# Remote Area Tax Concessions and Payments

Productivity Commission Draft Report, August 2019

Commonwealth of Australia 2019



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# Opportunity for further comment

You are invited to examine this draft and comment on it by written submission to the Productivity Commission, preferably in electronic format, by Friday 11 October 2019.

Further information on how to provide a submission is included on the study website: [www.pc.gov.au/inquiries/current/remote-tax](http://www.pc.gov.au/inquiries/current/remote-tax).

The Commission will prepare the final report after further submissions have been received and it will hold further discussions with stakeholders. The Commission will forward the final report to the Government in February 2020.

## Commissioners

For the purposes of this study the Commissioners are:

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**The full report is available at** [**www.pc.gov.au**](http://www.pc.gov.au)

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Overview

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| Key points |
| * Remote area tax concessions and payments are outdated, inequitable and poorly designed. They should be rationalised and reconfigured to reflect contemporary Australia. * Remote Australia has changed considerably since 1945. Many areas once considered isolated are no longer remote, and improvements in technology have helped reduce the hardships of life in remote Australia, although expectations have risen. * Today, close to half a million Australians live in remote places. The tyranny of distance can make living and doing business challenging. Some things that most Australians take for granted are not readily on hand. Yet many of those in remote Australia hold a strong personal or cultural connection to a place and their community as well as the way of life it offers. Others are attracted by job opportunities. * The zone tax offset (ZTO), the remote area allowance (RAA), and the fringe benefits tax (FBT) remote area concessions are broadly designed to mitigate some of the inherent challenges, and facilitate development in regional and remote Australia. * The ZTO is an ineffective and blunt instrument. There is no evidence to suggest that the ZTO currently affects where people choose to live or work. Some areas are no longer isolated, but remain eligible. Were it to be retained, the ZTO would need to be overhauled. * Reforms to eligibility would still leave the ZTO without a compelling rationale. There is no general role for Government to compensate taxpayers for the disadvantages of life in particular areas. Higher wages in the zones across a wide skill spectrum suggests that the market compensates workers, at least to some extent, for the disadvantages of remote living. For those looking to settle in remote communities, issues of liveability and lifestyle also play an important part, with remote living largely a matter of choice. The ZTO should therefore be abolished. * The RAA is a supplementary payment directed to people on income support in remote areas. It is a means of partially compensating for higher living costs. The majority of recipients are from areas with socio‑economic disadvantage and face barriers to mobility. Being out of the labour market, RAA recipients do not benefit from the wage premiums that apply to ZTO recipients. * While the RAA has a legitimate role, it needs a refresh — with boundaries updated to contemporary measures of remoteness, payment rates reviewed and transparency enhanced. * FBT concessions for remote areas have dual objectives: equitable tax treatment where employers have operational reasons to provide goods and services to employees, and regional development. * The most compelling argument for these concessions is the former. But current concessions are poorly targeted for this purpose. They are overly generous and complex, thereby creating other inequities. * FBT remote area concessions should be redesigned to be consistent with the fundamental principle of equitable tax treatment while reducing the cost burden on taxpayers. * Most significantly, concessions on employer‑provided housing should change. The current exemption should be reverted to a 50 per cent concession (as it was prior to 2000), and provisions allowing employers to claim housing exemptions solely because it is ‘customary’ to do so should be removed. |
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# Overview

As one of the least densely populated countries in the world, large swathes of the Australian continent are ‘remote’: sparsely populated and distant from major cities. Many parts of remote Australia offer their residents a unique lifestyle, or a different set of employment opportunities to other parts of Australia. Living and doing business in remote places, however, can be challenging and demand resilience.

Australian governments at all levels have a long history of supporting people and businesses in remote Australia. As communities have continued to transition over time in response to economic, social and technological changes, there has been continued pressure to help sustain their long‑term viability and prosperity.

The nature and scope of these policy interventions have evolved — mirroring the evolution of remote Australia itself. Some places that were undeniably remote in 1945 (when tax concessions for ‘isolated areas’ were introduced) have since become more developed and connected to the rest of the country and the world. Further, technological and economic developments have cushioned many of the difficulties stemming from distance, isolation, and a harsh climate.

Against this backdrop, the Commission has been asked to review three longstanding tax concessions and payments for residents and businesses in remote and certain regional areas: the zone tax offset (ZTO), the remote area allowance (RAA), and the fringe benefits tax (FBT) remote area concessions. These constitute small and discrete measures that sit within an existing, and much larger, tax and transfer system.

The ZTO’s origin dates back to the end of World War II when the Australian Government introduced income tax deductions for residents of designated zones in recognition of the hardship that they faced. The remote tax deductions, although contested at the time, were increased significantly in their early years. Governments further expanded the arrangements over the following decades:

* in 1984, with the introduction of the RAA as a payment for welfare recipients, extending the benefits of the ZTO to non‑taxpayers residing in remote Australia
* in 1986, with the introduction of FBT remote area concessions to lessen the impact of the then new FBT
* in 1997 (for primary producers) and 2000 (for other employers), with a change from a 50 per cent FBT concession to a full exemption for employer‑provided housing in remote areas.

Apart from a 2015 amendment to the ZTO to exclude fly‑in fly‑out workers who reside outside the zones, there has been no substantive change to the arrangements for more than thirty years, at least for the ZTO and the RAA. This inertia has kindled concerns that these measures have failed to keep pace with change in remote Australia, and may now be outdated.

Only one dedicated review of the ZTO has been undertaken during its life — the 1981 Cox Review. The Productivity Commission’s study is the first public review of the RAA and the FBT remote area concessions.

The Commission’s approach

The Commission’s remit in this study is wide. The Australian Government asked the Commission to assess the effects and policy merits of the three remote area measures, whether they meet their objectives, and the relevance of these objectives in contemporary Australia. It also asked the Commission to make recommendations for their future operation, including the levels of assistance provided, indexation and the boundaries.

As required by the Productivity Commission Act 1998 (Cth), the Commission has taken a community‑wide perspective, taking into account not only the economic and employment impacts of the measures at a local level but also their ramifications at a national level in terms of forgone tax revenue, increased government outlays, and displaced economic activity.

The Commission has taken the broad architecture of the tax, expenditure and welfare system as given in assessing the design and desirability of the three measures. And in determining whether the measures are warranted, the Commission has considered:

* whether there is a significant market or government distortion impairing economic efficiency (and hence aggregate welfare), or an explicit ‘social equity’ objective
* whether the benefits of an intervention outweigh its costs, and whether the measure in question is the best available means to address the policy issue.

### Community input

As a first step, the Commission has sought to understand the demands of life in remote Australia. This involved an extensive program of visits to meet with local residents, business owners and community leaders. The Commission also invited submissions and received close to 100 from a wide cross‑section of stakeholders.

Many study participants highlighted the issues they faced on a daily basis. Some keenly felt the absence of the things they believe most Australians take for granted — for example, having access to nearby schools, with expensive boarding schools in regional centres or capital cities the only option for many. Others held deep concerns over social and economic decline in their community, the loss of social fabric, and the future prospects of their towns.

In some cases, the challenges raised diverged sharply from one town to the next. Some towns questioned the value of a transient fly‑in fly‑out (FIFO) workforce for their communities, while ‘source’ regions saw FIFO as generating beneficial income and employment opportunities for their residents.

In other cases, the same issues resonated with people from opposite ends of the country. One prominent issue was the high cost of living in remote Australia. It was also clear that expectations about the accessibility and quality of services have increased significantly over the years, just as they have elsewhere in Australia.

The Commission also visited communities who were optimistic about their future, typically by virtue of having access to a large natural asset base (amenable to mining or tourism) and to a pool of workers with the necessary skills. The Commission came across many individuals with a strong sense of purpose and determination and who enjoy living where they do.

### The broader policy context

The Commission has considered other government measures designed to provide support for regional and remote Australia, as well as measures that are broader in scope and intent, but interact with the tax concessions and payments, such as those responding to the needs of Indigenous communities. An understanding of these broader measures helps put into context the relative importance of the remote area tax concessions and payments for regional and remote Australia.

The Australian Government funds many initiatives to assist people, businesses and communities in regional and remote areas. These include additional payments to doctors to work in remote areas, subsidies for the supply of some utility services like telecommunications, assistance for industries prominent in regional and remote areas and specific funds, such as the Building Better Regions Fund, to name a few. This is in addition to Australia’s system of horizontal fiscal equalisation, which seeks to give each jurisdiction the same capacity to provide public services, and notably takes into account the higher per capita expenditure on service delivery in remote areas.

State and Territory governments, which have primary responsibility for regional development within their jurisdictions, also have measures in place to support regional and remote Australia. These include providing their own remote area (district) allowances to attract police, teachers and other professionals, supporting patients needing to travel long distances to access specialist medical services, and providing distance education.

In this context, the ZTO, the RAA and the FBT concessions are a very small subset of the measures that support individuals, businesses and communities in, and facilitate the development of, regional and remote Australia.

### The empirical challenge

A challenge for this study has been the dearth of relevant and readily available data. Even where data can be assembled, gauging the effects of the measures is problematic. The value of the ZTO and RAA is small, making it difficult to disentangle their effects from other factors and to assess their local impacts. There is also only a limited body of work on the remote area tax concessions and payments to inform an assessment of their impacts and effectiveness.

In view of these challenges, the Commission has undertaken several empirical exercises, drawing largely on unpublished data sources. Many of the findings in this report therefore shed new light on the operation of the arrangements. In other areas, the report contains requests for further information to help close data and information gaps and to bolster our analysis for the final report.

