

Australian Government
Productivity Commission

Zone Tax Offset

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The final report of the Australia's Future Tax System Review (The Henry Review) was delivered to Parliament in 2010. It contained a recommendation as to a review of remote zone tax concessions:

Recommendation 6 (b) The zone tax offset should be reviewed. If it is to be retained, it should be based on contemporary measures of remoteness.¹

The Pivot North Report of 2014² went further in that paid significant attention to the matter of zone tax offsets.³ It included a specific recommendation:

Recommendation 38 5.123 The Committee recommends that the Australian Government investigate the equity of the current application of the Zone Tax Offset arrangements so that:

- the Zones reflect the current distribution of population and rebates are increased to reflect the current cost of living in regional and remote areas; and
- the Zone Tax Offset applies only to persons whose principle place of residence is within a zone.

Part 2 of that recommendation was acted upon in that tax concessions claimed by non-residents (Fly-in-fly-out workers) ceased as of the 2016 income tax year. The funds saved were not diverted to residents but rather simply taken up as general revenue.

Significant to this submission is the concept of HECS/HELP student loan concessions contained in

1 The Parliament of the Commonwealth of Australia, 'Australia's Future Tax System Final Report' (2010) <<http://taxreview.treasury.gov.au/content/Content.aspx?doc=html/home.htm>> at 6 February 2019.

2 The Parliament of the Commonwealth of Australia, 'Pivot North Inquiry into the Development of Northern Australia: Final Report Joint Select Committee on Northern Australia' (2014) <https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Former_Committees/Northern_Australia/Inquiry_into_the_Development_of_Northern_Australia/Tabled_Reports> at 6 February 2019.

3 Ibid 144-52.

Recommendation 16 5.54 The Committee recommends that the Australian Government allow graduates to have some or all of their Higher Education Loan Program debt written-off in return for living and working in locations deemed remote for a significant period of time, such as five years.⁴

The concept of linking student loan concessions to zone tax offsets as a method of proving residency in remote zones was proposed by Fullarton and Winfield many years earlier in 2007.⁵

The last significant change to the structure of the zone tax offset, previously known as zone allowance, was in 1983. That change largely followed the suggestion of Mr Trevor Power that ‘Special Zones’ be introduced to recognise exceptionally isolated communities in remote Australia. A review in 1991 increased the ZTO marginally, but apart from the removal of FIFO workers eligibility in 2015, zone tax offsets have deteriorated in comparative value. They are worth less than a carton of beer for residents in Zone B (\$52 per annum); a large tank of fuel for residents in Zone A (\$338) or the cost of an airfare in some of the Special Zones (\$1173).

This submission makes the same proposals that Mr Haase, the Member of the House of Representatives for Kalgoorlie and Durack (1998-2013), submitted to the Federal Treasurer in 2007.⁶

Those recommendations were:

1. To tighten the definition of ‘residency’ in the tax legislation, so that the zone rebate is available only to permanent residents of the designated remote areas of Australia. ‘Permanent’ is defined as being resident in a designated remote area or combination thereof for at least 182 consecutive days in the year and enrolled in those areas if entitled; (Implemented 2015).
2. Residents continue to be eligible to claim the rebate when they reside in a zone for more than 182 days in any two years such that the rebate is only applicable in the second or subsequent year. This is necessary to accommodate teachers, police and other employees that start work in February and finish in November, with their employment split over two financial years;
3. Population movements have changed in Australia since 1945; some areas are now less remote and more amenable and competitive. All centres with populations of more than 60,000 persons, as at the ABS census of 2006, are deleted;
4. To combine the four zones, namely Zone A, Zone B and special Zone A and Special Zone B, into two zones, namely Ordinary Remote (Zones A and B) and Special Remote (Special Zone A and Special Zone B);
5. To substantially increase the rebate available to the permanent residents of the Ordinary Remote Zone and Special Remote Zone from their current inadequate level to \$500 and \$2,000, respectively. These rebates are to be reviewed every five years to guarantee that the result of the review does not reduce the rebate;

4 Ibid 176.

5 Alexander Robert Fullarton, ‘Are You Still Here, Mr Haase? A Study Of Australia’s Tax Rebates For Residents In Isolated Areas (2014) 9(1) *Journal Of The Australasian Tax Teachers Association* 24.

6 Ibid 63.

6. To provide an incentive for tertiary-qualified taxpayers to become residents of rural and remote communities in the form of a rebate of repayments due under the HECS-HELP scheme as well as a higher zone tax rebate. Taxpayers with HECS-HELP debts will have 25 per cent of their liability reduced for a year of residence in an Ordinary Remote Zone and 100 per cent of their liability reduced for a year in a Special Remote Zone;

7. Both the zone tax rebates and the HECS-HELP rebate be apportioned by the number of days actually residing in a zone;

8. Non-residents claiming the tax zone rebate solely as a result of accumulating 182 days on site will no longer be entitled;

9. The proposals also apply to members of the defence force, who are provided for in legislation (s 79A of the *Income Tax Assessment Act 1936*).

This submission recognises the passion, research, work and lobbying carried out by the “Few of the Bush” over the last 35 years. In particular it recognises Mr Trevor Power, who died in 2104, Mr Haase, MHR ret'd, and Mr Winfield, Curtin University ret'd. There are also a number of others, such as Mr Mc Grady from Mt Isa, who have consistently pressured successive Federal Governments to the inequities faced by the residents of remote areas of Australia for the ‘uncongenial climatic conditions, isolation and high cost of living ... in comparison with other parts of Australia’.