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P O Box 22
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1 September 2011

Tax Forum
Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir or Madam,

re Income Tax Zone Allowance and Tax Forum 4 – 5 October 2011

I attach my proposal to improve the present zone rebate system to make it fairer for all residents of remote and rural areas.

In 1945 a zone map of Australia was drawn up showing Zones A and B. Enclosed is a copy of the history of the Zone Rebate which includes this map showing zone A in dark blue and zone B in light blue, (or go to web.library@aph.gov.au)

In 1981 Treasurer Howard announced the Government had largely accepted the recommendations of the Cox Inquiry. These were probably the most significant and complex changes ever made to the rebate. It created 'special areas' for particularly isolated areas in each zone, with higher rebates available to those residents. These special areas were defined as being in excess of 250 km or more from a population centre of 2500 or more in either Zone A or Zone B. Attached is a map of Australia showing the 1981 changes. Copies of newspaper reports at the time are enclosed.

The 1981 changes have several major weaknesses which should be addressed -

1. The 1945 zone map remained the template but is out-dated and unsatisfactory in today's world.
2. The 1981 zone map shows residents in either zone living within the 250km/2500 population areas receive a much reduced rebate. Why is this so? Compare the following -

Resident of special area in Zone A or special area in Zone B	\$1173
Resident of Zone A but not special zone A (e.g. Alice Springs NT)	\$338
Resident of Zone B but not special zone B (e.g. Kalgoorlie WA)	\$57
3. Some residents live in remote areas but not in any zone and therefore receive no rebate, e.g. Mitchell Q, Hay NSW or Port Lincoln SA. (A bloke from Brisbane meets someone from Mitchell. 'Why do you live out there?' – thinks – poor fellow, that is out near Woop Woop.)
4. It is presently a tax rebate system and I propose it be in the form of an Income Tax Credit, like the Imputation Credit system.

I also attach a copy of –

Why we need a zone allowance and how changes should be implemented.

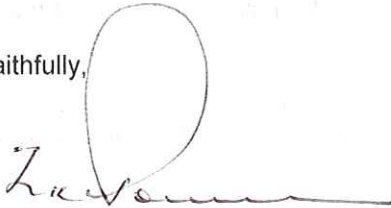
Map of Australia showing my proposed changes based on distance from capital cities and coastal cities over a population of 40,000.

Summary

1. There is a need for recognition of increased cost of living, isolation, uncongenial climatic conditions, and the lack of educational and medical facilities in rural and remote areas.
2. An Income Tax Credit is the fairest system to implement any scheme.
3. A radius from capital or coastal cities is the fairest method of identifying zone boundaries.
4. It would not be costly to implement, due to a relatively low inland population.
5. It should benefit all country residents including Police, School Teachers, Doctors, Nurses etc.
6. It becomes an incentive to live in a remote and rural location.

I would like to hear whether you think this proposal has merit.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Trevor Power', written over a large, light-colored circular scribble or stamp.

Trevor Power FCA

Why we need a Zone Allowance and how changes should be implemented.

It is necessary to have people living in country areas. It is where minerals are mined, crops grown, livestock fattened or shorn. These primary products are then sent to coastal cities for secondary treatment, thus continuing the creation of wealth cycle by providing jobs and export income.

It also encourages decentralisation, which is extremely important to our nation. What is needed is a tax incentive to live there.

Service people who live in remote areas include doctors, nurses, police, railway, post office, school teachers etc. These are often the forgotten people. Any incentive through a zone allowance system should help all rural residents.

Primary industry includes mining, an extremely important part of our economy. But many rural communities are declining due to the fly-in, fly-out of the mine work-force who live in camps. This system also results in a separation of families and all shopping is carried out in their home city. A tax incentive to live where they work could help solve these issues.

I now discuss some of the problems residents living in remote areas face not experienced by coastal residents.

Cost of Living

Many surveys have been carried out and the results show that living costs are higher in country areas. The reasons are obvious. Every manufactured article and many items of food have to be freighted in from coastal centres. Most small towns don't have the benefit of shops with volume buying; hence they can't buy at lower prices. This means that remote residents pay more for goods than their coastal city cousins.

Education

Only the larger country towns offer education facilities to Grade 12. If parents want their child to attend a private or church school, it may be necessary to send them away to a boarding school. If a child wishes to attend a tertiary institution they may have to move away from home. This involves board and accommodation and separation from the family. Compare this with a child who lives in a coastal or capital city. They live at home and travel daily by bus or train.

Jobs

There are many more job opportunities in large coastal cities and capitals. Government offices, defence forces, tourist facilities and large public companies offer places of employment that are unavailable inland. This results in a drift away from the country, especially by the younger generation.

Medical

If a person outside a major centre needs specialist medical treatment, this may require time off work and the expense of travelling and accommodation. Should you require extended treatment, it means many visits and considerable costs.

Quality of Life

It is invariably not possible to attend theatres and plays, or have a day at the beach when you reside inland. If a child has a special gift or talent, it may be difficult to find appropriate teachers or facilities. There is also isolation and uncongenial climatic conditions.