### Constitutional issues

Since the establishment of remote area tax deductions in 1945 based on geographic delineations of remoteness, there has been ongoing debate about whether the ZTO complies with the Constitution of Australia. Section 51(ii) of the Constitution confers on the Commonwealth the power to make laws with respect to ‘taxation; but so as not to discriminate between States or parts of States’. Section 99 further states that ‘The Commonwealth shall not, by any law or regulation of … revenue, give preference to one State or any part thereof over another State or any part thereof’.

After seeking the advice of the Attorney‑General’s Department on the constitutional validity of the ZTO, the Cox Review (1981, p. 5) noted that:

… there was doubt about the issue and that [the members of the Cox Review] could have no assurance that the provision was constitutionally sound, notwithstanding that the arrangements had been in existence since 1945.

The arrangements, however, have never been directly tested by the High Court. As did the Cox Review, the Commission has sought and received legal advice and has considered the associated constitutional risk when examining different reform options.

## Life in remote Australia

Remote Australia encompasses outback stations, small country towns, outback and coastal Indigenous communities, mining towns, offshore islands — and the vast and barely populated spaces between. The diversity of people, cultures, natural environments and settlements makes it impossible to tell a single story of life in remote Australia.

The ABS distinguishes between ‘*remote’* (and ‘*very remote’*) areas and the rest of Australia based on an index of road distance from service centres (towns of a particular size, assumed to provide a base level of services). By this measure, more than 85 per cent of Australia’s landmass is *remote* or *very remote*, but just 2 per cent of Australians reside in these areas.

When income tax concessions were introduced in the mid‑1940s, life in remote Australia was often arduous with relatively little access to the amenities available in cities (figure 1, panel A). These difficulties were particularly acute when compounded by a high cost of living and a harsh climate.

Since then, economic, social and technological change has altered where and how Australians live. Over a long period, the Australian economy has grown from its agrarian (and rural) roots to become a service economy, with a greater share of both economic growth and employment now centred in our major cities. While primary industries in remote areas continue to generate significant economic output, they require fewer workers than in the past. People have continued to leave remote areas as the cost of being ‘left out’ from the economic growth of the major cities has increased over time — particularly for younger Australians in pursuit of higher education and employment opportunities.

These changes have altered the nature of life in remote Australia. Since the 1940s, population growth has centred on capital cities, regional centres and coastal areas. Some previously isolated areas, such as Cairns, Townsville and Darwin, have developed into large, connected economic centres in their own right and are no longer ‘remote’ (figure 1, panel B). At the same time, improved communication and (air and road) transport infrastructure, more affordable air‑conditioning and other advances have helped lessen the hardships of life in many remote areas.

However, some remote areas have not benefited from economic development as much as others. And not all the difficulties of remote living have been overcome; as one former resident of remote Western Australia put it:

Long hours in cars to get anywhere; high airfares; fuel prices; food prices; costly housing; high insurance costs; liquor restrictions in some of the very remote regions; poor roads that bash their cars to pieces; high education costs of kids having to be sent away to schools; medical services where the Flying Doctor works day and night; lack of entertainment and access to major events such as concerts, grand finals and the like.

Things may have improved from the days of telegraph lines and the weekly mail truck but the difference between city, town and bush remains – and the cyclones, droughts and floods keep coming. (Malcolm Ainsworth, sub. 10, p. 1)

Extreme climates and long distances can make it hard to attain a comparable material standard of living to a city resident or to those living in regional towns. Access to key services such as education, healthcare and transport is a major concern for many Australians living in remote areas. The cost of living can be higher, particularly in very remote areas, although housing can be less expensive than in cities. Businesses also face higher costs: for example, in attracting and retaining skilled labour.

In spite of these challenges, many Australians choose to live in remote locations. Some hold a strong cultural or personal attachment to a particular place and the way of life it offers, while others receive higher remuneration to make living there more attractive. The Commission was also struck by the community spirit in many remote areas and by the ‘community champions’ striving to create a better place, sometimes against steep odds.

Some of those who settle in remote areas are attracted by economic opportunities, often including higher remuneration. Others are less mobile, which affects their ability to seize economic and educational opportunities. This contributes to diverging socioeconomic outcomes among those who are mobile and those who are not. Indigenous Australians, representing about a quarter of remote area residents, are far less likely to have moved in the previous five years than their non‑Indigenous counterparts (figure 1, panel D). There are also marked divergences in both income and employment outcomes between Indigenous and non‑Indigenous Australians, and this gap widens as remoteness increases (figure 1, panels E and F).

### A closer look at the cost of living

Many facets of life are more expensive in remote areas, with several study participants giving specific examples. These examples are useful in their own right, although they do not provide a comprehensive basis for looking at the geographic differences in the cost of living. The Commission has had to draw on a wider range of sources — including state‑based price surveys, ABS and Australian Competition and Consumer Commission data, and data from the consumer advocacy body, CHOICE — to help paint a picture on how the cost of living varies across Australia.

Regional price indexes for Queensland and Western Australia, which cover a large proportion of ZTO (75 per cent) and RAA (40 per cent) recipients, suggest that a typical household basket of goods costs more in special areas and Zone A communities than in the less remote Zone B (figure 3, panel A), where price levels are on average close to those in the relevant capital city (figure 2). That said, there is some variation within the zones. A similar pattern holds using the ABS remoteness areas (figure 2).

| Figure 1 A snapshot of remote Australia and its evolution |
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| | 1. In 1947, remote residents had fewer comforts | 1. Some towns in the zones have expanded,  while others have not | | --- | --- | | This figure shows the propensity of households in remote and non-remote areas to respond yes to the 1947 census questions of having electricity, flushable toilets and gas in their homes. For each question, the percentage that replied yes were significantly higher for households that were based in non-remote areas. | This figure shows the populations of several localities over time. Since the introduction of remote taxation arrangements in 1945, some localities have grown substantially whereas others have seen little change. | | 1. Much of the non‑Indigenous population are in their prime working years … | 1. … and they are generally more mobile than their Indigenous counterparts | | This figure shows the age composition of the remote Indigenous, non-remote Indigenous, remote non-Indigenous and non-remote non-Indigenous populations. Both sets of Indigenous have large proportions of people in the 0 to 14 cohort and smaller proportions of people in the 65 plus cohort. For the remote non-Indigenous population, there are significantly fewer people in the 15 to 24 and 65 plus brackets, but a larger proportion in the 25 to 64 bracket compared to their non-remote counterparts. | This figure shows the rate of relocation between the 2011 and 2016 census on a SA2 level split by both Indigenous status and by the 5 remoteness categories. It shows that the rates in major cities and regional areas are broadly comparable between Indigenous and non-Indigenous residents, but for remote and very remote areas, mobility for non-Indigenous people is high and for Indigenous people much lower. | | 1. *There are divergent employment rates  among the population…* | 1. *… as well as divergent income patterns* | | This figure shows the separate employment rates of Indigenous and non-Indigenous people over the age of 15, split by remoteness. For non-Indigenous people, employment increases as remoteness increases whereas for the Indigenous population it falls. | This figure shows median incomes for Indigenous Australians, non-Indigenous Australians and the combined population by the 5 categories of remoteness: Major cities, inner regional, outer regional, remote and very remote. For Indigenous Australians median incomes fall substantially as remoteness increases. For non-Indigenous Australians, incomes are slightly lower in inner and outer regional areas but are higher in remote areas and much higher in very remote areas. | |
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There is clear and consistent evidence that food and grocery prices increase with remoteness. For example, in 2016, the Northern Territory Market Basket Survey found that the average cost of a healthy food basket in remote stores was 29 per cent higher than in a Darwin supermarket. The presence of a major supermarket chain store has a substantial dampening impact on food and grocery prices. Data from CHOICE indicate that major supermarkets apply broadly uniform pricing across Australia.

More generally, prices of items that can be bought online are the same across Australia. However, freight costs can add significantly to the final cost of delivered goods, especially in very remote areas.

Residents of remote areas also face additional car maintenance and fuel costs when they have to drive long distances to access particular services. A resident of Useless Loop in Western Australia observed that:

Essentially to do almost anything, that the general public take for granted, necessitates a 350km trip by road, to the nearest towns of Carnarvon or Geraldton. Some 120km of that road journey is unsealed, and often impassable, roadway. (Katherine Trigg, sub. 17, p. 1)

For housing, the issues are more complex. Regional price index data indicate that housing costs can be significantly higher in the most remote communities (such as those in special areas and Zone A) than in their state’s capital cities. However, the opposite is true in less‑remote regional communities (such as those in Zone B). It seems that as the degree of remoteness increases, a lower cost of land is more than offset by the higher costs of construction. This is particularly the case in small communities lacking resident tradespeople and where materials need to be transported over long distances or across water (such as King Island and Lord Howe Island).

ABS census data, on the other hand, show that median weekly rents are significantly lower in *remote* and *very remote* Australia than elsewhere. While these data do not take into account differences in housing quality, lower rents in remote areas can be attributed partly to the high reliance on subsidised social housing in remote communities and partly to housing assistance provided to employees under the FBT remote area concessions.

