



**Submission on the Productivity Commission Inquiry into Remote
Area Tax Concessions & Payments Draft Report Recommendations**

October 2019

Summary

The draft report of the Productivity Commission appears to completely discount the importance of rural and remote communities which is where the bulk of the GDP comes from, whether agricultural or mining. These two sectors employ vast numbers of people and whilst some in the mining industry do earn higher wages, many or most in the agricultural sector do not. Many or most in the mining sector do not live in their area of work but, rather are employed on a FIFO basis, whilst most people engaged in the agricultural sector do live and work in rural and remote communities.

There is a huge disparity in the concessions available for each of these sectors and an imbalance tipped in favour of those who do earn more, (or probably more correctly, their employers), primarily in the mining industry, against those who do not, primarily in agriculture who are charged with providing us with food. Certainly, a non-negotiable commodity. Broad acre farming is not an industry easily placed in bigger centres or cities as the two are mutually exclusive.

To examine any of the current measures in place, such as, zone tax offsets, remote area payments and fringe benefits tax incentives, in isolation, runs the risk of over-simplifying what is a complicated set of circumstances. Any recommendations should therefore consider the links and interactions between the above-mentioned concessions to arrive at a solution which can be beneficial to the country as a whole.

The ultimate goal of all regional, rural and remote communities is to be sustainable. We value the places we live in and always strive to provide all the services our residents require. The continual withdrawal of State (and Federal), government agencies from these areas where these services have previously been available severely impacts on that sustainability and is one of the factors affecting our sustainability over which we have no control. Centralisation of services brings no benefit to communities remote from the metro area or large regional centres and the argument that everything can be done online, only holds up where there is reliable access to internet services, which is simply not the case in many rural and remote areas. Centralisation of services is also very unhelpful in relation to medical services.

Zone Tax Offsets

The Commissions' assertion that the Zone Tax Offsets are 'flawed and outdated' has some merit. As the situation stands, they do not adequately address any issue with living remotely.

Prior to any moves to abolish the ZTO, several matters should be considered, primarily the question as to the Constitutional soundness of the programme. If that issue is found in the negative the ZTO would be abolished. If, however, there were grounds for the programme to continue (constitutionally), then the following should take place:

- Redefining the boundaries of the Zones which currently do not reflect areas of 'isolation' as they may have done in the past. The Census data would seem a reasonable instrument to assess the relative remoteness of an area and is updated regularly.
- Consideration could also be given to the areas of eligibility.
- The payment level needs to be adjusted and updated to have any real effect.

The Commonwealth Government should most definitely have a role in supporting and encouraging regional development given the effect these areas have on the GDP. Whilst the Commission asserts that issues with living in remote areas "does not warrant compensation from other taxpayers", the question that must be asked, is how the 'other taxpayers' would fare if the economic benefits generated in the remote regions stayed in those regions, rather than being distributed to all.

Remote Area Allowance

The Remote Area Allowance requires some urgent attention to fulfil the original objective of the payment. In its' current state it is of little or no real benefit to any recipients in relation to relieving the extra cost burden borne by residents in remote areas, particularly those on income support for whom it is designed.

It is similarly hampered as the ZTO in relation to boundaries and again it would seem logical to access the Census data for a more balanced approach to the areas of eligibility.

The rates paid should be calculated on a needs basis in so far as the difference in costs in different areas should be considered in the calculation. A 'one size fits all' approach should not be considered. Similarly, this allowance must be reviewed and payment rates revised, regularly in order to adequately reflect changes in the cost of living in these areas and provide some real support.

Fringe Benefits Tax Concessions

The Fringe Benefits Tax legislation is overly complicated and does not provide any net benefit to regional and remote communities. The current situation provides a disincentive for employers to source a resident workforce.

The concessions granted for FIFO workforces are justified in situations where the provision of a 'camp style' housing facility is an operational requirement due to distance from any town. However, where the only option offered to potential employees is that of a FIFO position, even though the camp may be situated in close proximity, or even in a town, should be actively discouraged. Although the town may derive some direct economic benefit from having extra people in town, while they don't actually 'live' in the town, the community cannot grow and it impacts on access to government services available in town. The liveability of the area suffers due to lack of community participation in sporting clubs and other community activities and the inevitable slow withdrawal of services due to lack of numbers. This has major impacts on the ability of local governments to operate sustainably and is something over which they currently have no control.

There is a need for a major review of the Fringe Benefits Tax legislation in order to address the inequities which currently exist.

- The boundaries for eligibility for FBT remote area concessions are illogical and need to be addressed. The criteria are outdated and not fit for purpose.
- The full exemption for FIFO workers acts as a disincentive for employers to even offer a residential workforce. There have been instances in Kalgoorlie, for example, where families have moved to Perth in order to come and work on a FIFO roster back in Kalgoorlie, simply because the positions are only advertised as FIFO positions. Some companies are simply not offering residential positions.
- The full exemption needs to be scaled back and incentives, such as a revised and updated ZTO, applied to people who do want to work and live regionally. By denying that option our communities are suffering. We cannot grow our communities without the population to do so and the current concessions are artificially skewing the system against small communities. It is true that not everyone wants to live regionally but, some people do and some assistance in making the system more equitable would greatly benefit our small communities.

Conclusion

It is of great importance to develop our regions and divert over-population from the cities which are also struggling to provide the infrastructure required for ever-growing populations. People should have the opportunity or choice to work where the wealth of the country is being created, not where it is being consumed and should be able to do so without unnecessary, artificially produced circumstances that create an environment where regional living is actively discouraged.

An urgent overhaul of the arrangements in place in relation to tax concessions, rebates and allowances is needed to address the current inequities for regional and remote communities.

As outlined in the draft report there are many inconsistencies in the way regional concessions are calculated and these need to be addressed in order to have a more coherent and equitable system in place, which may ultimately cost the Commonwealth government less.

As previously mentioned, a high proportion of the highest paid workers in regional areas do not actually live there. The lower paid and unemployed more often do. For those on lower incomes there is some attraction to living regional or remote in that the value of real estate makes home ownership more easily within their grasp. However, that availability and affordability can have some adverse effects in that the property value then becomes a tie to the area. For example, the value of a property sold here in Norseman would not afford the seller the funds to purchase property in another location, closer to a larger centre. This ties people to areas where they are exposed to some disadvantage through higher costs of goods and transport and limited access to government services. It is incumbent on State and Federal governments to halt the withdrawal of services previously available in regional and remote areas.

The access to benefits such as the remote area allowance and zone tax offsets then becomes of great importance to level the 'playing field' for remote residents. Any review of the current concessions in place should look at a whole of problem approach, recognise that there is a diverse range of people living in remote areas and adopt a system which should encompass all that diversity and not go down the path of one size fits all. The system should have built-in mechanisms for regular review of both the geographical boundaries and the rates to be applied.