Guidelines

To select the areas for consideration I suggest the following guidelines:-

1. The defined areas should be based on some form of comparison of the cost of living.
2. It should take into account isolation, uncongenial climatic conditions, lack of educational, medical and recreational facilities, job opportunities and the usual factors which make up a satisfactory way of life.
3. It should be allowed to every applicable income earning resident.
4. The person should satisfy a six month residency test.
5. The end result must be simple, easily understood and without too many steps and stairs.
6. The rebate should be reviewed from time to time and kept in line with the CPI index.
7. There must be some form of flexibility built in to consider special situations.

Zone Boundaries

It is without doubt that the capital cities have the widest choices of shopping, employment, housing, entertainment and life style. Coastal provincial cities with a population over a certain figure, probably 40,000, also have reasonable living costs, medical and educational facilities and job opportunities.

A remote area must be one which is the opposite of these descriptions.

Inland cities suffer most of the disadvantages mentioned because of remoteness. They should qualify for consideration on the same basis as other inland towns.

There has to be a weighting between capital cities and coastal cities, for the reason that a capital city has certain advantages over a coastal city.

When discussing the question of boundaries with Prof Courtenay of the James Cook University, and the author of the book "Northern Australia: Patterns and Problems of Tropical Development in an Advanced Country", he made the following comment ..."two factors are operating - distance from a capital city and distance from the principal coastal cities. This is largely related, I believe, to the necessary hierarchical distribution patterns of real goods."

He is speaking of 'remoteness'. I agree entirely and feel it supports my argument for weighting of a capital city compared to a provincial city.

I recommend tying in a zone boundary with a Post Office from where the radius starts and the closest Post Office to residency. This provides accuracy and fewer complications.

To select the Zone, I suggest a radius as follows:

Within 200 km from state capital cities	- no zone
200 - 300 km from state capital cities	- Zone B
Outside of this	- Zone A
Within 100 km from coastal cities over 40,000 population	- no zone
100 - 300 km from coastal cities	- Zone B
Outside of this	- Zone A

Special areas*

Hobart, Perth and Darwin – within 200 km from GPO	- no zone.
Outside of that	- Zone A.
Cairns – within 100 km from GPO	- no zone.
Outside of that	- Zone A.

*There are areas which have to be looked at as being special areas, e.g. capital cities Hobart, Perth and Darwin and coastal city Cairns. They may have reasonable living conditions, but are 'remote'. However, whatever boundaries are drawn there will always be places thought of as being at a disadvantage. There must be some flexibility to allow for special situations.

Zone Allowance

The level of Zone Allowance should be seen as an incentive to move to and/or live in a remote and regional area. It could be calculated as follows:-

	Zone A	Zone B
Each adult	\$5000	\$2000
Each dependent child under 18 or dependant student child under 25	\$2000	\$800

It should be in the form of an Income Tax Credit, like the Imputation Credit system.

I enclose a map with the proposed Zones marked. The end result is that most of the populated seaboard would join up and be outside a Zone, leaving the inland and remote parts of Australia in Zone A or Zone B.

Summary

1. There is a need for recognition of increased costs of living, isolation and uncongenial climatic conditions experienced by inland residents.
2. An Income Tax Credit is the fairest system to implement any scheme.
3. A radius from a coastal or state capital city is the fairest method of identifying zone boundaries.
4. It becomes an incentive to live in a remote and rural area.
5. Because a large percentage of our population lives on the coastal strip, the cost of providing the credit would be relatively small.

1945



ZONES A AND B FOR INCOME TAX PURPOSES

Source: NATMAP NMP/84/002.24

INCOME TAX ZONE REBATES

This map should be used as a guide only and should be read in conjunction with the brief notes set out below.

NB.

- The shaded areas do not represent all of the special areas in Zone A and Zone B. Because of the "shortest practicable surface route" test for special areas (see notes below), it is not possible to show accurately on this map all those areas.
- Nor is it possible, due to the scale of the map and the unavoidable thickness of the borders, to depict points in areas with absolute precision.
- In case of doubt further enquiry should be made at any Taxation Office.

Zones A and B

Taxpayers living or spending time in the area comprising Zone A and Zone B may be entitled to an income tax rebate. The boundaries of Zone A and Zone B on the mainland and in Tasmania are shown on the map in red.

Zone A includes all the islands forming part of Australia which lie adjacent to the coastline of Zone A. Similarly, Zone B includes all the islands forming part of Australia which lie adjacent to the coastline of Zone B. Zone A also includes Norfolk Island, Macquarie Island, the Territory of Heard Island and McDonald Island, the Australian Antarctic Territory and the Territory of Cocos (Keeling) Islands.

Special areas in Zones A and B

Taxpayers in the special areas in Zone A and Zone B may be entitled to a rebate of an amount greater than the ordinary rebate. The special areas are made up of those areas in Zone A and Zone B that are in excess of 250 kilometres by the shortest practicable surface route from a population centre of 2,500 or more people. The population of a centre for this purpose is its population as determined in the 1981 Census, unless its 1976 Census population was less than 2,500 people, in which case the test is based on that earlier population.

