



REMOTE AREA TAX CONCESSIONS AND PAYMENTS — FINAL REPORT

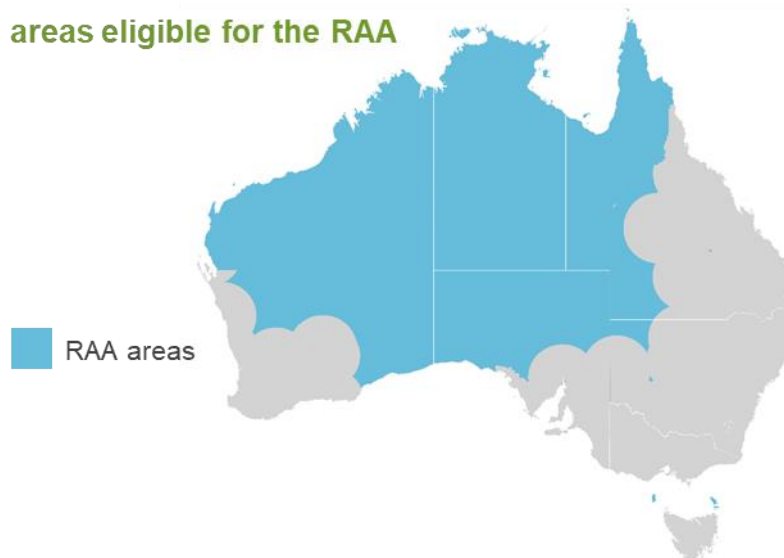
REMOTE AREA ALLOWANCE

Introduced in 1984 as a companion payment to the zone tax offset (ZTO), the remote area allowance (RAA) is a supplementary payment for income support recipients in eligible areas. This study is the first broad-based review of the RAA since its introduction.

The Australian Government spends \$44 million on the RAA each year, reaching over 113 000 people. Fortnightly payments are \$18.20 for a single recipient, \$15.60 for each person in a couple and \$7.30 for each dependent child. The average RAA payment per recipient is \$387 a year.

RAA areas include special areas and ordinary Zone A (but not ordinary Zone B), as defined in taxation legislation for the purpose of the ZTO (map below).

The areas eligible for the RAA



Some notable characteristics of remote area allowance recipients

- Most RAA recipients reside in *very remote* and *remote* areas of Australia (as defined by the Australian Bureau of Statistics remoteness classification).
- The majority are located in the Northern Territory, with one in five Northern Territorians over the age of 15 years in receipt of the payment.
- Half are located within areas of the highest socio-economic disadvantage.
- Two thirds of recipients are Indigenous Australians.
- The large majority are in receipt of either the age pension, the disability support pension, Newstart allowance or parenting payment.
- Just over half have been in receipt of an income support payment for over five years.

[MORE]



The RAA has a policy role ...

The Commission considers that the RAA has a legitimate role — to compensate for some of the higher costs of living and reduced access to services affecting income support recipients in remote areas.

Unlike for most ZTO recipients, there is no market mechanism to compensate income support recipients in remote areas, who are predominantly outside the workforce, for the disadvantages of living in remote places. This, together with limits on the mobility of many RAA recipients (relative to ZTO beneficiaries), provides a policy basis for a supplementary income support payment like the RAA.

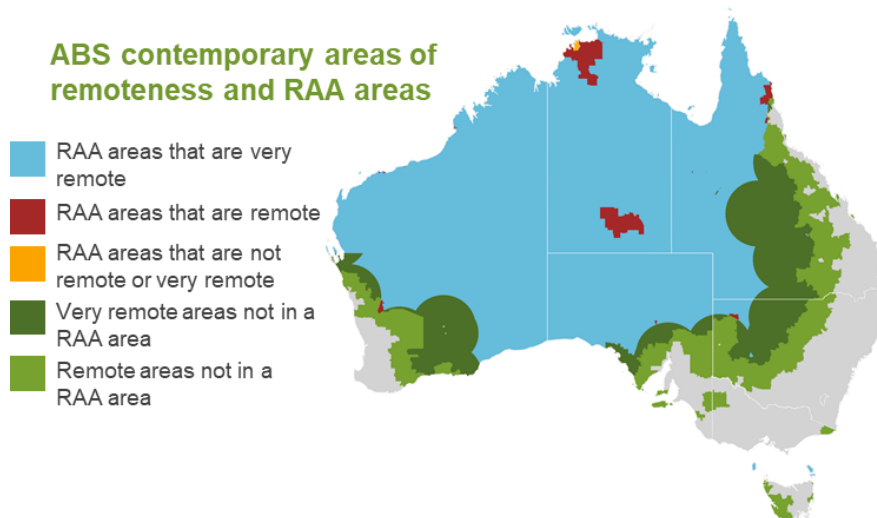
... but is in need of a refresh

RAA areas are outdated and payment rates have not increased in 20 years.

To ensure that the RAA is fit-for-purpose in contemporary Australia, the Commission is recommending that RAA areas be aligned with *very remote* areas, as classified by the Australian Bureau of Statistics (map below). Relative to people in *remote* areas, people in *very remote* areas face higher living costs, less ready access to services, and greater barriers to mobility. There are also significantly higher levels of socioeconomic disadvantage and lower levels of adaptive capacity in *very remote* areas.

Aligning RAA boundaries to *very remote* areas would improve the RAA's targeting, decrease the number of recipients (over a year) by 46 000 and, if current rates of payment were maintained, decrease the cost of the RAA by \$18 million a year.

The Commission is also recommending that the Australian Government should initiate a process to set new payment rates for the RAA.



[END]