Overall, the data suggest that some living cost pressures are inherent to remoteness. These are likely to be more pronounced in very remote areas. The Commission intends to undertake further analysis of living costs for the final report.

| Figure 2 Price levels are higher in remote areas  Cost of overall basket of goods and services by zone and ABS Remoteness Areas, Queensland and WA regional price indexesa,b,c,d |
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| | This figure shows the average price of a typical capital city household basket of goods and services in Queensland and Western Australia increasing with greater remoteness, as defined by the tax zones and Australian Bureau of Statistics remoteness areas.This figure shows the average price of a typical capital city household basket of goods and services in Queensland and Western Australia increasing with greater remoteness, as defined by the tax zones and Australian Bureau of Statistics remoteness areas. | | --- | |
| a Queensland and Western Australia price index values are not directly comparable. They use different baskets of goods and services and apply different weightings; Queensland prices were surveyed in 2015 and Western Australia prices were surveyed in 2017 ; the indexes measure deviation of price levels from different cities (Brisbane and Perth, respectively). b Unweighted averages of observations are shown. In Queensland, there were three observations in the *very remote* category, two of which were also in Zone B and were of lower price levels than in Brisbane. c In Queensland, only one community was surveyed in each of the following categories: special area (Weipa), Zone A (Mount Isa) and *remote* (Mount Isa). d The light blue bars refer to the zones as defined for the purposes of the ZTO. The darker blue bars refer to remoteness categories as defined by the ABS. |
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## The zone tax offset

The ZTO is a concession targeted at residents of specified parts of Australia (the zones). While more modest in value than when first introduced, today’s ZTO still applies to taxpayers across more than three‑quarters of Australia’s landmass. It is a small part of the tax and transfer system, claimed by just 3 per cent of taxpayers (around 480 000 people).

The base payment rates differ by zone (table 1), with higher payments available to residents of areas considered to be more remote. The highest rates are available for residents of ‘special areas’, covering particularly remote parts of Zones A and B and some adjacent and offshore islands (figure 3). Taxpayers can also claim a larger rebate if they maintain dependants (the dependant loading).

| Table 1 Summary of the zone tax offset |
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| |  | Base rebate | Dependant loading | Claimants | Total claimsa | Average claim | | --- | --- | --- | --- | --- | --- | | Ordinary Zone B | $57 | 20% | 291 000 | $39 million | $133 | | Ordinary Zone A | $338 | 50% | 123 000 | $63 million | $511 | | Special Areas | $1 173 | 50% | 29 000 | $33 million | $1 146 | | Otherb | na | na | 38 000 | $19 million | $496 | | **Total** | **na** | **na** | **480 000** | **$153 million** | **$319** | |
| a Refers to amount of ZTO claimed by taxpayers, which may exceed the amount actually received. b Includes claimants who recorded an out‑of‑zone address, overseas addresses, and postcodes not linked to a geographical area. |
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Although the broad strokes of the policy have been maintained, the Australian Government has amended the concession over time, often as part of broader reform of the Australian taxation system. The last increase to the ZTO rates took place in 1993‑94.

Figure 3 provides a snapshot of the operation of the measure. Almost half of claimants live in the four largest cities in the zones (Townsville, Cairns, Darwin and Mackay), and almost 40 per cent of Northern Territory residents claim the offset. According to the ABS definition of remoteness, only a quarter of ZTO claimants resided in *remote* or *very remote* Australia. The average per‑person claim was $319 per year.

The offset is estimated to have reduced tax revenue by about $153 million in 2016‑17 — a relatively small concession compared with other tax offsets (including the Seniors and Pensioners Tax Offset and the Australian Super Income Stream Offset, jointly worth about $1.4 billion annually).

### The ZTO is an ineffective and blunt instrument

As currently configured, the ZTO does not deliver on its original objective, nor against any others that have been ascribed to it.

#### The measure has little effect

Since the last increase in the level of the ZTO payment in 1993‑94, its value has declined markedly in real terms, and as a share of after‑tax earnings. Today, for a taxpayer on an average income, the base Zone A rebate represents less than 1 per cent of after‑tax income — compared with 3.7 per cent when first introduced. If the payment had been adjusted to keep pace with inflation, it would be more than double the current base rate of $338. The payment level for those living in one of the special areas created in 1982 is more substantial, but its real value has halved since the last adjustment to the payment rate in 1993‑94 (figure 3, panel C).

The ZTO payment is now a modest sum for most recipients and is likely to have minimal economic impacts. A near‑universal view in submissions was that the ZTO rates are inadequate. Some submissions also argued that the ZTO was too small to encourage people to move to the zones from elsewhere in Australia. The Commission likewise found no evidence to suggest that the current ZTO affects where people choose to live and work.

Some study participants suggested that a ZTO of more than $10 000 would encourage people to move to remote areas. However, it was clear from our engagement with remote communities (and a review of the literature) that decisions to move to and settle in a remote environment are not only about dollars. Many people decide where to live based on liveability (including access to services) and lifestyle. These factors cannot be addressed by a tax concession alone.

#### The zones are outdated

Barring some minor inclusions (such as offshore islands), the outer border of the ZTO zones has been unchanged since 1945. Against a backdrop of significant transformation in remote Australia, some areas covered by the ZTO are clearly no longer ‘isolated’. In particular, many coastal areas have developed considerably since the 1940s. Cairns and Darwin each have international airports and populations of more than 130 000 people. These places, along with Townsville (population of almost 180 000) and Mackay (nearly 80 000), are regional cities in their own right, with easy access to key services and well‑developed retail markets, and are well‑connected to other capital cities.

More contemporary measures of remoteness, such as the ABS remoteness classification, define much of the north‑east coast of Queensland (and Darwin itself) as being ‘*outer regional*’, and not *remote* or *very remote*.

Other anomalies in the current boundaries were brought to the Commission’s attention during its consultations and in submissions. For example, one participant observed that towns with vastly different circumstances are eligible for the same ZTO rebate, commenting that the Queensland part of Zone A includes:

… Camooweal, Cloncurry and Mount Isa – the infrastructure, business, travel and education opportunities along with cost of living in these three towns are vastly different but all receive the same Zone Tax Offset. Mount Isa is a regional town with a population close to 22,000, a regional airport with commercial flights, several schools (both primary and secondary) and numerous businesses. Cloncurry has a population of approximately 2719. Camooweal, 200kms away from Mount Isa, has a population of 208 and is a significantly smaller town, with limited services or infrastructure in or surrounding the town. Yet these towns all fall under the same zone for the ZTO. (ICPAA, sub. 74, pp. 2–3)

Similarly, some *very remote* areas (based on the ABS classification) receive a small rebate as part of Zone B (particularly, parts of western New South Wales and South Australia). For example, Wilcannia (in New South Wales), which is classified as *very remote* by the ABS, is eligible for the same payment rate as Townsville, which is classified as *outer regional* (figure 4).

### Eligibility could be tightened

Were the ZTO to continue, the boundaries for eligibility should be redrawn. The Commission considers that the remoteness areas published by the ABS would be a more suitable basis for defining new zone boundaries (figure 4). The ABS mapping is widely used, including by State and Territory governments and the Commonwealth Grants Commission, and is updated after each census using a transparent and well‑understood methodology.

One option for updating the ZTO boundaries is to reduce the number of zoned areas from three to two. Using the ABS categories of *remote* and *very remote* areas would remove about three‑quarters of current claimants (nearly 360 000 people, including those in the four large regional cities) from eligibility. It would also expand eligibility to areas that are not currently within the boundaries (such as Port Lincoln, Kangaroo Island and St George). If payments for *remote* and *very remote* areas were aligned with current rates for ordinary Zone A and special areas, respectively, this measure would cost about $160 million per year — slightly more than what it costs now.

Another option is to limit the concession further to just *very remote* areas. This would target those areas where the cost of living appears most clearly to be above living costs in the rest of Australia, and where access to services is most difficult. It would also reduce the number of concession rates from three to one, limiting recipients to a single flat offset rate equal to the current highest payment. A ZTO only for *very remote* areas would rationalise the number of income taxpayers eligible for the offset to about 60 000 (down from 480 000 who claimed the ZTO in 2016‑17). These changes to the operation of the ZTO would see its annual budget cost reduced by half to around $70 million.

| Figure 3 A snapshot of the ZTO |
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| | 1. More than 3/4 of Australia’s landmass is eligible | 1. Nearly half of claimants reside in large coastal cities | | --- | --- | | This map of Australia shows the areas where taxpayers are eligible to claim the zone tax offset. All of the Northern Territory, and much of northern Queensland and northern Western Australia are either ordinary or special Zone A. Zone B covers central Queensland, western New South Wales, much of South Australia and parts of southern Western Australia. | This figure shows how many taxpayers claimed the zone tax offset in each state. Close to 300000 claimants lived in Queensland, and more than half of Queensland claimants lived in either Cairns, Townsville or Mackay. | | 1. The ZTO has fallen significantly in real value … | 1. … and is a small share of income for most claimants | | This figure shows the real value of the zone tax offset for special areas, Zone A and Zone B between 1975-76 and 2017-18. The value of each concession has gradually declined since 1994. | This shows the zone tax offset as a share of after tax income for claimants. For 82 per cent of claimants, the amount of zone tax offset claimed is less than 1 per cent of income. | | 1. *Median wages and salaries are higher in the zones for many occupations* | | | This figure shows the difference in median salaries and wages for employees living in the zone tax offset zones, compared to those living outside of the zones, for certain occupations. Median salaries and wages are 6 to 8 per cent higher in the zones for some lower skilled positions including salespersons, cleaners and laundry workers. | | |
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| Figure 4 ABS remoteness areas**a,b**  Based on the 2016 census |
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| This map of Australia shows the Australian Bureau of Statistics’ remoteness areas. Large parts of inland Australia are defined as ‘Very Remote Australia’. The map also shows the locations that the Commission visited during the course of the study, which are listed in Appendix A. |
| a The settlements marked on the map are the places where the Commission held consultative visits. Note that, although not visible due to the scale of the map, Broken Hill, Darwin and Kalgoorlie‑Boulder are classified as outer regional; Port Hedland, Roxby Downs and Mt Isa are each classified as remote. b Major cities include Sydney, Melbourne, Brisbane, Perth, Adelaide, Canberra and Newcastle. |
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### But the ZTO would still lack a compelling justification

While tightening eligibility (in particular the removal of regional cities) would reduce some of the more egregious anomalies in the current ZTO boundaries, it would not solve what the Commission sees as the ZTO’s lack of a compelling, contemporary rationale.