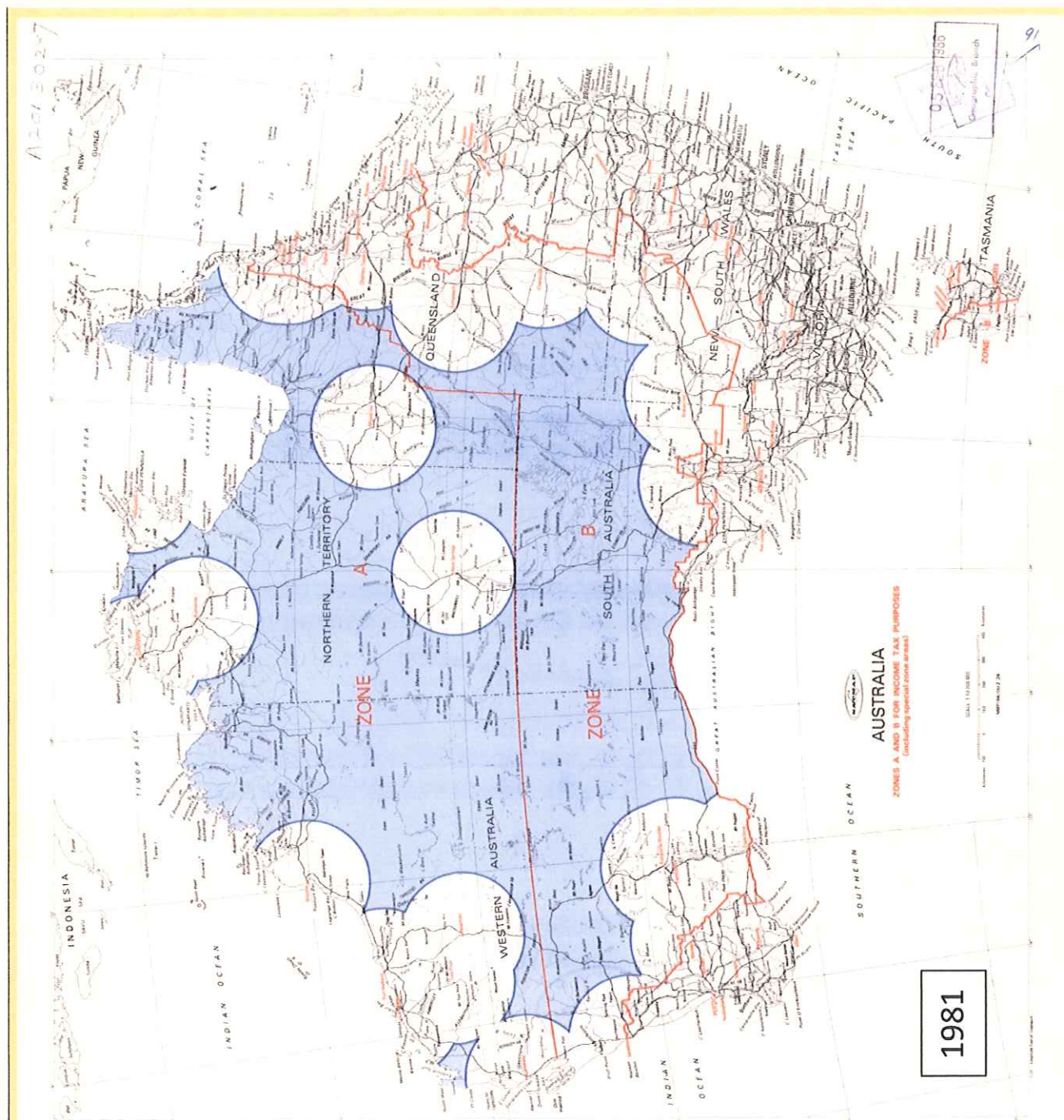
This map highlights in red all relevant population centres of 2,500 or more people for purposes of the special zone rebate. The boundaries of those areas of the zones on the mainland that are 250 kilometres or less in a direct line from one of these population centres are shown on the map in blue. All the Zone B area in Tasmania is within 250 kilometres in a direct line from a population centre of 2,500 or more people.

A taxpayer who qualifies for a zone rebate and who resides or spends time in any place in a shaded area on this map will be entitled to all or part of the special zone rebate. A similar benefit will be available to a taxpayer who qualifies and resides or spends time in any place in the unshaded parts of the zones, or on an island included in one of the zones, provided the distance by the shortest practicable surface route from the place where that person resides or spends time to the nearest population centre of 2,500 or more people is in excess of 250 kilometres.

