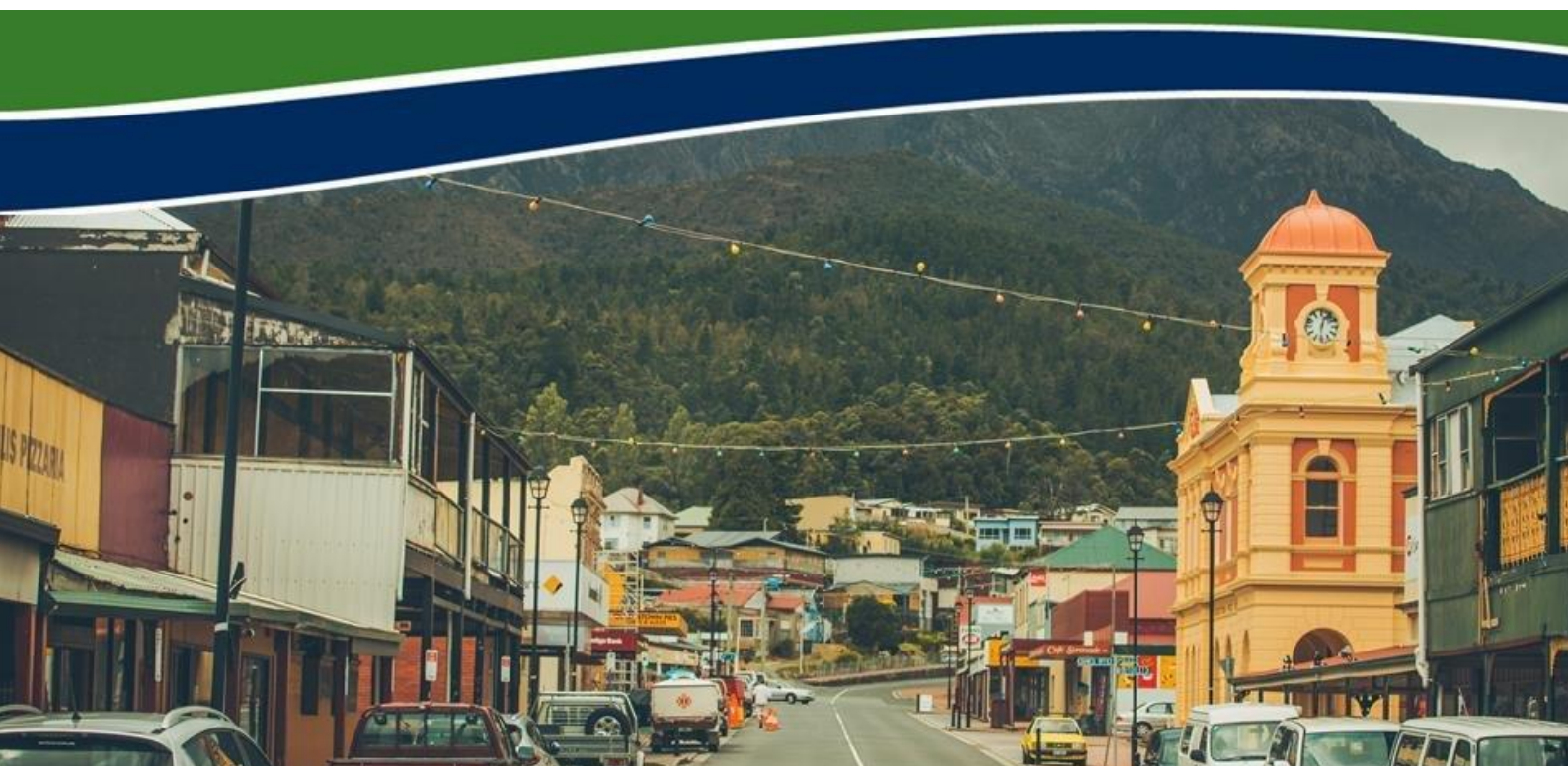




Productivity Commission study into
***Remote Area Tax Concessions and
Payments***

A Tasmanian Perspective

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Executive Summary

Regional Development Australia (RDA) Tasmania's response to this inquiry can be summarised in the following points:

