



Pastoralists' Association

of West Darling Inc.

Registered under NSW Government Fair Trading

18th October, 2019.

Remote Area Tax Concessions and Payments – Draft Report

The Pastoralists' Association of West Darling (PAWD) is an agricultural organisation that has represented the interests of landholders in western NSW since 1907. PAWD members are principally involved in the production of wool, sheepmeat, beef and goats, and management of semi-arid rangelands in the far west of the State. Bearing this background in mind, we make the following submission to the Productivity Commission in response to the Remote Area Tax Concessions and Payments Draft Report. In line with the demographics of our membership, PAWD's submission to the Productivity Commission is limited to commentary on the effect of the proposed changes to the agricultural sector.

Living and working in a remote areas like far west NSW brings with it a unique set of disadvantages not experienced by residents of more closely settled areas. Remote area taxpayers contribute equally alongside other taxpayers to government expenditure, but many of the services paid for from the public purse are difficult or impossible to access. Remote area residents experience difficulties and incur increased costs associated with roads, transport, energy, health, education, sport, entertainment and telecommunications. Maintenance expenditure on public roads is limited or nonexistent, with unsealed public roads often closed by rain, littered with tyre destroying stones and breaking up into corrugations and bulldust holes during extended dry periods. Consequently, travel times and wear and tear on vehicles increases, which is reflected in higher transport costs. A transport component is built into the cost of fuel and bottled gas delivered to remote areas, and fuel discount cycles do not exist outside capital cities.

Accessing anything more than basic healthcare involves lengthy travel to major regional centres or capital cities, plus accommodation costs. Primary education on property typically involves investment in a schoolroom and accommodation plus wages for a Governess, then later the expense of sending children to boarding school. There are no opportunities to attend major sporting or entertainment events because they are not held in remote areas. Reliability of telecommunications services is deteriorating as telecommunications providers fail to invest in maintenance, repairs or upgrades and successive governments are not intervening to remediate the situation. All of these issues increase the difficulty of attracting and retaining employees, which negatively impacts on the viability of agricultural businesses. Furthermore, participants in agriculture in remote areas provide land management services on behalf of all Australians for no recompense. The zone tax offset is an insignificant offset against these increased costs.

The Productivity Commission's Draft Finding 5.1 states that "higher living costs or other aspects of life in remote areas do not warrant compensation from other taxpayers", which precipitates Draft Recommendation 5.1 that the zone tax offset be abolished. In this case, it is only fair and reasonable that the same standards are applied to residents of urban areas. On 13 June 2019 the Sydney Morning Herald newspaper reported that NSW taxpayers subsidised public transport to the amount of \$5.8 billion in 2018, or 68% of the total cost of providing these services¹. This represents a cost of \$735.11 to every man, woman and child in NSW², and the annual subsidy is forecast to surge to \$9.6 billion in 2028¹. On 1 March 2018 the Australian newspaper reported that the cost to taxpayers of rebuilding Allianz and ANZ Stadiums in Sydney had blown out to \$2.7 billion³. Remote area residents are highly unlikely to use public transport

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or visit these stadiums more than a couple of times in their lifetime, if at all. Accordingly, if the Productivity Commission is to treat all residents of NSW equally, then by the same standard remote area taxpayers should not be expected to compensate urban dwellers by subsidising public transport or stadium rebuilds in a city over a thousand kilometres away. Remote area agricultural taxpayers are also doubling up on health and education expenses. They support public health and education through the tax system, but also donate to the Royal Flying Doctor Service and maintain an airstrip for evacuations, and incur costs associated with educating children at home or sending them to boarding school.

Accordingly, PAWD contends that the Productivity Commission's recommendation to abolish the zone tax offset is flawed and unreasonable. PAWD strongly supports the retention and overhaul of the zone tax offset, such that it reflects the additional costs of living and working in remote areas and the benefit foregone by not being able to access taxpayer funded services available to those living in urban areas.

PAWD notes that the Productivity Commission has identified significant changes in the demographics of the tax offset zones, such that particular locations in receipt of the zone tax offset no longer align with the Australia Bureau of Statistics' (ABS) definition of "remoteness areas". PAWD recommends that a map defining one single nationwide zone eligible for the tax offset is closely aligned with the areas mapped as "remote" and "very remote" by the ABS, but excludes major population centres. As it stands, the ABS map shows an area in north eastern South Australia and western NSW defined as "remote", which is not in line with the proximity of the "very remote" region to Cairns, a location with a population of 144,000 and serviced by an international airport.

As PAWD principally represents tax-paying individuals, we make no recommendation concerning the remote area allowance, which is typically received by individuals who are not active in the workplace.

In regard to Fringe Benefits Tax remote area concessions, PAWD strongly endorses the recommendations by AJ & PA McBride Ltd in their submission to the Productivity Commission, dated 2 May 2019, in respect to their application to workers in the agricultural sector. The AJ & PA McBride submission notes that the Fringe Benefits Tax is an inefficient tax and very difficult to understand and calculate. This suggests that applying the Productivity Commission's Fringe Benefits Tax recommendations to agriculture would not generate a large additional tax windfall for government, and create an unnecessary and unwelcome compliance burden for agricultural employers. The impost of Fringe Benefits Tax on agricultural businesses would actually contribute to a decision not to employ agricultural workers, so in effect the employer misses out on getting work done, the employee misses out on a job and the ATO misses out on income tax.

PAWD appreciates the opportunity to comment on the Draft Report. It must be recognised that only by living and working in a remote area can someone really appreciate the associated challenges and disadvantages. Outsiders can easily overlook these issues and arrive at poor conclusions as a result. We are deeply concerned that the Productivity Commission's recommendations are a tax grab by stealth, and do not support their application to the agricultural sector. Instead, the zone tax offset should be reformed so that it represents a meaningful reimbursement to agricultural sector taxpayers based in remote areas, and helps employers attract and retain employees. Furthermore, PAWD understands that very few people across remote areas are actually aware of this review, and believes that the Commission would have received many more submissions that were in line with our recommendations if stakeholder awareness was higher.

Yours faithfully,

Lachlan Gall.
Senior Vice President, PAWD.

¹ <https://www.smh.com.au/national/nsw/billions-in-savings-proposed-for-state-s-transport-as-costs-soar-20190528-p51rv1.html>

² <http://www.population.net.au/population-of-new-south-wales/>

³ <https://www.theaustralian.com.au/news/cost-of-sydney-stadiums-rebuild-blows-out-to-27bn/news-story/88e7f41b8068b5d80c6706aabd82f21f>