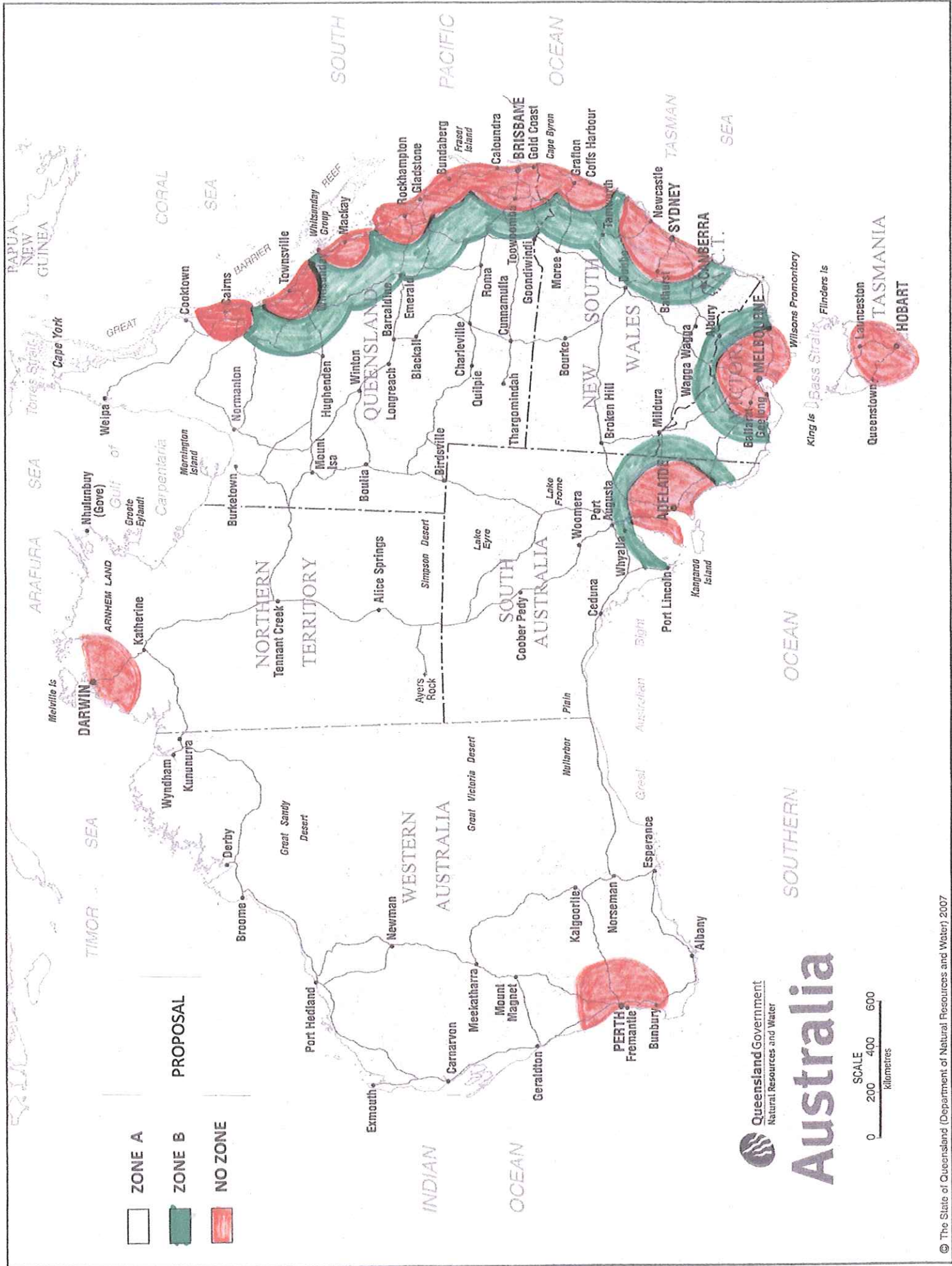
Full details of the zone rebates available to taxpayers living in isolated areas are provided in the instructions made available to assist taxpayers in preparing their income tax returns.

1981

AUSTRALIA
ZONES A AND B FOR INCOME TAX PURPOSES
(including special zone areas)



G.2961.E74 1981

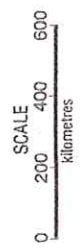


- ZONE A
- ZONE B
- NO ZONE

PROPOSAL



Australia



Council Chambers
Cnr Prairie & Kroombit Streets
Biloela Qld 4715

All Correspondence to
Chief Executive Officer
PO Box 412
Biloela Qld 4715

Phone 07 4992 9500
Fax 07 4992 3493
enquiries@banana.qld.gov.au
www.banana.qld.gov.au



Your Reference:
Our Reference: RG:wn
Contact:

1 September 2011

Tax Forum
Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir / Madam

I wish to advise that Banana Shire Council supports the concept of taxation reform in the form of a zone boundary review for people living in remote and regional Australia.

Council endorses the submission prepared by Mr TK Power as a practical and sensible solution in assisting to attract people to live in remote and regional areas.

Yours sincerely

Ray Geraghty
CHIEF EXECUTIVE OFFICER



Research Note 26 2000-01

History of the Zone Rebate

Peter Hicks
Economics, Commerce and Industrial Relations Group
27 March 2001

Introduction

It is reported that the Government is planning a far-reaching review of policies for regional Australia, including 'zonal' tax concessions.⁽¹⁾ This Research Note details the history of the zone rebate including changes in its value.

