



MAY 2019

AgForce Queensland Submission

REMOTE AREA TAX CONCESSION AND PAYMENTS – PRODUCTIVITY COMMISSION

INTRODUCTION

AgForce Queensland Farmers (AgForce) is the peak rural group representing beef, sheep & wool and grain producers in Queensland. The broadacre beef, sheep and grains industries in Queensland generated around \$7.2 billion in gross farm-gate value of production in 2016-17. AgForce exists to facilitate the long-term growth, viability, competitiveness and profitability of these industries. The producers who support AgForce provide high-quality food and fibre to Australian and overseas consumers, manage around 40 per cent of the Queensland agricultural landscape and contribute significantly to the social fabric of rural and remote communities.

AgForce welcomes this review as per the recommendation by the Henry Review ¹and supports measures that recognise the additional difficulties that are associated with living in isolated regions of Australia. AgForce has supported the government revisiting and updating the Zonal Tax Offsets (ZTO) policy to:

- ensure the system is effective in offsetting the increased living costs and the relative lack of services in rural and remote areas, and
- for its utility in making these areas more attractive places to live and work in order to fill workforce shortages and,
- take pressure off the infrastructure of our major urban and regional centres.

The original intent of the policy as outlined by Chifley in 1945² is still supported being:

‘an income tax concession in recognition of the disadvantages to which [the residents of prescribed areas of Australia] are subject because of the uncongenial climatic conditions, isolation and high cost of living... in comparison with [other] parts of Australia.’

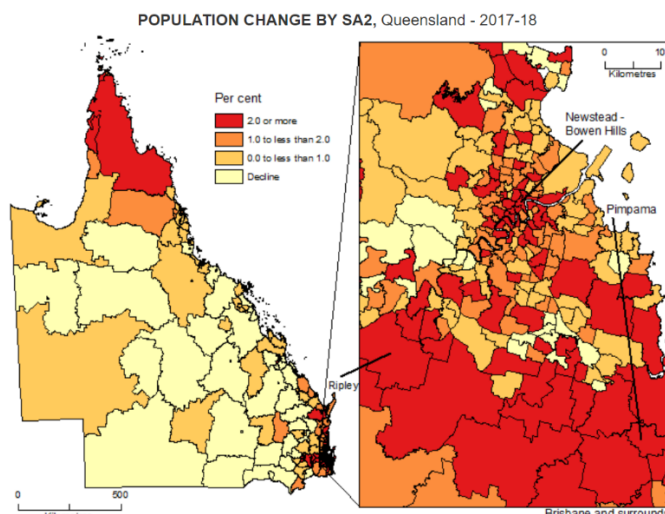


Figure 1 Source: Regional Population Growth, QLD ABS 2017-18

Regional towns have historically been viewed as the backbone of Australia, yet there has been a decline in population in these communities over time. Annual growth over the past seven years for areas outlined in the RRR Report (Appendix A) highlights a decline on average of 0.7% per annum. This trend is projected to continue to occur despite the range of opportunities that could and will assist the future, social, economic and environmental sustainability of Australia.

¹ Australia's future tax system. Henry Tax Review retrieved via http://www.taxreview.treasury.gov.au/content/downloads/final_report_part_1/00_AFTS_final_report_consolidated.pdf

² Are you still here Mr Haase? Retrieved via <https://www.business.unsw.edu.au/About-Site/Schools-Site/Taxation-Business-Law-Site/Documents/FULLARTON-Alexander-Robert-Are-you-still-here-Mr-Haase-A-study-of-Australias-tax-rebates-for-residents-of-isolated-areas.pdf>