Zone tax concessions were originally designed to help remote area employers, who were seeking to attract workers to isolated areas, by reducing income tax paid on the higher wages. Since then, the marginal tax rates on high incomes have fallen significantly. The rationale for the concessions has also shifted. The 1981 Cox Review found a justification for the concession on what it termed ‘social grounds’. This effectively reframed the ZTO’s objective towards equity, with a focus on addressing the disadvantages of life for those living in remote areas.

Participants in this study also posited rationales for the concession. Most fall into two broad categories:

* *compensation* — for the disadvantages of living in remote areas, such as higher living costs or impaired access to Government services, along similar lines to the Cox Review
* *regional economic development* — to encourage people to live, work and start businesses in regional and remote areas and to reduce congestion in our major cities.

The Commission does not consider that higher living costs or other aspects of life in remote areas warrant compensation from other taxpayers. Everyone faces a range of advantages and disadvantages in where they live, and will typically locate themselves in the area they value most highly.

Further, as noted earlier, there is a wage differential that favours most people working in the zones in both low‑ and high‑skill occupations (figure 3, panel E). Distinctive labour force characteristics affect these differentials, making it difficult to determine the extent to which the observed wage differential represents a ‘remoteness premium’. Nevertheless, there is some evidence that employers provide financial compensation for the disadvantages of remote living. Indeed, many State governments (as well as both the Australian Public Service and the Australian Defence Force) pay allowances to remote area workers, teachers, police officers and health care professionals. There is no general role for the Australian Government to subsidise people’s choices, or to augment these dynamics.

An exception may apply to people who live in remote areas and face significant barriers to mobility, or whose income is not primarily derived from wage earnings — a situation most likely to apply to RAA recipients (discussed later).

The ZTO is also difficult to justify on regional development grounds or as a means of mitigating congestion in cities. As the Commission found in its 2017 *Transitioning Regional Economies* report, the growth (or decline) of particular areas generally reflects their intrinsic features and economic advantages (or disadvantages). Attempts by governments to artificially create an advantage for a regional community are unlikely to be successful, and typically result in net losses to the Australian community as a whole. Ultimately, regions need to be self‑sustaining.

### The ZTO should be abolished

As it stands, the ZTO is ineffective and poorly targeted, and the Commission does not consider that there is a compelling, contemporary justification for it to continue.

For those recipients currently living in Zone B, the loss of the $57 annual payment would likely be absorbed; for most others, the loss would be modest. For a small number of low‑income earners residing in special areas (about 12 000 taxpayers), ending the concession would represent a more substantial loss, equivalent to between 3 and 5 per cent of their after‑tax income. In a few of these special areas (particularly remote islands, such as King Island and Lord Howe Island), the cumulative impact from the abolition of the ZTO would be larger. Over time, wages may adjust (at least partially) in response to the change, limiting these direct impacts.

Repealing the ZTO would also bear on the overseas forces tax offset (OFTO). This was introduced in 1947 and gives a tax concession to defence force employees and civilians on particular overseas assignments. The size of the concession is linked to changes in the ZTO and the Commission estimates that fewer than 1000 people currently claim the OFTO. As with the ZTO, there is not a good case for retaining the OFTO — defence employees should be compensated directly by higher remuneration, not by the tax system. The OFTO should similarly be repealed. Abolishing the ZTO and OFTO would increase Australian Government revenue by around $150 million per year.

### Remote area tax concessions for businesses

The study’s terms of reference direct the Commission to consider whether businesses in remote areas should be provided with similar support to the ZTO.

The rationale for place‑based business tax concessions is often predicated on encouraging businesses to relocate to particular areas to support regional development, or to reduce congestion in cities. For example, some State governments currently offer payroll tax concessions for businesses in regional areas.

The case for providing such a concession to businesses in remote Australia on these grounds is flimsy, and this approach would almost certainly create net economic costs.

This is acknowledged in the Australian Government’s White Paper on Developing Northern Australia.The papersteered away from creating concessional tax arrangements across northern Australia, primarily because of the risk of ‘misallocation or distorted investment decisions’ stemming from preferential taxation or regulatory arrangements.

Past examples of this type of policy also show limited success in encouraging businesses to relocate to targeted areas. And those few businesses that do relocate in pursuit of a tax concession often become dependent on that concession; the measure does not create self‑sustaining economic activity. Similarly, such concessions often lack transparency and impose costs to governments, while adding complexity to the tax system.

Moreover, the legality of such arrangements at the Commonwealth level would be in doubt. Not only do they risk falling foul of the Australian Constitution, but a previous special economic zone in the Northern Territory was revoked in response to the risk that it was in violation of Australia’s trade agreements.

There is no credible case for the Government to provide company tax offsets specifically to businesses in remote areas. Consistent with its previous work, the Commission views that there are more effective (and less distorting) ways for governments to support businesses in remote areas, if and where appropriate, without introducing (further) inefficiency, inequity and complexity into the tax system. These include, for example, removing unnecessary regulatory impediments on business development *regardless* of location.

## The remote area allowance

The RAA is a supplementary payment for income support recipients (such as age and disability support pensioners and recipients of Newstart allowance and parenting payment) living in eligible remote zones. It was introduced in 1984 in response to the Cox Review, which found that:

The zone allowance is not a good form of assistance for all people living in isolated areas. Individuals whose income is insufficient for whatever reasons are unable to take advantage of the tax rebate. Persons whose main source of income is a social security benefit are excluded from any benefit. The visits to remote areas by the Inquiry revealed serious problems for such people, particularly pensioners, because their income is often insufficient to meet the costs of living in such localities and/or making their residency more pleasant. (Cox et al. 1981, p. 29)

The objective of the RAA is specifically to compensate for the higher cost of living in remote regions. It is paid automatically each fortnight as a flat payment across all eligible remote areas and income groups. For a single individual, the fortnightly rate translates to a payment of about $470 a year and for a couple with two children it translates to $1190 a year. Recipients of the RAA may also be eligible for the ZTO, but receipt of the RAA reduces the ZTO claimable on a dollar‑for‑dollar basis.

The Australian Government spends around $44 million on the RAA each year, reaching over 113 000 income support recipients in eligible areas. Eligible zones for the RAA are the same as those for the ZTO, except that ordinary Zone B is excluded (figure 5, panel A).

The RAA is unusual in that its beneficiaries are concentrated: geographically, by socioeconomic status and by ethnicity. The majority of recipients are located in the Northern Territory, with one‑in‑five Northern Territorians over the age of 15 years in receipt of the payment (figure 5, panel B). Half of all RAA recipients fall within areas of the highest socio‑economic disadvantage (figure 5, panel C) and almost 65 per cent of recipients are Indigenous Australians. This means that even small changes to the RAA could have a significant cumulative impact on some communities.

| Figure 5 A snapshot of the RAA |
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| | 1. *Current RAA areas* | 1. Most RAA recipients live in the NT | | --- | --- | | This map of Australia shows that RAA areas cover much of the northern half of mainland Australia, south-east Western Australia and the northern and north-west parts of South Australia. Islands such as Christmas Island, the Cocos (Keeling) Islands, King Island Lord Howe Island, Flinders Island, Norfolk Island, and the Torres Strait Islands are also included as RAA areas. | This figure shows that 55 per cent of RAA recipients live in the Northern Territory, 23 per cent of RAA recipients live in Western Australia and 18 per cent of RAA recipients live in Queensland. | | 1. *Most RAA recipients live in areas  of high disadvantage* | 1. *The RAA has been falling in real value* | | This figure shows that 49 per cent of RAA recipients are in decile 1 areas of socio-economic disadvantage as based on the ABS Index of Relative Socio economic Disadvantage. This is the decile of highest disadvantage. | This figure shows that the RAA for singles as a percentage of the maximum rate of the age and disability support pension for singles has decreased from 7.8 per cent in 1984 to 2.2 per cent today. The RAA for singles as a percentage of the maximum rate of the Newstart allowance for singles has decreased from 8.9 per cent in 1984 to 3.3 per cent today. | | 1. *Most RAA recipients live in remote  and very remote areas* | 1. *Four key income support payments  are associated with the RAA* | | This figure shows that 47 per cent of RAA recipients live in very remote areas of Australia, 27 per cent of RAA recipients live in remote areas and 22 per cent live in outer regional areas, as defined by ABS classifications of remoteness. | This figure shows that 32 per cent of RAA recipients are in receipt of Newstart allowance, 21 per cent of RAA recipients are age pensioners, 17 per cent of RAA recipients receive a disability support pension and 16 per cent of RAA recipients receive parenting payment. | |
|  |

Other notable characteristics of RAA recipients include:

* the majority are in receipt of either the Newstart allowance, age pension, disability support pension or parenting payment
* just over half have been in receipt of an income support payment for over five years
* fewer than one‑in‑ten had employment earnings in the fortnight prior to being surveyed
* beneficiaries are predominantly in the 25 to 34 years and the 65 years and over age groups.

### Is there a contemporary rationale for the RAA?

The RAA is premised on income support recipients in remote areas being disadvantaged relative to income support recipients in non‑remote areas due to higher living costs. While the evidence is not definitive, the Commission has found that living costs tend to increase with remoteness, with the special areas and ordinary Zone A having higher living costs, on average, than adjacent regional areas and state capital cities.