Section 79A of the *Income Tax Assessment Act 1936* provides special income tax concessions for people residing in certain zones of Australia for more than one-half of an income year. There is currently a rebate of tax to taxpayers resident in certain prescribed areas 'in recognition of the disadvantages that taxpayers are subject to because of the uncongenial climatic conditions, isolation and high costs of living in comparison to other areas of Australia'.⁽²⁾ Generally referred to as the zone rebate, it comprises a base amount plus a percentage of other applicable rebates. The rebate is generally limited to the tax otherwise payable; there is no refund of any excess rebate.

The zone allowance

The zone rebate was preceded by the zone allowance which was introduced in 1945 when, it appears, the Government of the day took the view that post-war development plans could be adversely affected without action to abate the effect of the then high rates of taxation on allowances which were often paid to employees in remote areas.

Table 1: Changes to Zone A allowances (\$)

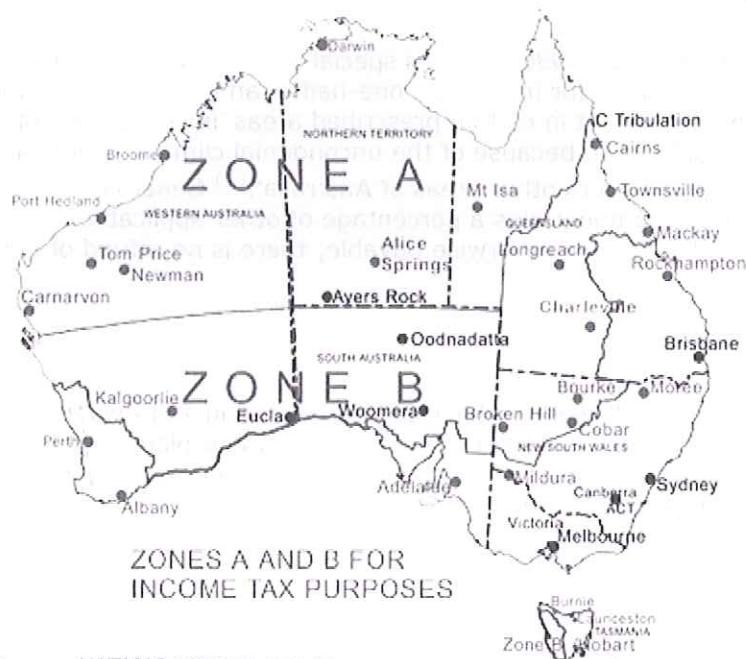
1945	80
1947-48	240
1956-57	360
1958-59	540

Source: P. Cox, S. Burston, A. Kerr and G. Slater, *Report of the Public Inquiry into Income Tax Zone Allowances*, AGPS, June 1981.

The rationale of the zone allowance provisions was indicated by the Treasurer of the day (the Hon. Ben Chifley) when he stated in the second reading speech for the Income Tax Assessment Bill 1945:

The bill also contains special concessions for taxpayers who live in the remote parts of Australia. Honourable members will recall the discussion last session regarding the taxation of district and regional allowances. These allowances are paid to employees as compensation for the disabilities of uncongenial climatic conditions, isolation, or relatively high living costs. They are taxable in full; consequently, the absorption by taxation of a substantial portion largely defeats the purpose for which they are paid. If complete exemption were granted, serious anomalies would arise as between taxpayers living in the same district. However, it is considered that some measure of relief should be granted not only to employees but also to all other taxpayers who live in the remote parts of the Commonwealth. The relief proposed takes the form of a special deduction. In order to determine which taxpayers shall be entitled to this special deduction, it has been found necessary to divide the continent into zones. Zone A embraces the northern parts of Queensland, Western Australia, and the Northern Territory. The territories of Papua, Norfolk Island, and New Guinea are also included. Taxpayers living in Zone A will be allowed a deduction of 40 pounds [\$80]. Zone B consists broadly of the central and southern parts of Western Australia, the north and west of South Australia, the southern portion of the Northern Territory, central, east-central and south-western Queensland, and the western part of New South Wales. A 20 pound deduction [\$40] will be allowed to taxpayers who live in Zone B.

The allowance for Zone A was increased several times (see Table 1) and, from 1958-59, an additional component to the allowance became available where the taxpayer maintained dependants.



Source: NATMAP NMP/84/002.24

Boundaries

The boundaries that were drawn up in 1945 for the zone allowance have remained largely unchanged for the rebate. The criteria used to delineate the zonal boundaries were latitude, rainfall, distance from centres of population, density of population, predominant industries, access to rail and road service, and the cost of food and groceries.

In 1955 an amendment brought certain external territories into Zone A and in 1956 the 26th parallel was substituted for the Tropic of Capricorn as the southern boundary of Zone A between the WA coastline and the 141st meridian. The reasons given for the change were that a review had found some areas in Zone B deserved a greater allowance. Consequently areas such as Alice Springs, Carnarvon and Birdsville were transferred from Zone B to Zone A. There are no rebate zones in Victoria.

