



PREMIER OF TASMANIA

Mr Coppel
Remote Area Tax Concessions and Payments Study
Productivity Commission
Email: remotetax@pc.gov.au

29 APR 2019

Dear Mr Coppel

The Tasmanian Government's Submission to the Productivity Commission's Study into Remote Area Tax Concessions and Payments

Thank you for the opportunity to contribute to this study. I am pleased to provide you with the Tasmanian Government's submission, which may be published on the Productivity Commission's website.

With Tasmania's economy one of the strongest growing in the nation, the Tasmanian Government is actively working to ensure that growth reaches our regional and remote areas. We are taking a strategic approach to growth and investing in infrastructure to unlock the potential of our regional communities and to ensure the benefits of a strong economy are shared across the State.

We look forward to working with the Productivity Commission through this study to identify the most effective, efficient and equitable mechanisms to deliver economic growth to regional and remote Tasmania.

Should you have any queries in relation to the Tasmanian Government's submission, please contact Ms Alexandra Paterson, Assistant Director, in my Department.

Yours sincerely

Will Hodgman MP
Premier

Attachment

The Tasmanian Government's Submission to the Productivity Commission's Study into Remote Area Tax Concessions and Payments

Tasmania's economy is one of the strongest growing in the nation, and the Tasmanian Government is actively working to ensure that growth reaches our regional and remote areas. We are taking a strategic approach to growth and investing in infrastructure to unlock the potential of our regional communities and to ensure the benefits of a strong economy are shared across the State.

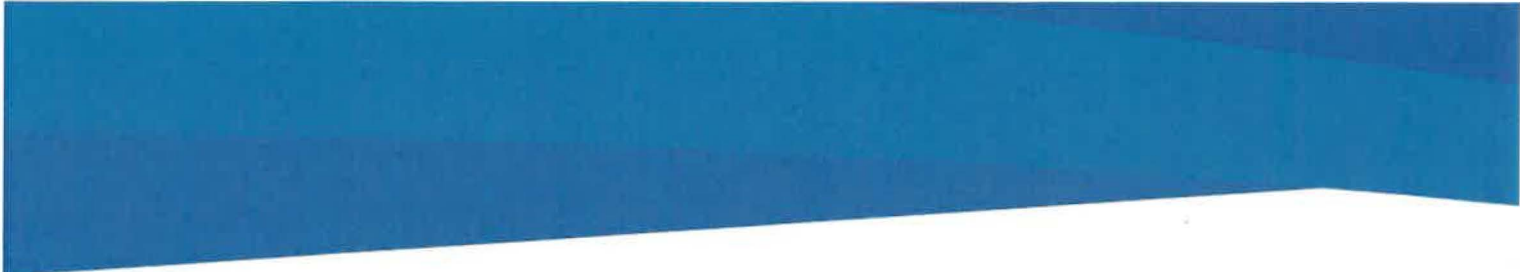
Tasmania's regional and remote areas make an important contribution to Tasmania's GDP, particularly through agri-food production, the mining and energy sectors and tourism. However, the challenges of living and doing business in Tasmania's remote areas can be significant. Higher costs of living, barriers to market access, longer commutes, and skills and labour shortages in regional and remote areas are factors which require the ongoing attention of all levels of government.

To continue Tasmania's growth trajectory, it is vital we have the skills and expertise that our economy requires. An ageing population presents challenges in responding to and addressing skills shortages, with the State's prime working age cohort (those aged 15 to 64 years) predicted to decline very soon, despite recent and projected population growth, as an increasing percentage of the community reaches retirement age. As well as providing opportunities for Tasmanians to develop skills and reskill for the future it is also critical to support regional overseas migration to address Tasmania's current and emerging skills shortages.

Advice from industry and businesses indicates that there are skills shortages across the State in key sectors such as health, aged and disability services, and building and construction. There are also shortages for certain industries in specific regions, for example, agriculture and advanced manufacturing in the North West Tasmania. The skills needed include allied health and para professionals in aged and disability services, advanced welding in manufacturing and sales, service, management and technical roles in agriculture.

The Tasmanian Government supports the Productivity Commission's proposed design principles for the tax and transfer system: equity, efficiency and simplicity. These principles, along with broader principles of good policy design outlined on page nine of the Issues Paper, provide a sensible foundation for the study and for examining alternative mechanisms to achieve the policy goal.

It is noted that the zone tax offset and related remote area tax concessions and payments have been in place without significant review since 1945. This study provides an opportunity to test if the existing model to guide the provision of this assistance is appropriate. There is a need to first define the policy rationale clearly to understand whether these payments and concessions are the most efficient, equitable and effective mechanism of supporting remote Australian communities, and what alternatives there may be.



For example, to encourage workers to move to remote areas, a wage subsidy may be more appropriate to support businesses to access skilled labour. Whereas, to recognise and compensate for the hardships of remote living, a universal payment may be more effective and equitable than the current arrangements, which are not available to part-time workers in remote areas who may be below the tax-free threshold.

To increase population in regional and remote areas, other government policies are already in place, and may be more effective. These include the requirement for some newly qualified professionals such as doctors to work in regional areas and the requirement for those migrants seeking permanent residency to live in a regional area for a specified period of time. The Tasmanian Government also has a range of initiatives, such as our three-year payroll tax exemption for interstate businesses that relocate operations to regional Tasmania, that have the potential to support population growth and address critical skills shortages in regional and remote areas. Another mechanism to encourage skilled professionals to relocate to and/or work in remote areas could include the repayment of HECS-HELP loans while they are living and working in the area.

In reviewing the geographical zones and definition of remoteness, it would also be appropriate to consider other regional and remote areas of Tasmania, including parts of the North and East Coast, as well as those areas of the Central Highlands that are currently excluded from the remote area zone, but which arguably face similar challenges around cost of living, access to markets and skills and labour shortages. The Tasmanian Government would welcome the opportunity to work with the Productivity Commission to further understand and refine the definition of remoteness through this study, consistent with a clear policy rationale for intervention. The Australian Government, through its *Planning for Australia's Future Population* paper, released in March 2019, has identified strategic investment in regional areas as a policy priority as part of its decentralisation agenda, and it is timely for the Productivity Commission to consider this objective in its study.

As the Issues Paper acknowledges, there has been little change in the actual level of the zone tax offset and remote area tax concessions and payments over time, which has eroded their real value, potentially undermining the original intent of the schemes over time. Given the current level of the concessions/payments, and the uncertainty around the quantum of the fringe benefit tax (FBT) remote area concession to businesses and employment levels, the economic impact is difficult to assess.

In considering any future changes to the existing concessions and payments, it will be important to plan a staged approach, through a potential grandfathering or similar transitional arrangement, to ensure that current recipients in remote communities are not disadvantaged through the redesign of the schemes. In particular, given the lack of clarity as to the quantum of the FBT remote area concession, the impact on businesses should be carefully considered to reduce any unintended consequences.

Thank you for the opportunity to provide a submission to this study. The Tasmanian Government is committed to supporting economic prosperity and growth in our regions and remote areas. We look forward to working with the Productivity Commission through this study to identify the most effective, efficient and equitable mechanisms to deliver economic growth to regional and remote Tasmania.

