul style="list-style-type: none"> • Reduction of 50% of the taxable value of the loan fringe benefit.
<i>Remote area interest</i>	<ul style="list-style-type: none"> • you provide an expense payment fringe benefit for interest accrued by your employee on a remote area housing loan connected with a dwelling; • that employee occupied or used the dwelling as their usual 	<ul style="list-style-type: none"> • Reduction of 50% of the taxable value of the expense payment fringe benefit.

<i>Remote area rent</i>	<ul style="list-style-type: none"> place of residence; and the remote area definition is met. you provide an expense payment fringe benefit for rent accrued by your employee for a unit of accommodation; the employee used the unit of accommodation as their usual place of residence; and the remote area definition is met. 	<ul style="list-style-type: none"> Reduction of 50% of the employee's expenditure (the gross rent), not just limited to 50% of the taxable value.
<i>Remote area residential property</i>	<ul style="list-style-type: none"> you provide an employee with a property fringe benefit consisting of land, or house and land; the employee's property is a remote area residential property; and the remote area definition is met. 	<ul style="list-style-type: none"> Reduction of 50% of the taxable value of the property fringe benefit.
<i>Remote area residential property expense payment benefit</i>	<ul style="list-style-type: none"> you provide an expense payment fringe benefit to your employee; the employee's expenditure is in respect of a remote area residential property; and the remote area definition is met. 	<ul style="list-style-type: none"> Reduction of 50% of the taxable value of the expense payment fringe benefit.
<i>Remote area residential option fee</i>	<ul style="list-style-type: none"> you provide an employee with a property fringe benefit; their property is a remote area residential property option fee; and the remote area definition is met. 	<ul style="list-style-type: none"> 50% reduction of the taxable value of the property fringe benefit.
<i>Remote area residential property repurchase consideration (section 65CC)</i>	<ul style="list-style-type: none"> you provide your employee with a property fringe benefit; the property is remote area residential property repurchase consideration; and the remote area definition is met. 	<ul style="list-style-type: none"> you are entitled to a 50% reduction of the taxable value of the property fringe benefit. However, the 50% discount is denied on that portion of a benefit, arising on repurchased, which is attributable to you paying a repurchase price excessively above market value under a buy-back clause in a remote area housing agreement.

Simplifying reductions

31. The FBTA currently provides eight differing concessions with respect to accommodation, and with essentially differing levels of concession dependent on benefit delivery (for example, exempt, versus 50% of taxable value, versus 50% of employee expenditure). In our view, the complexity of navigation across the various concessions could lead to lower take-up than expected or desired. It can also lead to tax errors for employers, who are not sophisticated enough to steer through the hurdles and for example, provide rental reimbursement rather than housing, even though the intention may have been to provide accommodation as an exempt benefit. Accordingly, to simplify the concessions, we recommend removing the lower take up benefits (such as remote area residential property expense payment benefit, remote area residential option fee and remote area residential property repurchase consideration) and also consider levelling the amount of concession across different delivery formats.
32. With respect to the latter point, to reiterate our overarching contention with respect to the purpose of these concessions, ultimately the aim of such provisions is to enable mobilisation of employers (and hence employees) to remote (and regional) areas of Australia, opening up more employment hubs and importantly, decongesting our cities. Having a uniform 100% concession to incentivise movement, noting the importance of accommodation to this purpose, helps achieve this. For example, in our view, providing an individual employee tax concession (such as through salary sacrifice) to purchase a home in a relevant remote/regional area is more likely to incentivise the move, versus requiring that house to be directly provided by the employer (which may not even be economically feasible for the employer). Across time, natural economic principles would dictate

enhanced demand for property normalising prices in such locations (which may be inflated currently due mining or infrastructure projects) and will also increase supply in the long-term.

33. Additionally, and with respect to the complexity of the law, this is further exacerbated due to interpretational issues as provided by the ATO. By way of illustration, the ATO has stated that principal repayments of third party housing loans does not qualify as 'employee incurred property purchase costs'. This leads to a disparity in the concessions available by rental reimbursements versus house purchases, which is inequitable and cannot have been the policy intention of the provisions. Again, in our view, the overall policy aim of these provisions and the current reform avenue is to continue to incentivise employer and employee movements away from capital cities. Adding layers of interpretational complexity, and differing concessions results, does not aid this purpose.
34. As a further interpretative issue, all of the relevant remote area accommodation concessions are only enlivened where the underlying accommodation is considered to be the individual's 'usual place of residence'. The ATO has provided guidance with respect to 'usual place of residence', as follows:
 - The residence would normally be proximate to their fixed or permanent employment base.
 - The relevant terms of the employment may provide an indications with respect to the permanency versus temporary nature of the engagement at the location.
 - Where the length of engagement at the locations is longer, the more indicative that the move is not temporary.
35. Naturally, the policy intent of the 'usual place of residence' qualification is to ensure that the concessions are only applicable to individuals who are effectively permanently relocating, so as to incentivise population migration and limit universal access to the concessions. Notwithstanding, there are significant challenges with interpretation given the requirement to essentially subjectively assess this case-by-case, which presents administrative and logistical challenges. A simple solution may be to have a statutory minimum timeframe for engagement at the location to enable access to the concessions (for example, 12 months).

Further, it is also relevant to note that the 'usual place of residence' qualification would likely rescind access for short-term projects, where individuals may mobilise to remote regions to upgrade or develop infrastructure (for example, railway lines). In our view, concessions should be applicable in such scenarios where individuals have mobilised to the location for, for example, a two-three year period solely for the short-term project. Where concessions are not available, outside of the FBT tax outcome for the employers, this also results in reportable-fringe-benefit-amount (**RFBA**) implications for the individual (which can impact other government administered schemes) and this is despite the accommodation clearly being intrinsically connected to employment.