Table 2: Changes to Zone Rebates^a

	Ordinary		Special	
	Zone A	Zone B	Zone A	Zone B
1975-76	\$216 + 25%	\$36 + 4%	na	na
1981-82	\$216 + 50%	\$36 + 20%	\$750 + 50%	\$750 + 20%
1984-85	\$252 + 50%	\$42 + 20%	\$875 + 50%	\$875 + 20%
1985-86	\$270 + 50%	\$45 + 20%	\$938 + 50%	\$938 + 50%
1992-93	\$304 + 50%	\$51 + 20%	\$1056 + 50%	\$1056 + 50%
1993-94	\$338 + 50%	\$57 + 20%	\$1173 + 50%	\$1173 + 50%

a The percentage figure shown is the proportion of other relevant rebates also claimable as a component of the total zone rebate. Taxpayers without dependants would have only been entitled to a rebate of the base amount shown whereas taxpayers with dependants would have received a higher rebate with the actual amount depending on individual circumstances. Source: Australian Master Tax Guide, various issues.

The zone rebate

In 1975 the zone allowance, along with most other concessional allowances was converted to a rebate. In 1976 rebates for dependent children were replaced by the family allowance but notional rebates for dependent children were retained for zone allowance purposes. There has been one public review⁽³⁾ of the zone rebate and changes to arrangements, including minor boundary changes, on three subsequent occasions. Changes to the level of the rebate are summarised in Table 2.

Cox inquiry

In his 1980-81 Budget Speech, the then Treasurer the Hon. John Howard announced the establishment of a public inquiry to examine the cost and other disabilities of living in remote areas, and to make recommendations on possible changes to the zone rebate. The main, but not unanimous, recommendations of this inquiry, chaired by Phillip Cox, were:

- creation of 'special areas' for particularly isolated areas in each zone, with higher rebates available to residents
- these special areas to be defined as being 250 km or more from a population centre of 2500 or more
- the basic allowance to be unchanged but the proportion of the rebate allowed for dependants be increased to 50 per cent in Zone A and 20 per cent in Zone B
- only minor adjustments to boundaries with towns with a population over 25 000 in Zone A be changed to Zone B, and those in Zone B be excluded from the zone areas
- reviews of the quantum and boundaries to be undertaken every five years after the

- census year, and
- the six months period for eligibility should be able to be accrued over two years.

1981-82 Budget

In the 1981-82 Budget, Treasurer Howard announced that the Government had largely accepted the recommendations of the Cox Report with changes to take effect from 1 November 1981. These were probably the most significant changes ever made to the rebate. It made distance from the nearest population centre (of 2000 or more) a key determinant of the level of the zone rebate, and this distance criteria applies irrespective of whether the taxpayer is located in Zone A or Zone B.

1984-85 Budget

In the 1984-85 Budget the then Treasurer, the Hon. Paul Keating announced i) a 25 per cent increase in the base amounts of the rebate with effect from 1 November 1984 and ii) adjustment of the boundaries of the special zones to reflect changes in town populations arising from the 1981 Census, but only where this adjustment is advantageous to the taxpayer.

1992-93 Budget

In the 1992-93 Budget the then Treasurer the Hon. John Dawkins announced a 25 per cent increase in the base amounts of the rebate with effect from 1 January 1993.

Rebate arrangements have not been changed since then.

Beneficiaries and cost

In 1997-98 (latest figures available) 491 733 taxpayers claimed zone rebates totalling \$200 million which gives an average claim of \$407 per taxpayer.⁽⁴⁾

The total cost of the rebate is less than above as not all claims are successful. The tax revenue foregone in 1998-99 (which reflects 1997-98 claims) was \$180 million. It is expected to rise to \$185 million in 2000-01 and to \$190 million in 2002-03.⁽⁵⁾

Real value of rebate

It is argued that the increases in the base amounts of the zone rebate have not been sufficient to offset the effects of inflation. For the rebate to have maintained the same value in real terms since its introduction, the ordinary rates for Zones A and B would have needed to be \$886 and \$147 respectively in 1999-00 while the special rate would need to have been \$1710.

Although the base amount has not increased since 1993-94, the value of the rebate to taxpayers with dependents has increased because of the linkage with dependent spouse and sole parents rebates which are subject to annual indexation.

1. T. Walker and P. Cleary, 'Howard's Regional Re-vamp', *Australian Financial Review*, 13 March 2001, p. 1.
2. ATO website zone rebates http://www.ato.gov.au/content.asp?doc=/content/ormsboa/rs_zo_zr.htm
3. P. Cox, S. Burston, A. Kerr and G. Slater, *Report of the Public Inquiry into Income Tax Zone Allowances*, AGPS, June 1981
4. Australian Taxation Office, *Taxation Statistics 1997-98*, p. 17.
5. The Treasury, *2000 Tax Expenditures Statement*, January 2001, p. 35.

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Images courtesy of AUSPIC



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AA47009

Mr. T.K. Power,
P.O. Box 98,
BILOELA. QLD. 4715.

17th February, 1984.