As with the ZTO, an area having higher living costs does not of itself justify government ‘compensation’. However, there are some important differences between the ZTO and the RAA that sway the balance towards retaining the RAA in some form. First, whereas employers can provide higher remuneration to attract and retain workers in remote locations, there is no equivalent ‘market mechanism’ to compensate income support recipients who are predominantly not in the workforce.

Second, RAA recipients are generally more likely to face impediments to moving locations (and in particular to moving from in‑zone to out‑of‑zone) than those in jobs.

* Social and cultural connections and personal circumstances can anchor people to particular places. This is particularly relevant for Indigenous Australians in remote areas, who constitute over half of all RAA recipients. Census data reveal that Indigenous Australians, particularly in *very remote* areas, are much less mobile than non‑Indigenous Australians.
* Census data also indicate that people on a very low income in remote areas, which would include some RAA recipients, tend to be less mobile than those on higher income.
* Further, a third of RAA recipients are 55 years of age or over (and one quarter are 65 or over), which may also render them less mobile than ZTO beneficiaries who will typically be of working age.
* And in some particularly remote places, land and housing markets can be highly illiquid, geographically tying home‑owning residents to the area. This means that disadvantaged people in remote areas are likely, on average, to have fewer options than otherwise similarly disadvantaged people in non‑remote areas.

These limits on the mobility of many RAA recipients, relative to most ZTO beneficiaries, mean that the former’s decisions to live in a remote area, and to incur the higher living costs that entails, involve less real choice. In turn, this strengthens the case for governments to provide some compensation for those higher costs.

### A refresh is required

#### The boundaries should be updated

As with the ZTO, the RAA zones do not reflect contemporary definitions of remoteness. Zone A is based largely on boundaries drawn in 1945, and current special areas are based on town sizes as measured in the 1981 census.

| Figure 6 RAA areas do not reflect contemporary definitions of remoteness |
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| | This map shows that significant areas of Australia are classified as either very remote or remote by the ABS but are not eligible for the RAA including large areas in Queensland and New South Wales, along with parts of the south-east of South Australia and south-west of Western Australia and the west coast of Tasmania. It also shows that the only ABS non remote area currently eligible for the RAA is Darwin, which is classified as outer regional. | | --- | |
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There are significant areas of Australia that are classified as either *very remote* or *remote* by the ABS, but are not eligible for the RAA. These include expansive areas in Queensland and New South Wales, and areas in the south east of South Australia, the south west of Western Australia and the west coast of Tasmania (figure 6). On the other hand, Darwin is classified as *outer regional* rather than *remote* by the ABS, but Darwin residents are currently eligible for the RAA.

The Australian Government should redraw RAA boundaries to align with the ABS definition of *remote* and *very remote*. The new boundaries would exclude an estimated 25 000 (annual) recipients in Darwin, but would include around 68 000 newly eligible recipients, resulting in a net increase of 43 000 recipients. Places that would be brought into the RAA area include Wilcannia, Longreach, the Yorke Peninsula and Tasmania’s Central Highlands. Under this scenario, and if existing RAA payment rates were maintained, a modest increase in budgetary outlays of approximately $17 million a year could be expected.

Boundaries should be adjusted when the ABS definitions of *very remote* and *remote* areas are updated (currently on a five‑yearly basis).

#### RAA payment rates may need a reset

Payment rates have been increased only twice since the RAA’s inception, and no adjustments have been made in almost 20 years. Because the RAA (unlike its associated income support payments) is not indexed, the payment rates of the RAA as a share of the primary income support payment have fallen over time. For example, the RAA payment as a percentage of the maximum age and disability support pension for a single person has decreased from 7.8 per cent in 1984 to 2.2 per cent today (figure 5, panel D).

Ideally, the level of RAA payment would be adjusted to take account of both inflation and the difference in prices between remote and non‑remote areas. Standard indexes like the Consumer Price Index only measure price movements in capital cities, not the way those prices have evolved relative to prices in remote areas. Compiling and updating an index that was fit for purpose would mean incurring material fixed costs, and such an index would have limited usefulness for other purposes. The Commission’s preferred approach is for the Department of Social Services to periodically review RAA payment rates.

In determining the payment rates, policymakers need to consider other assistance measures (such as commonwealth rent assistance) that help to address cost of living pressures. It is also important that the provision of the RAA does not generate perverse effects such as reducing work incentives.

In practice, these considerations imply that the appropriate rates of the RAA would be less than that necessary to fully compensate recipients for higher living costs in *remote* and very remote areas. There is, however, no straightforward formula to say what the discount should be. The Commission will undertake further work on the appropriate level of the RAA with a view to the Australian Government revising the rate, if necessary, following the completion of this study.

#### RAA should be reviewed periodically

As Australia’s regions are always changing, it is important to periodically review how well the RAA operates to ensure that it is effective and responsive to change. Periodic public review would also improve accountability and awareness of the RAA.

The Commission proposes that the RAA be reviewed periodically by the Department of Social Services, and that the reviews be made public.

## Fringe benefits tax remote area concessions

FBT was introduced in 1986 to tax remuneration provided to employees in a form other than wages, and as an integrity measure to prevent this ‘remuneration in kind’ from being used to lower personal income tax obligations.

FBT is levied at a flat rate of 47 per cent, equivalent to the top marginal individual income tax rate (plus the Medicare levy). It applies to any goods and services provided to employees, including through reimbursement of employee expenses, except where an exemption is specified in legislation. A key feature of the regime is that the high rate of tax discourages the provision of goods and services in favour of wage income, except where there is concessional treatment.

Under Australia’s FBT regime, specific concessions apply to the provision of certain goods and services to employees working in designated remote areas. Although these concessions have elements in common with the ZTO and the RAA — in that they all provide assistance to people or businesses through the tax and transfer system based on their location in Australia — they also differ significantly in their objectives, operation, and impacts. The remote area concessions take two different forms:

* exemptions*,* whereby the good or service is not subject to any FBT
* partial concessions, whereby (in most cases) the taxable value of the good or service is reduced by 50 per cent for FBT purposes.

Subject to eligibility criteria (box 1), the following FBT remote area concessions apply.

* Housing owned or leased by the employer and provided to an employee as their usual place of residence (hereafter, employer‑provided housing) is exempt from FBT.
* Various forms of financial assistance with employee‑sourced housing, such as assistance with rent or with mortgage interest payments, are subject to a 50 per cent concession.

| Box 1 Eligibility criteria for the FBT remote area concessions |
| --- |
| Eligibility criteria must be met in order to access the FBT concessions. The criteria differ across the various concessions. For instance, for employer‑provided housing, employers must demonstrate that they meet *one of three tests* to show that the provision of housing is *necessary*: i) employees may be required to move; or ii) there are *insufficient alternatives*; or iii) it is *‘customary’* in the industry. However, in the case of assistance for employee‑sourced housing, the requirement for it to be ‘customary’ must be met.  The geographic boundaries that define ‘remote areas’ for FBT purposes are based on the distance between the employee’s location and various‑sized ‘eligible urban areas’, defined by population figures from the 1981 census.   * In (ZTO) Zone A or B, for a location to be remote for FBT purposes it must be at least 40 kilometres (kms) from an ‘eligible urban area’ of 28 000 or more people and at least 100 kms from an eligible urban area with a population of 130 000 or more. * Outside (ZTO) Zone A or B, for a location to be remote it must be at least 40 kms from an eligible urban area with a population of 14 000 or more and at least 100 kms from an eligible urban area with a population of 130 000 of more. * For exempt remote area housing provided to employees of certain regional employers (essentially public hospitals, charities and police), any location at least 100 km from an eligible urban area with a population of 130 000 or more counts as remote.   These criteria lead to a definition of ‘remote’ for FBT purposes that covers most of the Australian landmass, including parts of Victoria. As this definition is based on 1981 populations, it encompasses some population centres that would now exceed the thresholds. For example, using population data from the 2016 Census, Kalgoorlie (and locations within a 40 km radius) would no longer be considered remote. Around Cairns and Townsville, areas within a 100 km radius would no longer be deemed remote, and the exemption for housing would no longer be available to ‘certain eligible employers’ in these locations.  This map of Australia shows that FBT remote area concessions are available across most of the Australian landmass. The concessions are not available within about 100 kilometres of Perth, Adelaide, Melbourne, Canberra, Wollongong, Sydney, Newcastle, Brisbane, or the Gold Coast. Most of them are not available within about 40 kilometres of several other towns or cities, which are mainly in Victoria, New South Wales, or Queensland. In these areas, only the housing exemption for ‘certain regional employers’ is available. |
|  |

* Temporary accommodation, meals, and transport for fly‑in fly‑out (FIFO) and drive‑in drive‑out (DIDO) employees (hereafter generally referred to as FIFO arrangements) are exempt.
* The provision of residential fuel (including electricity and gas) and holiday transport attract 50 per cent concessions, while meals provided to primary production employees are exempt.

It is noteworthy that while the *Fringe Benefits Tax Assessment Act 1986* (Cth) (FBTAA) includes concessions for goods and services provided to people employed on a FIFO basis, only one of these concessions — for remote area transport — explicitly links eligibility to remoteness. Temporary accommodation and meals for FIFO workers can be provided under the living-away-from-home allowance provisions (Division 7 of the FBTAA) to complement the remote area transport exemption, but these exemptions can be claimed by employers regardless of where the employee works. FIFO arrangements can also be exempt under the ‘otherwise deductible’ rule in the FBTAA, which is also not subject to the FBT remote area boundaries.

Views differ on whether the policy intent of the FBT remote area concessions is to provide equitable tax treatment where employers have operational requirements to provide particular goods and services to employees, or to promote regional development by giving employers greater financial capacity to attract and retain employees, or both.