- **All loadings and incentives that support remote area residents and business should be considered holistically when reviewing need and effectiveness; not just tax concessions**
- **Policy should be based on a common definition of 'remote', such as based on ABS remoteness categories or a consistent geographical distance from population centres instead of the Zone A and B and List 1 and 2 that currently dictate eligibility**
- **A large number of places listed in Zone B in Tasmania are historical (based mainly around old mines or railways) and no longer exist or have residents**
- **Many remote towns and settlements in Tasmania, particularly in the east and central highlands, are not included in Zone B, Zone B (special area) or List 1 despite their isolation and distance from population centres and services**
- **Attracting business and employment to remote areas can help alleviate growth pressures in our urban centres and develop the social and economic capital of remote settlements**
- **While the cost of housing in remote areas of Tasmania is generally lower, access to Internet and phone coverage, essential services, and transport is more restricted and/or expensive than in urban centres**

RDA Tasmania is happy to be contacted for more information or to be involved in further exploration of the issues. Contact:

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Purpose

This report has been prepared as a submission to the Productivity Commission's study into Remote Area Tax Concessions and Payments¹.

Terms of Reference

The Australian Government provides assistance to Australians who reside in specified geographic areas through the zone tax offset, the fringe benefits tax (FBT) remote area concessions and the Remote Area Allowance.

The eligible zones for the zone tax offset were originally established in 1945 and were based on exposure to uncongenial climatic conditions, isolation or a relatively high cost of living. The zones still largely reflect the original design in 1945, notwithstanding the demographic and infrastructure changes that have occurred in regional Australia in recent decades. The areas eligible for FBT remote area concessions are partly determined by reference to the zone tax offset boundaries, and the Remote Area Allowance is available to recipients of Australian Government income support payments who live in specified zone tax offset areas.

There have been concerns that the design of these mechanisms has not evolved to adequately reflect varying degrees of demographic, infrastructure and cost-of-living change occurring in Australia.

Focus of Submissions

The Productivity Commission is asked to determine the appropriate ongoing form and function of the zone tax offset, FBT remote area concessions, and Remote Area Allowance.

In conducting this review, the Productivity Commission is to:

- examine the operation of the zone tax offset and FBT remote area concessions, including the levels of assistance provided, indexation and the boundaries of eligible areas and prescribed zones
- examine the economic and employment impacts of the zone tax offset, FBT remote area concessions, and Remote Area Allowance, including the effect of applying indexation, in regional Australia
- examine the operation of the Remote Area Allowance, which extends the benefits of the zone tax offset to income support recipients in remote zones
- consider whether the zone tax offset, FBT remote area concessions, and the Remote Area Allowance are delivering on their policy objectives and whether those objectives remain appropriate in a contemporary Australia
- consider if businesses in remote areas should be provided with similar support
- consider if there are alternative mechanisms to better provide this support to Australians residing in specified geographic areas.

¹ <https://www.pc.gov.au/inquiries/current/remote-tax#issues>

Regional Development Australia – Tasmania

RDA Tasmania Priorities

- ◆ Expand and grow economic activity in Tasmania
- ◆ Increase collaboration and efficiencies between federal, state and local government; and between government and the private sector
- ◆ Improve educational attainment and employability skills
- ◆ Address the needs of Tasmania's changing demographic profile

Regional Development Australia (RDA) is a national network of committees fostering regional economic development. RDA Tasmania work with all three tiers of government, regional business and the wider community to boost the economic capability and performance of their region.

RDA Tasmania facilitates policies, programs and projects designed to strengthen human capital, productivity, infrastructure, access to markets, regional comparative advantage and business competitiveness; leading to increased economic activity and the creation of new jobs, along with improved standards of living and working conditions.

RDA Tasmania:

- Engages with stakeholders to identify initiatives that will deliver economic outcomes that grow and strengthen their communities.
- Builds partnerships, harnesses local leadership, marshal's support, and encourages cooperation between stakeholders to drive regional priorities.

RDA Tasmania is able to work with all levels of government, industry and community to pursue challenges and opportunities relevant to our region. RDA Tasmania produces a Regional Plan that outlines RDA Tasmania's vision for the region and identified priorities.

Priorities are informed through statistical data in the regional profile, Australian and state government policy imperatives and stakeholder consultation.

Tasmanian Eligibility for Remote Area Tax Concessions and Payments

There are three types of concessions covered in this study:

1. the zone tax offset,
2. the Remote Area Allowance, and
3. the fringe benefits tax (FBT) remote area concessions.