Dear Mr. Power,

Thank you for your letter of 14th February. I regret that I do not carry stocks of Northern Australia but it should be obtainable through any bookshop. The full details to enable a bookshop to order it are:

Title: Northern Australia: Patterns and Problems of
Tropical Development in an Advanced Country

Publisher:
Longman Cheshire Pty Limited 1982

Price: \$15

ISBN 0 582 71476

The book deals in a number of ways with the effects of distance and remoteness on economic activities and a, short, section in the final chapter notes some of the general problems.

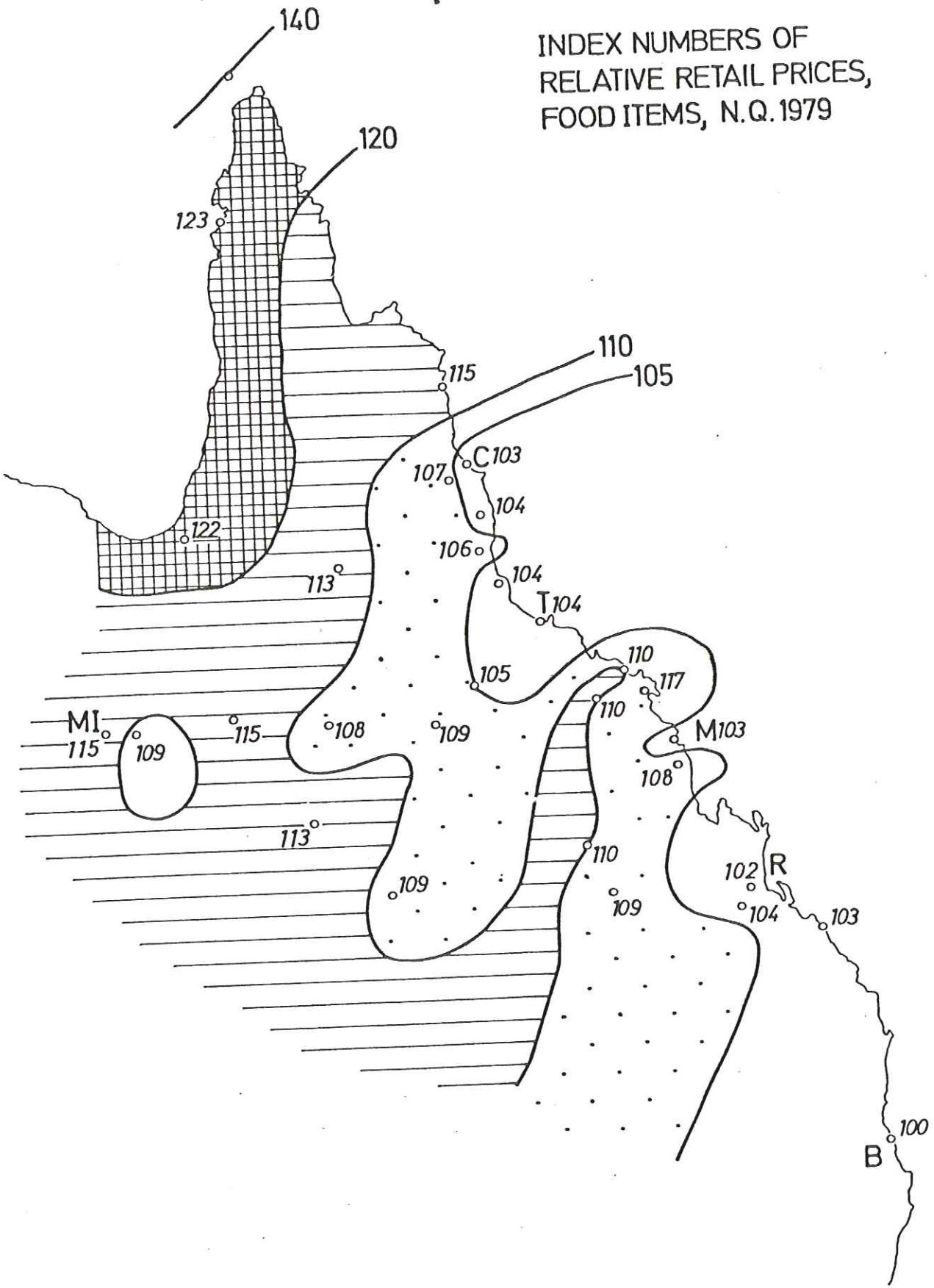
A line of research you might find of interest and relevance is suggested by the attached figures and map. The A.B.S. does have available index numbers of relative retail food prices that provide an indication of cost of living differentials. I have used these to illustrate the effects of remoteness on the cost of living in a senior school text of which I enclose the relevant page. If the values are plotted for any particular year (or as averages for a group of years) isolines can be drawn and a map, such as I enclose, constructed. This clearly shows that, in North Queensland at least, two factors are operating - distance from Brisbane and distance from the principal coastal cities. Thus a town like Ingham near a big provincial city is 'better off' than one like Proserpine which is nearer Brisbane but further from a big provincial city. This is largely related, I believe, to the necessarily hierarchical distribution patterns of retail goods. There seems no reason why such maps could not be constructed for every state and indeed for the country as a whole. Your 'rule of thumb' is a move in this direction but it could be made much more sophisticated by these means. I'd be very interested to see the final map!