### The use and economic effects of FBT concessions

Determining the extent to which the FBT remote area concessions are used means confronting significant data issues. Employers are not required to report exempt goods and services to the Australian Taxation Office, and the expense is not discernible from their other expenses. Where partial concessions are used, the reporting is insufficiently detailed to separate out the remote area concessions from other concessions that apply Australia‑wide.

In spite of these challenges, the Commission has attempted to shed some light on the use of these concessions, to provide a better sense of their potential costs to the Government, and to gauge their economic impacts. This process has included surveying three sectors, namely mining, agriculture and local government administration.

#### The exemption for employer‑provided housing is the big ticket item

The exemption for employer‑provided housing (as usual place of residence) is uncapped and can be worth many thousands of dollars at the employee level (figure 7). Tax savings from the exemption are greater for people on higher than average incomes, reflecting the difference between their personal marginal tax rate and the effective tax rate on exempt housing (0 per cent). The tax savings from the exemption are also much higher than those associated with a partial concession.

| Figure 7 Tax savings from the housing exemption are much greater than for the partial concessions**a,b,c,d**  Compared with the employee paying for housing from their after‑tax income |
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| | This figure presents two hypothetical examples of employees whose employers use the concessions.  The first is Mya, whose employer offers her a total salary package of $80000 per year. If her housing costs are $300 per week, and she salary packages these housing costs, she would save $5382 in FBT with a full exemption or $851 with a 50 per cent concession.  The second employee is Josh, whose employer offers him a total salary package of $250000 per year. If his housing costs are $300 per week, and he salary packages these housing costs, he would save $7332 in FBT with a full exemption or $3666 with a 50 per cent concession. | | --- | |
| a For employer‑owned property, ‘housing costs’ would be the equivalent market rent. b In these examples, the partial concession (a 50 per cent reduction in taxable value) is applied to the total housing costs. Where employers reimburse less than the full amount of an employee’s gross rent expenses, the reduction in taxable value can be larger (up to 100 per cent). c For simplicity, the following have been excluded: the effect on the employer’s superannuation guarantee liability, other costs associated with labour (for example, payroll taxes), and tax offsets and deductions. d Estimates are based on 2017‑18 income tax rates. |
|  |

Use of the exemption for employer‑provided housing is concentrated in certain areas — such as the Pilbara in Western Australia, and the Central Highlands and Bowen Basin in Queensland — and in industries such as mining, agriculture, and public services (including hospitals, police, and local government) (figure 8).

Concessions tend to increase employment by reducing labour costs, particularly in regions where these concessions are heavily used. They also tend to draw resources away from other regions (or industries in the same region) that cannot access them.

Many larger employers consider the exemption an important tool for attracting staff to remote areas. Smaller businesses are less likely to provide housing. This (in part) reflects the financial risk associated with owning properties if an employee vacates the property.

The exemption for employer‑provided housing is estimated to be used for approximately 36 000–46 000 homes in the designated remote areas and cost between $210–430 million per year.

| Figure 8 Employer‑provided housing is concentrated in certain more remote areas |
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| | This figure is a map of Australia that shows the density of employer-provided dwellings by SA3. Some areas have substantially more employer-provided dwellings than others. In the Bowen Basin, East Pilbara and West Pilbara there are more than 3000 employer-provided dwellings. The Kimberley in Western Australia, the area around Alice Springs in the Northern Territory, and four regions of Queensland each contain 1000 to 3000 employer-provided dwellings. All other SA3s have fewer than 1000 employer-provided dwellings. | | --- | |
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#### The FIFO conundrum

The use of FIFO work practices elicits strong, but mixed, views.

Many study participants argued that the functionality of townships is threatened by large‑scale FIFO practices, and that FBT concessions for FIFO workers contribute to this effect. Regional authorities often struggle to maintain infrastructure and a sense of community with a transient and non‑rate‑paying population.

People from source communities and industry take a more positive view of FIFO operations. They contend that businesses use FIFO workers simply because it is difficult to source and retain the necessary skilled labour in remote areas.

It is difficult to determine the extent to which FBT concessions for FIFO workers affect any one employer’s decision between employing a local or FIFO workforce or the mix between the two — although, in general, it is unlikely that the concessions would be the main motivator. Other economic and social factors are at play. The significance of the one concession for FIFO workers that explicitly links eligibility to remoteness would be even less.

FIFO is generally the preferred approach to manage the construction phase of projects in remote areas because of the scale and temporary nature of the workforce and the difficulty of sourcing skilled construction workers locally. Typically, businesses (particularly in mining) will only establish a residentially‑based operation where there is already a community nearby with at least basic services and a degree of liveability.

Other concessions are much less significant

The use of other FBT remote area concessions (such as those on employee‑sourced housing, residential fuel, meals for primary production employees, and holiday transport) is limited. This reflects compliance costs — symptomatic of the complexity of the broader FBT legislation — and the limited tax savings from the 50 per cent concessions, which result in an effective tax rate of 30.7 per cent. Figure 7 demonstrates that tax savings from the 50 per cent concessions are much smaller than tax savings from the full exemption.

The value of these other concessions is uncertain, but could be in the range of $30‑$130 million for residential fuel, meals for primary production employees, and holiday transport collectively (Commission estimates based on ABS data; Treasury 2019).

### Assessment of the FBT tax concessions

Given the differing views on the intent of remote area tax concessions, it is unsurprising that some participants are dissatisfied with how they operate. For those who see the role of remote area concessions as promoting regional development — both to exploit economic opportunities in remote areas and to deliver services to remote area communities — the concessions are too difficult to access (particularly for small business) and fail to encourage people to live and invest in the area. For those who see concessions as a way of correcting for the inequities of the FBT regime, there is staunch opposition to any tightening of current concessions (including exemptions for FIFO arrangements). Many argued instead for making the remote area concessions more financially attractive and accessible — for instance, by changing partial concessions to exemptions.

#### The concessions are poorly targeted to regional development goals

While many participants expressed the view that the concessions were important for regional development, the FBT concessions are not well suited for that purpose.

Businesses typically have commercial incentives to invest in projects if the expected returns exceed the costs and risks. There is no basis for governments to subsidise this process by offering FBT concessions for remote areas.

State and Territory governments carry primary responsibility for regional development, and each jurisdiction will have its own challenges and priorities. A broadly‑applied tax concession is unlikely to be a cost‑effective approach to incentivise employees or employers to move to or invest in specific regions in a way that aligns with these priorities. Furthermore, the boundaries — which encompass 97 per cent of Australia’s landmass — are too broad to target regional development. In fact, they might actually counteract regional development objectives; some participants stated that it was better to have targeted policy settings that encourage investment in regional hubs to ensure access to services such as health, and capture economies of scale, than to locate services in smaller remote towns.

#### Concessions to address inequities in the FBT regime are justified, but current arrangements go well beyond ‘equitable tax treatment’

The most compelling argument for FBT remote area concessions is that they address inequities inherent in the FBT regime. In some cases, employers have operational requirements to provide goods and services (such as housing) to employees, and it would be inequitable to apply the full rate of the FBT. The full rate discourages the provision of remuneration in kind, but where this is unavoidable it creates a larger tax obligation (in most cases) than if the employee was paid the equivalent in wages.

Equitable fringe benefits tax (FBT) treatment, including the rate of any concession, depends on the likelihood that there is an operational reason for an employer to provide the good or service and on whether it privately benefits the employee.

* Where there is an operational reason to provide a good or service to an employee, but that good or service does not privately benefit the employee, there is a strong basis for it to be exempt from FBT. Exemptions could also extend to cases where the private benefit (and forgone tax revenue) is sufficiently small relative to other factors, such as the compliance burden that would be imposed by subjecting it to FBT.
* Where there is an operational reason to provide a good or service that also privately benefits the employee, a partial concession may be warranted. While the FBT regime generally penalises the provision of goods and services to discourage non‑wage remuneration, a full exemption achieves the opposite. A partial concession can achieve a better balance, reducing incentives to provide goods or services instead of wage income without overly penalising employers in instances where these goods or services must be provided.
* Where there is no operational reason to provide a particular good or service — where it is not required in order to perform employment duties, and can be readily purchased by the employee themselves — there is no case for an FBT concession, and employees should purchase these goods and services themselves from their after‑tax income.

In the case of FIFO arrangements, there is an operational requirement to provide temporary accommodation, meals and transport, but there is no clear benefit to employees that would warrant the imposition of FBT.

#### Current concessions err on the side of being overly generous

Current remote area concessions are often not well targeted.

Full exemptions for employer‑provided housing (as usual place of residence) are available across much of Australia. Although there are cases (such as remote farms) where the provision of housing is an operational requirement that warrants concessional treatment to avoid punitive taxation, the size and scope of current exemptions are too expansive for this purpose.

The general principle in individual income tax law is that taxpayers are entitled to claim deductions for expenses (that are not reimbursed by their employers) incurred wholly for the purpose of earning an income, as well as for the work‑related portion of those expenses that are both work‑related and private in nature.

The distinction between a work‑related expense and an expense that is private in nature has evolved over time through case law. For accommodation expenses, a key consideration is whether an expense is dictated by work or by a personal choice about where to reside. The provision of the ‘usual place of residence’ by employers would appear to fall under that umbrella.

A *full exemption* for employer‑provided housing is overly generous given that the provision of housing for use as an employee’s usual place of residence benefits the employee. Most people have to pay the costs associated with their usual place of residence from after‑tax income, but using the exemption provides eligible employees with significant tax savings: the portion of their remuneration provided as housing is taxed at 0 per cent rather than at their marginal individual income tax rate. This advantage holds even where there is no alternative to employer‑owned housing, or where an employee chooses to retain their previous residence.