A tax offset (or rebate) directly reduces the amount of tax payable on personal, taxable income. A Remote Area Allowance is automatic if you live in an eligible Zone and you receive income support payments. Fringe benefit tax concessions are generally used by employers to reduce the fringe benefits payable on providing benefits to their employees such as reduced housing costs.

1. Zone Tax Offset – allowances for individuals

A Zone Tax Offset allowance can be claimed by an individual in a defined remote area zone who maintains a child who is under 21 or a full time student under 25; an invalid or an invalid carer; or if they are a single parent.

Remote areas are divided into two zones called Zone A and Zone B. There are also special areas within these zones. Different zone allowances apply to each. Tasmania has no areas within Zone A. Tasmania has a number of towns and places in Zone B and Zone B Special Areas that qualify for a fixed amount of offset, plus a percent of the applicable dependent rebate²:

Zone	Place or town	Fixed amount	% of base amount
Zone B	Majority are in west/north west and central highlands	\$57	20% of dependent rebate (max \$75.20 per child) a year
Zone B - Special Area	Furneaux Group of Islands King Island	\$1,173	50% of dependent rebate (max \$188 per child) a year

To claim the tax zone offset you must have lived in this remote area for 183 days or more in a twelve month period or limited variations to this condition³.

2. Remote Area Allowance

The Remote Area Allowance is automatically provided to those receiving income support payments in a eligible area who maintain a child under 21 or a full time student under 25; an invalid or invalid carer; or if they are a single parent. It is basically the same target group as the Zone Tax Offset, but is paid to people receiving income support instead of those earning enough to qualify for paying tax.

² A more comprehensive list is in Appendix 1

³ https://www.ato.gov.au/Forms/Withholding-declaration---calculating-your-tax-offset/?anchor=Zone_Tax_Offsets

3. Fringe Benefits Tax (FBT) Remote Area Concessions – used by employers to benefit employees

There are a number of fringe benefits tax (FBT) concessions that can be used by an employer who provides benefits to an employee residing in a remote area. Examples include housing fringe benefits and reduction in FBT value. Reduction in FBT value in remote areas can include: residential fuel (including electricity); costs of acquiring accommodation; loan and interest or rent; and residential property expenses.

Employers are defined in two categories in regard to the FBT remote area concessions: certain regional employers, and all other employers.

Certain Regional Employers are defined by the Tax Office as:

- a public hospital
- a hospital carried on by a non-profit society or a non-profit association
- a government body where the duties of employment are exclusively performed in, or in connection with, a public hospital or a non-profit hospital
- a charitable institution
- an employer who provides public ambulance services or services that support those services where the employee is predominantly involved in connection with the provision of those services
- a government body where the employee's duties are performed in a police service.

All other employers are employers that are not covered in the categories above.

Eligible urban, remote and non-remote areas in Tasmania

The Australian Tax Office has two lists that define eligible urban areas, towns classified as remote and towns not in a remote area in each state and territory.

List 1 is used by all other employers and *certain regional employers* who provide non-housing benefits to their employees. See below for List 1 that defines Tasmania's remote locations in respect to FBT Remote Area Concessions.

All of Tasmania is currently eligible as remote for *certain regional employers* who provide housing benefits (or along with remote area residential fuel) to their employees. No towns in Northern Territory or Tasmania exceeded 130,000 in population in the 1981 census. Therefore, all towns in Northern Territory and Tasmania are still considered to be remote for the purpose of determining whether a housing benefit provided by *certain regional employers* is a remote area housing benefit. As at the 2016 Census, Greater Hobart has a listed population of 232, 606⁴.

⁴ <http://www.abs.gov.au/ausstats/abs@.nsf/mf/3218.0>

List 1 - Tasmania		
<i>Eligible Urban</i>	<i>Remote</i>	<i>Non-remote</i>
Burnie - Somerset	Beaconsfield	Bridgewater
Devonport	Beauty Point	Burnie
Hobart	Bridport	Devonport
Launceston	Bruny Island	Evandale
	Deloraine	Hadspen
	Dodges Ferry	Hobart
	George Town	Huonville
	Queenstown	Kingston
	Rosebery	Latrobe
	St Helens	Lauderdale
	Savage River	Launceston
	Scottsdale	Legana
	Smithton	Longford
	Tullah	Margate
	Zeehan	Midway Point
		New Norfolk
		Old Beach
		Penguin
		Perth
		Pontville
		Port Sorell
		Ranelagh
		Seven Mile Beach
		Sheffield
		Somerset
		Sorell
		Turners Beach
		Ulverstone
		Westbury
		Wynyard



Photo credit: Tasmanian midlands, Tasmania Tourism Visual Image Library

Comments to address the Terms of Reference

The following comments are made in respect to Tasmania's situation in regard to the existing tax concessions and payments taking into account issues and topics raised in the Issues Paper. More in depth analysis of data or particular case studies was not achievable with the time and resources available.