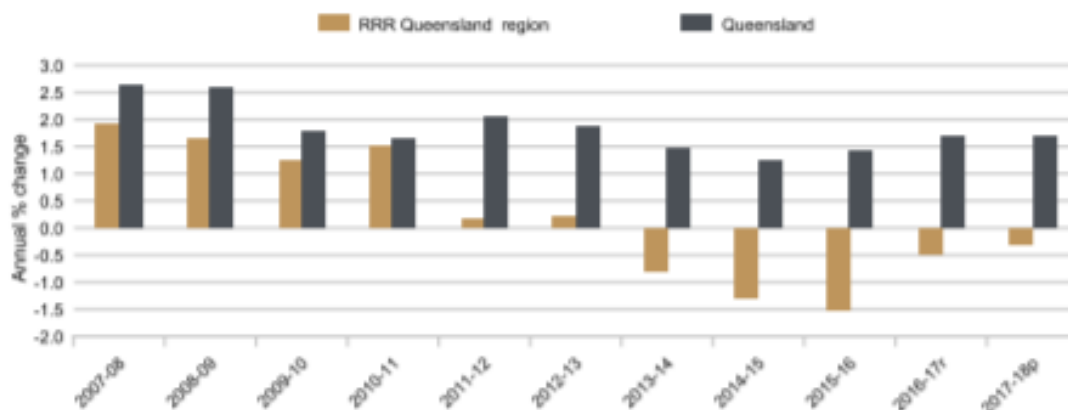


Figure 2 Source: ABS 3218.0, Regional Population Growth, Australia, various edition

The following submission outlines several recommendations which seek to respond to this review's Terms of Reference and Issues Paper.

RECOMMENDATION SUMMARY

Recommendation 1:

Review the definition of 'remoteness' to be brought in line with contemporary expectations and criteria.

Recommendation 2:

AgForce recommends that the Zonal Tax Offset (ZTO) be increased to represent meaningful compensation for those living and working in remote areas.

Recommendation 3:

AgForce recommends that the intention of the Zonal Tax Offset remains, however expanding the justification to observe more than increased 'cost of living' but to also include 'liveability' considerations, such as cost of accessing medical and travel to services.

Recommendation 4:

AgForce recommends that there be provisions made in the policy to tie the zone rebate tax concession to the relief of debts incurred under the Higher Education Contributions Scheme (HECS) for residents of remote zones for bonded periods.

ECONOMIC AND EMPLOYMENT EFFECTS

When observing regional, rural and remote (RRR) Queensland the structure of the outback economy differs from that of urban centers. The 2016 census data indicated that 79,700 people occupied the ABS's defined 'outback' geographic zone which is down on previous census results. Industries that represent the highest employment sectors are beef cattle farming (8.6%), local government administration (7.5%) and mining (5.8%)³. Unemployment in outback Queensland (7.9%) is above the national average (6.9%) and, when observing some centers on a microlevel, unemployment specifically amongst young people is

³ Accessed via:

https://quickstats.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/315?opendocument

of concern. The ability to attract and retain staff is significantly impacted by the limited access to resources and services.

Case Study: Airline Travel

AgForce has continued to advocate for improved and equitable access to resources and services. The cost of doing business in RRR Queensland is influenced greatly by several costs outside a businesses' locus of control, such as commercial airline travel. Fair access to services should not be influenced by the geographic location of an individual or enterprise.

When observing the commercial implications associated with higher airline transportation costs, agricultural businesses are affected in a variety of ways:

- Recruitment and training costs
- Attracting employees
- Retention of staff
- Access to professional development
- Meetings with existing businesses and services.

Access to expert knowledge often requires a flight in or out of a regional centre (e.g. a producer's accountant). Ensuring the productivity and resilience of producers is critical to long-term growth of the agricultural industry and access to appropriate professional staff (e.g. accountant, solicitors etc.) and training resources is a means of ensuring continuous growth and productivity gains. Recruitment and retention of staff is a significant and ongoing concern for farming enterprises and other business in RRR areas and ensuring the barriers are minimised are critical. If the right candidate isn't located in the region, access to services such as affordable flights to visit loved ones or access to quality, affordable telecommunications may be the influencing factor to take up an offer of employment in outback Queensland.

Whilst the ZTO at its current point in time does not outweigh the increase in the cost of living in outback Queensland if it were to be brought in line with the contemporary reality of remoteness the attractiveness of living in these regions would be influenced positively.

Recommendation 1:

Review the definition of 'remoteness' to be brought in line with contemporary expectations and against objective criteria.