Additionally, current eligibility rules mean that the exemption is available in areas where there are other housing options available and, because it is not tax‑neutral, it can create a significant incentive for employers to provide goods and services in lieu of wage remuneration. Consequently, high‑income individuals could in principle use the exemption for expensive properties in less remote places like Cairns or Byron Bay.

### A more targeted approach is warranted

Given that the strongest argument for concessions is to address inequities inherent in the FBT regime, there are ways to better target the concessions to achieve this objective. The most significant of these changes relates to employer‑provided housing.

Any redesign of the FBT remote area concessions needs to balance two considerations: improving tax neutrality between different kinds of remuneration, and minimising compliance and administration costs. Achieving tax neutrality for goods and services provided in remote areas would improve the integrity of the tax system, and would mean that people receiving similar overall levels of remuneration would pay similar amounts of tax. However, the scope for achieving tax neutrality under the current FBT regime is limited. In most circumstances, the applicable FBT rates on employer‑provided goods and services will differ from employees’ tax rates on additional wages, resulting in an incentive to favour one form of remuneration over the other.

Broader reforms to the operation of FBT and other components of the income tax system — for instance, taxing fringe benefits in the hands of employees as suggested by the Henry Review — would address neutrality concerns and fundamentally alter the case for specific concessions. In the absence of broader changes to FBT, there is a need to better target access to the concessions. This involves examining the nature of each type of good or service provided by employers, determining whether a concession is warranted, and deciding what form any concession should take.

#### Exemptions for employer‑provided housing should be partly wound back

The Government should revert the exemption for employer‑provided housing (as usual place of residence) to a partial concession (as it was prior to 2000), and tighten eligibility rules. This would reduce the incentive to use employer‑provided housing in cases where it is not an operational requirement, without penalising employers in cases where it is a requirement (with rare exceptions).

For employees with annual income higher than $37 000, a 50 per cent concession would still provide a cost saving compared with paying for accommodation from after‑tax income. The Commission estimates that about 85 per cent of people who live in a FBT remote area and whose employer provides them with a home would fall into that category.

Amending the eligibility rules to focus use of the concession on cases where there is an operational requirement would further limit scope for the proposed partial concession to be used in tax reduction strategies and improve the integrity of the income tax system. To this end, the Government should also remove provisions that allow employers to claim the existing exemption for employer‑provided housing merely because it is ‘customary’, or in less remote areas where they are ‘certain regional employers’.

* The ‘customary’ rule explicitly allows the existing exemption to be used (by some employers) in locations where there is sufficient alternative accommodation available — that is, where there is no operational reason for the employer to provide the housing.
* The rationale for the ‘certain regional employers’ provision is not explicit. It aligns more with regional development and the provision of services than with equitable tax treatment. However, given that the additional areas are more populous towns, the need to provide accommodation for operational reasons is less credible.

#### Some broad‑brush effects of changing the FBT concession rules

Changes to the FBT concession rules can be expected to have local and broader effects. Individual tax savings would decrease — reducing use of the concession and increasing aggregate tax revenue. Changing the exemption for employer‑provided housing to a 50 per cent concession would substantially reduce the tax savings for individuals, although the reduction in tax savings would vary with income. For the vast majority of individuals (with income above $37 000), the partial concession would still provide tax savings relative to a no‑concession scenario.

Assuming no change in the provision of employer‑provided housing, the shift to a 50 per cent concession could raise about $105–215 million in FBT (appendix C).

In practice, employer behaviour would change. Some employers would continue to provide housing, and pay FBT on that housing, but might reduce employee wages in order to recoup some of the extra tax payments; this would lower income tax receipts. Other employers might cease to provide housing and instead increase employee wages. This could be an attractive option where a private housing market exists, or where the FBT concession results in a tax disadvantage for employees on incomes below $37 000.

##### Compliance costs are likely to increase

Changing from an exemption to a partial concession would increase compliance burdens. It might require employers to submit FBT returns, which they could formerly have avoided when using exemptions. Determining the value of housing provided to employees could also be a challenge, particularly in the absence of a housing market. These additional compliance burdens would likely have a disproportionate effect on smaller employers — some of whom might only provide housing to a single employee. That said, it is worth noting that employers providing housing to employees are disproportionately likely to be larger businesses.

On balance, the Commission considers that the additional compliance costs are more than offset by the benefits of more equitable tax treatment and a broader improvement in the integrity of the income tax system. The Board of Taxation should maintain its focus on identifying ways to reduce the compliance burden on all organisations reporting FBT payments.

##### The employment and regional effects are not straightforward

To the extent that removing the exemption or reducing the value of FBT concessions has a material impact on costs and the viability of projects, any resulting decline in economic activity may have a knock‑on effect on some remote areas. While these effects are generally likely to be small and dispersed, there may be discernible effects on local employment and housing markets in areas where there is a concentration of affected businesses.

Nevertheless, where employer‑provided housing is most prevalent, such as in the Pilbara, the value of the current exemption for employer‑provided housing (which is estimated to be in the range of $10‑50 million per year for the Pilbara) is small relative to the economic output of the region. As such, it is unlikely that changes to the existing exemption will have significant impacts on the viability of resource projects in the region. Indeed, changes in the economic and employment levels of these regions are much more significantly affected by commodity price volatility.

Reducing tax savings from the concession and removing the additional areas for ‘certain regional employers’ could nonetheless affect service delivery, especially where service delivery agencies are budget‑constrained and have limited revenue‑raising options. This may be true of local governments and not‑for‑profit providers. The potential loss of capacity to deliver services that could result from these changes to FBT concessions needs to be duly considered.

#### Changes to other types of remote area concessions

In addition to changes to the exemption for employer‑provided housing, this draft report also proposes changes to the other remote area concessions (table 2). In particular, the Commission proposes that the Australian Government:

* remove the current 50 per cent concessions on employee‑sourced housing (such as rent or mortgage assistance). These partial concessions do not satisfy the condition that there is an operational requirement for employers to provide the assistance. They are premised on employees having secured their own housing; if employees are able to secure their own housing, such assistance is substitutable with wage income.
* retain the partial concessions on residential fuel for use in conjunction with employer‑provided housing, as well as the exemption for meals for primary production employees. However, eligibility for both should be tightened to include only those cases where there is an operational requirement to provide the meals or fuel. It may be possible to reduce the complexity of the exemption for meals.
* remove the partial concessions on holiday transport. Holiday transport directly benefits employees, but there is no operational requirement to provide it, so it is inequitable for it to be partly funded by taxpayers.

Changes to these remote area concessions are expected to have only limited effect, as the concessions are narrowly used and are low in value.

#### FBT remote area boundaries

Although there is a case for retaining geographical boundaries, they carry some risks. Geographical restrictions are a comparatively simple, objective, and intuitive way to approximate those circumstances the concessions attempt to target (particularly for housing) and reduce the need for prescriptive eligibility rules. However, the specific areas included and excluded are contestable. Drawing boundaries too narrowly risks excluding cases where it is necessary to provide goods and services, such as housing to employees (for example, on farms in less remote areas). Conversely, defining the areas too broadly makes the concessions more likely to be used in cases where they are not necessary.

Making the concessions more tax neutral, particularly by changing the remote area housing exemption to a 50 per cent concession, would reduce incentives for employers to provide goods and services (especially housing) where there is no operational requirement to do so. This would reduce the costs of drawing boundaries too widely, as the boundaries would become less critical in regulating use of the concessions.

A second drawback of the current geographical boundaries, which the proposed changes do not mitigate, is that the boundaries raise constitutional validity issues.

Although the current boundaries for FBT remote area concessions would be broadly fit‑for‑purpose if combined with proposed changes to the rate of the housing concession and the removal of other concessions, there is a case for updating them to reflect current populations and decisions made on the zone tax offset.

The FBT remote areas are currently defined by distances from towns that had populations above certain thresholds in 1981. These thresholds vary depending on whether the town is within or outside the current ZTO boundaries: within the ZTO zones, towns of up to 28 000 people (and the surrounding areas) are considered remote for FBT purposes, whereas the threshold outside of the zones is only 14 000 people. A minimalist approach would be to update town populations and remote area boundaries based on the 2016 Census, and thereafter to review periodically. Other options include:

* linking FBT remote area boundaries to ABS remoteness areas for determining the population thresholds of towns rather than the existing Zones A and B
* decoupling the FBT remote area boundaries from the ZTO boundaries, by removing the zone‑based differences in population thresholds for eligible urban areas
* removing geographic restrictions altogether.

The draft report invites feedback on the relative merits of different options for redefining the boundaries for FBT remote area concessions.

#### Summary of proposed changes to FBT remote area concessions

Conditional on a number of assumptions (made necessary by the paucity of data), the Commission has attempted to assess the main impacts of the proposed changes. The Commission is open to feedback from stakeholders on its assumptions and methods as outlined in appendix C.