- *All loadings and incentives that support remote area residents and businesses should be considered holistically when reviewing need and effectiveness; not just tax concessions*

The barriers to attracting business and employees to remote areas are probably still along the original concepts of 'uncongenial climatic conditions, isolation, or a relatively high cost of living'. Providing employees, employers (within limits) and welfare recipients financial relief may help overcome these disadvantages. However, public investment in infrastructure and services such as transport and digital connectivity will also help mitigate these barriers. Investment in infrastructure and services benefits the whole community and increases equality across regions.

More information is needed on comparative costs of living from urban to remote centres to understand the extent of the current disadvantage. While in general the cost of food, retail, transport and services may be higher and access more limited in remote areas; housing is usually more affordable. If data supports this general observation, the emphasis on housing related FBT may be misguided.

- *Policy should be based on a common definition of 'remote', such as based on ABS remoteness categories or a consistent geographical distance from population centres instead of the Zone A and B and List 1 and 2 that currently dictate eligibility*

As detailed in Appendix 1, many of the places and towns listed in Zone B in Tasmania no longer exist as a settlement. Further, there are many additional places that would qualify for remoteness under a geographical definition that were not part of the 1940's mining boom and have not been included as remote in respect to these concessions and payments. Whatever definition is used, data to support these boundaries should be updated with each new Census or applicable data set.

Large cities such as Darwin, Townsville, Cairns and Mackay should no longer be included due to historical reasons if they no longer fit within the common definition of remoteness.

The current tax payments and concessions have gaps such as workers who are not receiving an Income support payment to qualify for the Remote Area Allowance; but who earn under the tax free threshold and so don't qualify for a tax offset.

In Tasmania's ageing population, much of the ageing demographic is highest in rural and remote areas. For example, the major centres of Hobart and Launceston have a median age of 38 years

old, while the state average is 42.2. Some locations such as the east coast (Glamorgan Spring Bay Council area) have a median age of 55.9 years old, that is, half the resident population on Tasmania's east coast is over 55 years old⁵. This should be taken into account when considering policy actions to mitigate hardships and access to services in remote area living.

- *A large number of places listed in Zone B in Tasmania are historical (based mainly around old mines or railways) and no longer exist or have residents.*

As listed in Appendix 1, at least twelve places listed as remote for Zone B, no longer exist or no longer have a residential population. As a result, it appears more places in Tasmania are eligible to receive tax concessions or payments than is actually the case. The method and process in which these definitions were developed needs review and updating to ensure equity in executing the policy mandate.

- *Many remote towns and settlements in Tasmania, particularly in the east and central highlands, are not included in Zone B, Zone B (special area) or List 1 despite their isolation and distance from population centres and services*

A consistent definition should be used to define remoteness.

- *Attracting business and employment to remote areas can help alleviate growth pressures in our urban centres and develop the social and economic capital of remote settlements*

Many towns in Tasmania have high unemployment when compared to urban centres or the national average. For instance, Tasmania's west coast that qualifies for Zone B and FBT remote area offsets has an unemployment rate of 13.8 per cent⁶. While the education attainment, skill level and employability of the local residents may not match industry need, consideration should be given to the expenditure of public funds on both attracting new skills to the region and having programs in place to provide pathways to employment for local residents who are arguably more likely to remain long term.

Current policies and programs are in place to attract migrants and newly qualified professionals to remote and rural areas. For example, the [General Practice Rural Incentives Program](#) includes a mixture of one-off relocation grants, training grants and ongoing extra payments to all GPs located in rural areas, with higher amounts for "more rural" areas and for longer-serving doctors. The structure and success of existing policies such as this should be taken into account in this review and if applicable extended to cover other service providers or professionals needed in remote locations

⁵ [ABS Data by Region 2016 census data](#)

⁶ [ABS Data by Region 2016 census data](#)

Many factors influence employees and families to move to more remote areas. Financial incentives can be attractive, but schools, services, a strong community and attractive lifestyle are all contributing factors.

