

SUBMISSION LODGED ONLINE

18 October 2019

The Commissioners
Remote Area Tax Concessions and Payments Study
Productivity Commission
GPO Box 1428
Canberra City ACT 2601

Dear Commissioners

RE REMOTE AREA TAX CONCESSIONS AND PAYMENTS DRAFT REPORT SUBMISSION

We welcome the opportunity to provide additional information and comment to the Productivity Commission for the Remote Area Tax Concessions and Payments Inquiry, specifically in response to the Draft Report released on 4 September 2019.

Remote Area Tax Concessions and Payments – Productivity Commission Draft Report (Overview) – August 2019

Set out below is commentary on the three key areas addressed in the Draft Report, being the Zone Tax Offset, Remote Area Allowance and Fringe Benefits Tax. Further, each of the 6 Information Requests set out in the Recommendations, Findings and Information Requests Section of the Draft Report are also specifically addressed.

The Zone Tax Offset (ZTO)

Whilst Isaac will always advocate for any assistance to residents living and working in rural and remote areas, the points made in the Draft Report are acknowledged at this point in time. The proposal to consider utilising the Australian Bureau of Statistics (ABS) mapping for remoteness areas is considered a common-sense approach to updating the current eligibility and intent of the ZTO measure. It would also recognise the distinction between the regional cities cited in the document and genuine remote areas.

One consideration which could be undertaken however, in line with the commitment to undertake further review of cost of living, is in relation to the business-based offset and whether this could be applied to Not-For-Profit organisations (in particular child-care) which is a key issue in remote areas.

The Remote Area Allowance (RAA)

The key principle in advocacy efforts of Isaac to date have been in support of attraction and retention of people and communities in the Isaac Region. Part of sustaining communities is supporting elderly and less fortunate members of the population as identified in the Draft Report. For this simple reason Isaac would advocate for the retention of the RAA. As for the ZTO utilising the ABS mapping for remoteness areas is considered a common sense approach to updating the current eligibility and intent of the RAA measure.

The Fringe Benefits Tax (FBT) Remote Area Concessions

A critical scenario which does not seem to have been taken into consideration when reviewing options for amendment is that of resource-based towns where housing prices can be significantly more volatile than “regular” markets (Draft Report Overview page 33). During these volatile periods, particularly non-mining employers would most likely be unable to retain housing whilst reducing wages to offset additional FBT and still attract skilled or unskilled labour. This would particularly impact on community based and not for profit organisations.

The Draft Report, on page 34, provides an undertaking to further review cost of living, Isaac believes that the same should be undertaken here as outlined in the report:

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.

Again, it could be argued that an updating of the FBT boundaries to utilising the ABS mapping for remoteness areas is considered a common-sense approach to updating the current eligibility and intent of the FBT measure.

Information Request 1

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.

See response to Information Request 2

Information Request 2

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?

The assumption stated that if the concession was removed or reduced that employers would simply retain the housing and reduce employee salaries to compensate is not plausible for Isaac Regional Council. IRC faces the challenge of attracting and retaining staff to remote areas with higher costs of living, fewer services and competition from higher paying resource companies. Removal of the concession would most likely lead to Council having to increase rates by at least 1% per annum to retain the status quo. This of course then further contributes to the cost of living / business cycle in remote areas which the concession is trying to mitigate. If employee remuneration packages were reduced as suggested in the report then there would be a genuine likelihood of existing vacancy rates in excess of 10% increasing further and associated service delivery reducing.

The impact and assumptions of impacts on community based / not for profit / small business also anecdotally seem to be underestimated. As raised above, the volatility of housing markets and inability to compete with “larger / resource companies” can mean the difference between services being delivered or not through ability to attract and retain staff and cost of business.

In general, the impact of additional compliance in having to estimate market values and submit reporting where variations can occur from \$300/week to \$1,400/week in recent history seem to be underestimated also. Particularly if suitably qualified staff can't be attracted because of the housing impacts. The ability to outsource these services can also be limited and costly as it also generally includes travel and accommodation in remote areas.

Information Request 3

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?

In general, the impact of additional compliance in having to estimate market values and submit reporting where variations can occur from \$300/week to \$1,400/week in recent history seem to be underestimated also. Particularly if suitably qualified staff can't be attracted because of the housing impacts.

The option of retaining the concessions as 'excluded' is supported, particularly for community based and not for profit organisations.

If as suggested the intention is to move the compliance burdens to individual employees, then the ability to attract new staff will be impacted. Again, this is a challenge already to attract skilled staff to remote areas and in competition with higher paying resource companies. Informing prospective employees that concessions are available however additional record keeping and potentially taxation advice will be required will not assist in attraction and retention of staff.

It should also be noted that during resource booms or even upturns the value of 50% concessions will not be equitable to 'regular' markets for non-resource based employees when rental or housing markets increase exponentially.

Information Request 4

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.

See response to Information Request 3.

Information Request 5

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?

As raised above, it could be argued that an updating of the FBT boundaries to utilising the ABS mapping for remoteness areas is considered a common-sense approach to updating the current eligibility and intent of the FBT measure.

These boundaries could then be updated after each ABS census.

Information Request 6

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?

See response to Information Requests 2 and 3.

We thank you for the opportunity to provide comment on the Remote Area Tax Concessions and Payments Draft Report and if you wish to discuss any aspect further, please contact Tricia Hughes, Coordinator Executive Support

Yours faithfully

GARY STEVENSON PSM
Chief Executive Officer