Table 2 summarises the Commission’s proposed changes to the design of FBT remote area concessions. It should be noted that the Commission is not proposing changes to the existing concessions for FIFO arrangements. Although the proposed changes to remote area concessions (table 2) are expected to benefit the broader Australian community, the Commission is seeking further information to understand how these would play out in specific remote areas.

| Table 2 Proposed changes to FBT remote area concessions |
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| |  | Current concessions | Proposed changes | | --- | --- | --- | | Employer‑provided housing | Exemption from FBT for employer‑provided housing in designated remote areas  (FBTAA, s. 58ZC) | * Change the exemption to a 50 per cent concession * Remove the provision that enables employers to claim the concession because it is ‘customary’ to provide housing (s. 58ZC(2)(d)(iii)) * Remove the extension of the concession to additional areas for ‘certain regional employers’ (s. 140(1A)) | | Employee‑sourced housing | Partial (50 per cent) concession on other forms of housing assistance in designated remote areas  (FBTAA, s. 60) | * Remove the partial concessions on employee‑sourced housing | | Temporary accommodation, meals and transport for FIFO workers | Exemption from FBT for temporary accommodation, meals and transport for FIFO workers  (Note: remote area transport (s. 47(7)) is the only concession linked to remote area boundaries) | * No change to existing concessions for FIFO arrangements | | Residential fuel | Partial (50 per cent) concession for residential fuel used in housing that attracts an FBT remote area concession  (FBTAA, s. 59) | * Limit access to the concession for use in conjunction with employer‑provided housing to instances where there is an operational requirement for the employer to provide residential fuel (s. 59(1)) * Remove concession for use in conjunction with employee‑sourced housing (s. 59(2) and (3)) | | Meals for primary production employees | Exemption from FBT for meals provided to primary production employees on work days  (FBTAA, s. 58ZD) | * Limit access to instances where there is an operational requirement to provide meals * Remove the definition limiting the exemption to meals ‘ready for consumption’ | | Holiday transport | Partial (50 per cent) concession on return holiday transport to specified destinations.  (FBTAA, ss. 60A and 61) | * Remove the holiday transport concession | |
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Recommendations, findings and information requests

## The broader context

| Draft Finding 2.1 |
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| The broader context for remote area tax concessions has changed considerably since their introduction in 1945. Technological advances have helped lessen the hardships of life in remote parts of Australia. Some areas once considered isolated, such as Cairns and Darwin which are now home to international airports and populations exceeding 100 000 people, can no longer reasonably be considered remote. |
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| Draft Finding 2.2 |
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| Among the 2 per cent of Australians who live in remote areas, Indigenous Australians constitute 28 per cent of the population. There are large differences in income and employment outcomes between the Indigenous and the non‑Indigenous population. Indigenous Australians in remote areas are also significantly less likely to relocate compared with their non‑Indigenous counterparts. |
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| Draft Finding 2.3 |
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| There is some evidence that the cost of living increases with remoteness. |
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| Draft Finding 2.4 |
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| Although life in remote Australia has a unique set of challenges, many Australians choose to live there because of the pace and quality of remote life, or because of close personal or cultural attachments to places or to communities. Others move to remote areas in pursuit of economic opportunity. |
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| Draft Finding 3.1 |
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| Remote area tax concessions and payments form just one small part of the broad suite of measures put in place by all levels of government to support individuals, businesses and communities and to facilitate development in regional and remote Australia. |
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| Information request 1 |
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| The Commission is seeking data (to augment the data used in this draft report) capable of supporting a comparison of the cost of living in different parts of Australia, particularly in relation to housing costs. |
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## The zone tax offset

| dRaft Finding 4.1 |
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| The remoteness areas published by the Australian Bureau of Statistics would be a more suitable basis for defining zone tax offset boundaries. They are widely used, including by State governments and the Commonwealth Grants Commission, and are updated after each census using a transparent and well‑understood methodology. |
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| Draft Finding 4.2 |
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| The zone tax offset (ZTO) is flawed and outdated.   * Eligibility has not kept up with change in remote Australia, and nearly half of ZTO claimants live in large coastal regional centres. * Inflation and growth in wages have substantially eroded the value of the ZTO. The economic and employment impacts of the concession are likely to be small, and there is no evidence to suggest that the ZTO currently affects where people choose to live and work. |
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| Draft Finding 5.1 |
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| There is no compelling justification for a zone tax offset in contemporary Australia.  Higher living costs or other aspects of life in remote areas do not warrant compensation from other taxpayers. Australians face a range of advantages and disadvantages in where they live, and will typically locate in the area they value most highly.  Communities likewise grow or shrink based on their advantages and disadvantages. Attempts by governments to artificially create an advantage for a remote community, or attract people to live in high cost areas through tax concessions, typically result in net losses to the broader Australian community. |
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| Draft Recommendation 5.1 **ABOLIsh ZONE and overseas forces tax offsets** |
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| The Australian Government should abolish the zone tax offset and the overseas forces tax offset. |
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| Draft Finding 5.2 |
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| There is no case for the Government to provide company tax offsets specifically to businesses in remote areas. Governments should focus on creating successful business environments regardless of their location. |
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## The remote area allowance

| DRAFT Finding 6.1 |
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| Notable characteristics of the profile of remote area allowance recipients include that:   * most reside in *very remote* and *remote* areas of Australia (as defined by the Australian Bureau of Statistics) * 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 * almost 65 per cent of recipients are Indigenous Australians * just over half have been in receipt of an income support payment for over five years. |
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| DRAFT Finding 6.2 |
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| There is a rationale for a remote area allowance to address cost of living differences affecting income support recipients in remote Australia. |
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| Draft Recommendation 6.1 **ADJUST RAA BOUNDARIES** |
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| The Australian Government should revise section 14 of the *Social Security Act 1991* (Cth) to align the remote area allowance geographical boundaries with the Australian Bureau of Statistics remoteness classification for *very remote* and *remote* areas. |
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| Draft Recommendation 6.2 **REVIEW RAA payment rates periodically** |
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| The Australian Government should revise payment rates for the remote area allowance (RAA) following the completion of this study.  Thereafter, the Department of Social Services should review the RAA periodically. These reviews should:   * revise RAA payment rates, taking into account changes in living-cost differentials between remote and non‑remote areas * report on RAA annual outlays and recipient numbers * consider any issues associated with administering the RAA.   The reviews should be made public. |
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## Fringe Benefits Tax remote area concessions

| Draft Finding 7. 1 |
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| The use and economic effects of fringe benefits tax (FBT) remote area concessions vary.   * The exemption for employer‑provided housing (used as a usual place of residence) can provide significant value at the employee level, particularly for higher‑income employees, and could cost as much as $430 million per year in forgone FBT revenue nationally. Usage is concentrated in certain areas — such as the Pilbara in Western Australia, and the Central Highlands and Bowen Basin in Queensland — and in industries such as mining, agriculture, and public services (including hospitals, police, and local government). * The partial concessions on employee‑sourced housing are narrowly used. The 50 per cent concession is much less generous than the full exemption on employer‑provided housing, and the compliance burdens are higher. * Use of other FBT remote area concessions (on residential fuel, meals for primary production employees and holiday transport) is minimal, in part because they provide limited tax savings and are overly complex with high compliance costs. * FBT concessions for fly‑in fly‑out workers, while widely used, are likely to have only a minor influence on decisions to maintain a fly‑in fly‑out workforce. |
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| Draft Finding 7.2 |
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| Fringe benefits tax remote area concessions help to address inequities inherent in the FBT regime, but they are not fit for purpose. The current concessions are overly generous and complex, thereby creating other inequities. |
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| Draft Recommendation 8.1 **TIGHTEN tAX TREATMENT of employer‑provided housing** |
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| The Australian Government should amend the *Fringe Benefits Tax Assessment Act 1986* (Cth) to change the tax treatment of employer‑provided housing. Specifically, it should:   * revert the exemption for employer‑provided housing (section 58ZC) to a 50 per cent concession (as it was prior to 2000) * remove the provision that enables employers to claim the concession because it is ‘customary’ to provide housing (section 58ZC(2)(d)(iii)) * remove the provision that extends the concession to additional areas for ‘certain regional employers’ (section 140(1A)). |
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| Draft Recommendation 8.2 **remove concession for employee‑sourced housing** |
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| The Australian Government should amend the *Fringe Benefits Tax Assessment Act 1986* (Cth) to remove the 50 per cent concession on employee‑sourced housing (section 60). |
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| Draft Recommendation 8.3 **TIGHTEN tax treatment of other goods and services** |
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| The Australian Government should amend the *Fringe Benefits Tax Assessment Act 1986* (Cth) to change the tax treatment of residential fuel, meals for primary production employees, and holiday transport provided by employers in remote areas. Specifically, it should:   * limit access to the residential fuel concession for use in conjunction with employer‑provided housing (section 59(1)) to instances where there is an operational requirement for the employer to provide residential fuel * remove the residential fuel concession for use in conjunction with employee‑sourced housing (section 59(2) and (3)) * limit access to the exemption that currently applies to meals for primary production employees (section 58ZD) to instances where there is an operational requirement for the employer to provide these meals * remove the definition limiting the exemption to meals ‘ready for consumption’, as it leads to ambiguity and difficulty in implementation * remove the holiday transport concession (section 60A and section 61). |
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| Information request 2 |
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| The Commission invites feedback on its estimates of the utilisation of the FBT concessions. Are the Commission’s assumptions plausible? If not, what alternative assumptions should apply? Are there other data that could assist in gauging the use of FBT concessions? |
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| Information request 3 |
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| Should the revised remote area concessions be considered ‘reportable’ or ‘excluded’ benefits? Are there additional compliance burdens from allocating these benefits to individual employees that justify excluding them?  Are there any other factors that should be considered in implementing these changes? |
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| Information request 4 |
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| The Commission invites further information on the compliance burdens that could arise from this change in the FBT treatment of employer‑provided housing, and on what could be done to reduce these burdens while addressing equity concerns. |
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| Information request 5 |
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| How often should the FBT remote area boundaries be updated?  Should the FBT remote area boundaries be decoupled from the ZTO boundaries? If so, how?  Can the other eligibility rules for remote area concessions be improved sufficiently to make geographical boundaries redundant? |
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| Information request 6 |
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| What impacts would the proposed changes to FBT remote area concessions (particularly for housing) have on the provision of key public services, such as health services, in remote areas? |
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