Consideration should be given to additional measures to attract skilled employees to jobs in remote regions, such as forgiving HELP debts for graduates with needed skills who live and work in the region for a period of time. Employers could be granted tax offsets for costs of relocating employees to remote areas.

Allocating a fund for local councils or RDA committees in regions that need to attract skilled workers could assist in achieving the policy outcomes. A prospectus or welcome package could be developed with local employers to prepare housing, services and community connections for new residents to help them find their feet and easily connect into the local community.

- *While the cost of housing in remote areas of Tasmania is generally lower, access to Internet and phone coverage, essential services, and transport is more restricted and/or expensive than in urban centres.*

Tasmania no longer has the comparatively low cost of living it has historically enjoyed. Housing availability and cost in the urban centres has significantly increased in the last few years. In more remote areas that are benefiting from record tourism, there are strong incentives to meet visitor demand for accommodation through short term house-letting through the sharing economy. Anecdotal evidence suggests this is impacting seasonal employment with short-term staff unable to find affordable accommodation. For instance, private rentals including Airbnb make up 79 per cent of total properties and 52 per cent of rooms⁷ on Tasmania's east coast.

Flinders Island also has issues with affordable housing as the cost of transporting materials and building makes new housing a less attractive investment than more affordable construction in other high demand areas.

Anglicare Tasmania just released their 2019 Rental Affordability Snapshot that found that not only have the number of properties available for rent across the state dropped by 60 per cent over the last seven years, but prices have increased to the point that people on low incomes had no affordable rental options in southern Tasmania. Rents in southern Tasmania have increased 9 per cent since the last survey in April 2018⁸.

The Tasmanian Council of Social Services (TasCOSS) recently released a budget priority statement (2018-2019) on the Cost of Living requesting cost of living impacts be taken into account when developing government policy. The paper particularly focuses on health, education, employment, housing and essential services (such as energy, water and sewerage and telecommunications)⁹.

⁷ [East Coast Accommodation Study 2017](#)

⁸ <https://www.socialactionresearchcentre.org.au/the-housing-factors-creating-the-perfect-storm/>

⁹ https://issuu.com/tascoss7/docs/bps_cost_of_living_2018-19

Petrol, Internet access and many grocery and retail items can be more expensive in Tasmania than other regions, and the choice diminishes and cost rises outside of the urban centres. The median wage in Tasmania was \$44,135 in 2016 compared to a national average of \$48,413. On the west coast (West Coast Council) where there is significant mining activity and eligibility for Zone B and FBT remote concessions and allowances the median wage was \$43,655, while the State's east coast median wage (Glamorgan Spring Bay Council) that is not covered in Zone B or FBT remote concessions and allowances area was only \$32,829¹⁰.

RDA Tasmania encourages the Productivity Commission review as a first step, to be very clear on the intent of the remote area policy, and then to look at all government programs and policy that impact this policy goal in making recommendations for change to remote area tax concessions and payments.



Photo credit: Evandale, Tasmania Tourism Visual Image Library

¹⁰ [ABS 2016 census Data by Region](#)

APPENDIX 1

Zone B places or towns in Tasmania				
Zone B Tax Offset = fixed amount of \$57 + 20% of dependent rebate (max \$75.20 per child) a year				
South West	West and NW	Central	South East	North and North East
Adamsfield	Balfour	Bronte/ Bronte Park	Gordon	Liena
Collingwood River	Bulgobac	Butlers Gorge		Lorinna
Maatsuyker Island	Cape Sorell	Dee Lagoon		
Port Davey	Comstock	Derwent Bridge		
Strathgordon	Corinna	Lake St Clair		
	Crotty	Malbana		
	Dubble Barrill	Miena		
	Dundas	Nive River		
	Farrell	Tarraleah/ Tungatinah		
	Gormanston/Linda	Waddamana		
	Granville Harbour	Wayatinah		
	Guilford Junction			
	Heemskirk			
	Henty			
	Lake Margaret			
	Letts Bay			
	Luina			
	Lynchford			
	Macquarie Heads			
	Parrawee			
	Queenstown/ South Queenstown			
	Strahan/Regatta Point			
	Remine			
	Renison Bell			
	Rinadina			
	Rosebery/ Williamsford			
	Savage River			
	Steppes			
	Temma			
	Tullah			
	Waratah			
	Zeehan			