36. Finally, we also note that the associated residential fuel concession is limited to gas and electricity, with water and telephone & internet excluded from the reduction. Notably, both water and telephone/internet costs in remote regions can be significantly more costly due to infrastructure limitations. Employees mobilising to such locations have to bear these increased costs relative to their urban counterparts, with no avenue for tax concession to alleviate the burden. Currently, water is only exempt through the afore-noted remote area housing exemption, with a subjective

assessment having to be made regarding whether free water is included within the tenancy agreement. In our view, there is no purpose to restricting concessions to just gas or electricity, or for water concessions to only be available where exempt housing is provided, and therefore the concession should be expanded to include all relevant key utilities. Further, akin to our suggestion above with respect to providing a uniform 100% concession for accommodation, residential fuel too should have a similar 100% concession (increased from the current 50%), which allows for the alleviation of increased costs associated with such regions.

Customary

37. The FBT remote area concessions (including the accommodation concessions described earlier) are only available where it is customary for employers in that industry to provide that kind of benefit. Taxation Determination TD 94/97 (**TD 94/97**) provides, at paragraph 2, that a benefit will be accepted as being customary where it is normal or common for employees of that class or job description in that industry to be provided with the same or similar benefits. As outlined in TD 94/97, the provision was introduced to restrict industries where it would be 'unique, rare or unusual' to provide the benefit.
38. Based on recent conversations with ATO personnel, we understand that there has been a recent push to combat salary sacrificing bureaus who, in their opinion, have been automatically self-assessing as satisfying the 'customary' test (i.e. allowing for the benefit to be salary sacrificed without due consideration of the qualification). Notwithstanding the aforementioned taxation determination, the lack of guidance or statutory rules as to what constitutes 'customary', coupled with the ATO's current compliance focus, means that there is a different layer of interpretation established by the ATO that is not being transmitted to taxpayers. The uncertainty runs the risk of both employers and employees electing not to apply the concessions, for risk of non-compliance.
39. The ATO's parameters on whether it is 'unique, rare or unusual' in the industry are subjective. As such, we submit that the 'customary' requirement must be reformed to reflect objective parameters. In terms of applying statutory rules to the 'customary' requirement, we are uncertain on how these would operate in practice. Should the threshold be based on geographical regions – such as sites or regions – or does the 'customary' requirement need to be met Australia wide? Does a percentage of the industry offering discounted remote area housing count suffice, or does the whole industry need to offer these types of benefits? How do we determine the satisfactory percentage, given the provision of non-cash benefits in employees' remuneration packages is private in nature and no information is available to the public? How long does the industry need to be offering discounted remote area benefits before it is considered 'customary'? How does business performance and appetite for provision of benefits play into this? Is it fair to limit the concessions to highly remunerated industries, such as mining, but exclude welfare or social industries, where non-cash benefits are not common practice? Given these challenges in objectively and equitably clarifying 'customary', we consider it inequitable to only qualify for the FBT remote area concessions if the general perception leans towards housing being 'customary' in that industry.
40. Given the subjective nature of the test, and the inability to set statutory rules without inconsistency and complications, we propose eliminating the 'customary' qualification in all relevant remote area concessions. Whilst this would prima facie allow for all industries to access the concessions, we consider this appropriate given the ultimate purpose of the FBT remote area



concessions is to incentivise people to these areas. It should not matter if the provision of FBT remote area concessions is 'customary' to the industry, if migration is the end goal.

Work in non-remote but live in remote

41. For the majority of the FBT remote area accommodation concessions, these are subject to both the accommodation and the usual place of employment being based in a remote area. Therefore, the current FBT remote area concessions give no consideration to employees whose usual place of employment is remote, however they choose to live an area closer to an urban centre which falls outside of the remote area net.
42. We consider that there are two reasons as to why an individual works remotely, but may choose to live closer to an urban area. Firstly, it may be a personal preference to live in a larger community with better infrastructure and resources. For instance, an employee may choose to live in Darwin which has a larger amount of transport, social events and services, and travels to Adelaide River each day for work. Such employees are required to travel long distances and incur large travel costs, and yet are not eligible for the FBT remote area concessions.
43. Secondly, remote areas characteristically have low population levels, and, therefore, low levels of accommodation. There are instances where employers are forced to provide accommodation in a neighbouring area, outside of the remote area net, due to low levels of accommodation available near the usual place of employment. This results in a disparity of outcome between individuals, despite the result being purely due to logistical reasons. It would result in RFBA's for some employees and not others, and also create FBT implications for housing for the relevant employer for some employees and not others.
44. To combat this issue, we suggest reforming the requirement for the accommodation to be in a remote area. Of course, removing this criteria in its entirety would have adverse effects on those who operate under a Fly-In-Fly-Out arrangements (as ostensibly, their usual place of residence, which may be in a capital city now qualifies). By the same logic, this would also encourage employees to move outside of the isolated areas and into urban areas to obtain a tax loophole, congesting roads and acting against the initial policy objective.
45. Consequently, we recommend introducing a distance requirement to the FBT remote area concessions. If the housing was within a certain distance boundary of the remote area net, and their usual place of employment was considered remote, employees should be eligible for the concessions. Alternatively, the ATO can consider introducing deductions for home to work travel to alleviate high travel costs for this set of employees.



We look forward to the opportunity of discussing our submission with you in further detail. In the interim, if you have any questions please do not hesitate to contact us.

Yours sincerely

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