INTENTION AND DESIGN

AgForce supports the original intent of the ZTO to encourage occupancy of these regions of Australia. Whether the current policy arrangements respond to that desire efficiently to achieving the end goal is debatable. As outlined previously there are costs associated with the outback economy that are influenced significantly by external factors such as:

- Transport: influences the cost of products due to the distances needed to travel but also has a negative impact on businesses productivity due to the cost of getting goods to markets
- Communications: cost of telecommunication packages and access to appropriate levels of data needed for modern business

- Education: often many regional centres do not provide education opportunities for all young people, such as high school or disability support. In these cases, families are in a position where they either must drive long distances or enrol children in boarding schools which result in not only tuition expenses but that of boarding costs
- Healthcare: like that of education, many regional centres lack healthcare services and support, particularly specialists. Cost of treatment increases when individuals and their families need to make the long trip to a location where support can be provided, and in many cases, this requires multiple trips.

Recommendation 2:

AgForce recommends that the Zonal Tax Offset be increased to represent meaningful compensation for those living and working in remote areas.

The population of outback Queensland has continued to decline. There are various reasons that can be identified as influencing this trend of decline, such as internal migration to coastal communities, aging population, technological advancement and employment opportunities. The agricultural industry, which it is a major employer in these regions, has seen several changes in that period, affecting hardship in rural areas.

Table 1 Queensland Outback Population, ABS data

Census Year	Population	Families
2016	79,700	18,211
2011	82,923	19,005

The rise in carbon farming opportunities has resulted in some landowners choosing to lock up their properties and migrate to another part of the state. As a result of internal migration, the population of outback regions declines, which has flow on consequences to associated businesses and services such as education. For if properties are no longer occupied by families the local school's cohort diminishes in size which can then result in some schools closing. This can also be said of business hubs, financial services and healthcare providers. Without a substantial population base support services that improve or maintain a community's liveability standards are forced to make tough decisions to relocate or shut completely.

With the decline in population in agricultural communities due to ongoing drought and other liveability factors, residents that remain become more isolated. Whilst there are government services available to address disadvantage, they aren't enough to respond to the wider population's need. These services include:

- Farm Household Allowance: an income support mechanism for those experiencing times of financial hardship. In Queensland 2,824 farmers and farmers' partners have been granted FHA since 2014. At the time of this submission being made there are 1,468 receiving FHA support. While this measure is welcomed there are significant changes needed to address concerns and issues with the program.
- Living Away from Home Allowance
- Telehealth Medicare support

- Rural Financial Counselling Service
- Universal Service Obligation and Consumer Protection
- Queensland Rural and Industry Development Authority (QRIDA) Farm Debt Mediation.

Recommendation 3:

AgForce recommends that the intention of the Zonal Tax Offset remains, however expanding the justification to observe more than increased 'cost of living' but to also include 'liveability' considerations such as cost of accessing medical and travel to service.

OPTIONS FOR REVISING ARRANGEMENTS

Opportunities that incentivise individuals and their families to remain or relocate to RRR Queensland are strongly supported in principle by AgForce. AgForce welcomes the tying of the zone tax concession to that of the Higher Education Contributions Scheme (HECS) to assist with relief from debts incurred through tertiary education while meeting skills needs. Opportunities to attract skilled professionals such as those in the health profession would not only assist in boosting the outback economy but would also contribute to combatting the concerns of liveability, given residents would have access to such services, and increase community resilience and grow capability.

Recommendation 4:

AgForce recommends that there be provisions made in the policy to tie the zone rebate tax concession to the relief of debts incurred under the Higher Education Contributions Scheme (HECS) for residents of remote zones for bonded periods.

NORTHERN AUSTRALIA DEVELOPMENT

AgForce believes that northern Australia has untapped potential, abundant resources, talented people and competitive enterprises. Policy settings that encourage further development of the region are supported. Lack of action has been a result of restrictive regulation, information gaps in understanding of the opportunities, technology support and incentives to relocate. Continuation and amendments to mechanisms such as the ZTO go towards supporting northern development, strengthen the outback and national economy.

CONCLUSION

AgForce welcomes the opportunity to provide a submission to the Australian Government Productivity Commission's *Remote Area Tax Concession and Payments review*. It is important that we continue to support the contributions of the outback economy and acknowledge the difficulties of occupying these areas. It should also be acknowledged that despite the difficulties, RRR Queensland continues to grow. RRR communities are spaces that offer an abundance of opportunities in accompaniment with the character and lifestyle that is well associated with these areas.

For any questions or further discuss on this submission, please contact Amelia Shaw, AgForce Policy Officer