Zone B (special area) places or towns in Tasmania

Zone B (special area) Tax Offset fixed amount of \$1,173 + 50% of dependent rebate (max \$188 per child) a year. Automatically qualify for Remote Area Allowance

South West	West and NW	Central	South East	North and North East
	King Island/ Currie, Grassy, Naracoopa			Furneaux Group (Islands) Flinders Island/ Killiecrankie, Lady Barron, Whitemark; Cape Barren Island; Clarke Island

Places listed in Zone B for Tasmania that no longer have settlements

Falls Creek	Not a Tasmanian town or place
Firewood	No longer any residents
Kallista	There is a Kallista Rd in Maydena?
Koyule	Old railway siding near Henty bridge (west coast)
Lowana	On Kings River, no longer a town?
Magnet	Old Magnet mine 6kms west of Waratah (west)
Marlborough	Old township near Derwent Bridge?
Oceana	Historic mining lease west coast
Pillinger	Abandoned port and town site in Kelly Basin, south east of Macquarie Harbour
Silver Bell	Historic mine near Zeehan
Teepookanah	Short lived port and railway stop on King River
Waldheim	This might be better to be renamed Cradle Mountain?

Overview of Tasmania

Tasmania is Australia's only island state with a population base of 520,877 residents (2017)¹¹.

Tasmania as a region is highly diverse, incorporating our capital city, other major urban centres and rural communities, through to the sparsely populated south west wilderness. Like many other regions across Australia, Tasmania is experiencing a migration of the existing population into urban centres. Local and state government are partnering to streamline and modernise planning and regulation.

While Hobart, the state's capital in the south is a centre for services and government administration, the major centres in the north are based around key industry activity and port access for Tasmania's export focused economy. Hobart has experienced increased traffic congestion issues since 2016 and has recent challenges with housing availability and affordability.



Economy

Tasmania traditionally records below average outcomes in key economic determinants such as employment, skills and education, and economic growth; although indicators in 2017-2018 have shown much improvement. Being an island presents challenges in freight and transportation.

Without continuing business investment and growth, the economy will retain its historical dependence on government funding and administration. Employment opportunities attract and retain talented people and enable wealth creation and distribution across the community.

Population

Tasmania's population is ageing more rapidly than any other state in Australia and records below average health outcomes. Population growth is low; however, our enviable lifestyle is attracting attention and is drawing more people to relocate to the region, particularly with the support of high speed broadband in many areas and the availability of flights in and out of the state.

Natural Assets

Our strengths lie in our natural assets including the availability of clean energy and water for agricultural expansion. Tasmania's primary production sectors including agriculture, dairy, horticulture, viticulture and aquaculture are supporting economic and export growth. The drought and floods over 2016-2017 and wild fires of 2019 have re-emphasised the importance of our natural assets to our people and economy.

¹¹ <http://stat.abs.gov.au/itt/r.jsp?databyregion>

Tourism, Art and Culture

Tourism is growing strongly, boosted by a plethora of national and international awards, festivals and events and a visit from the Chinese President in November 2014. Record cruise ships visits, international tourism and airport traffic reflect Tasmania's current popularity as a tourism destination.

Government Investment and Stimulus

The region has the benefit of commitments in infrastructure investment by Australian and Tasmanian Governments including the Devonport Living City project and the Launceston and Hobart City Deals. The economic stimulus these projects provide to the civil construction sector will have flow-on effects to the wider economy and community.

Grants such as the National Stronger Regions Fund and Building Better Regions Fund stimulate economic growth. Being selected as one of the ten regions to receive Regional Jobs and Investment Package and Regional Employment Trials funding is providing further stimulus for investment and economic activity for areas outside Hobart.



Hobart City courtesy of Tourism Tasmania Visual Library

Challenges

Division over major economic investment projects and industry growth can be a constraint. Government, industry and community all have a part to play in meeting the local challenges of providing employment and economic prosperity, balanced with lifestyle and sustainability values.

Education and skills are increasingly linked to productivity and living standards. Developing a highly skilled and educated population can be the difference between a resilient region and one that struggles. Education attainment levels are highest in the urban areas of the State.