Please keep me informed of any further developments in your planned submission.

Yours sincerely,

P.P. COURTENAY.
Associate Professor of Geography.

INDEX NUMBERS OF
RELATIVE RETAIL PRICES,
FOOD ITEMS, N.Q. 1979





ZONE ALLOWANCES INQUIRY

5th Floor
151 Macquarie Street, Sydney

Chairman: Phillip C. E. Cox
Members: Sir Samuel Burston
Professor A. McB. Kerr
Mr. G. Slater

Box H146
PO Australia Square
SYDNEY, NSW 2000
Phone 27 3217
Telex 23056

Mr T.K. Power
PO Box 98
BILOELA QLD 4715

25-3-1981

Dear Mr Power

The Committee of the Inquiry into Income Tax Zone Allowances proposes to hold public hearings in various major centres throughout Australia during April. The Committee has studied your submission and wishes to inquire further on matters pertaining to it. You and your colleagues are, therefore, invited to attend the hearings to be conducted in Townsville on the 6 April 1981, from 1.30pm to 4.30pm, in the Meetings Room, Ground Floor, the Townsville City Council Administration Building.

You will be called as soon as possible after 3.15pm to answer questions on your submission.

The appropriate dress for the hearings will be a long-sleeve shirt and tie.

It would be appreciated if you could give confirmation of your attendance at the hearings as soon as possible. The address to write to is:

The Secretary
Zone Allowances Inquiry
PO Box E448
CANBERRA ACT 2600

Telephone : (062) 63 2665

Yours sincerely

for John Hanks
Secretary



ZONE ALLOWANCES INQUIRY

The Treasurer has initiated an inquiry into income tax rebates for residents of isolated areas.

TERMS OF REFERENCE OF INQUIRY INTO INCOME TAX ZONE ALLOWANCES.

In view of the fact that the value of zone allowances for taxation purposes has not been altered for a number of years and having regard to the Government's policy of providing appropriate support to people living in remote localities, the Inquiry is asked to:

- (1) examine in detail the problems of living and working in remote areas and the provision of an appropriate measure of relief from such problems through the taxation system by way of income tax zone allowances;
- (2) make recommendations as to the appropriate levels of zone allowances and in doing so suggest:
 - (a) specific zone boundaries and eligibility tests, having regard to such criteria as isolation, uncongenial climatic conditions and high costs;
 - (b) arrangements for future reviews and adjustments of the boundaries and allowances;
 - (c) the future treatment, in relation to the zone allowance provisions, of those areas lying outside Australia to which the provisions now apply, and of the continental shelf.
- (3) have regard, in carrying out the Inquiry, to:
 - (a) other relevant expenditures, activities and legislation of the Commonwealth, State and local governments (including exemption Item 119D of the First Schedule to the Sales Tax (Exemptions and Classifications) Act); and
 - (b) technical developments bearing upon economic and living conditions in remote areas.

SUBMISSIONS

Written submissions are invited not later than 6 February 1981 from any individual or representative of any organisation interested in expressing views and/or making recommendations in respect of any element which is the subject of the Inquiry.

All submissions should be addressed to:

The Secretary
Zone Allowances Inquiry
P.O. Box E448
Canberra A.C.T. 2600
Telephone (062) 63 2665

When making submissions persons should indicate:

- (a) whether their written submissions should be regarded by the Committee as being available to the public or whether these should be treated as confidential;
- (b) whether, if called upon, they would be willing to answer questions from Committee members in public, in respect of their submissions or matters arising therefrom.

INQUIRY PROCEDURES

It is envisaged that public hearings will be held later to enable persons to amplify their submissions and to enable questions to be asked by the Inquiry members.

Inquiry into tax zone allowances

"I believe Queenslanders, especially those living in the more remote areas of the State, have the right to question the report on the Inquiry into Income Tax Zone Allowances", Senator David MacGibbon (Liberal, Queensland) said in Brisbane.

Commenting on the report, Senator MacGibbon said, "It is hard to accept the recommendations of a report which lacked unanimity and whose terms of reference were changed after many of the public submissions had been heard. It is strange that very few of the points made by Queensland and West Australia in their submissions have been adopted, particularly since those states are affected most. The report without these estimates is only half complete. It would have been a comparatively easy job to do this using the capital city, in our case Brisbane, as the base," he said. "had this been done, it would have been clear that, for example, people in Tolga can pay 60% more for flour, that Mt. Isa residents pay 26% more for honey, that the price of some canned foods is anything up to 10% higher in Townsville. These are, of course simple items. When you start looking at the costs of building materials, you find that people in Mt. Isa can pay double the price for a metre of timber. There are other costs to be considered also, costs which are harder to qualify, namely the personal costs due to the physical conditions, which as the heat, lack of efficient communication facilities, the roads, distance from education facilities, health services and so on".

In regard to members of the Inquiry, Senator

MacGibbon said. "it really was a pity that only one of the panel, namely Mr Slater, had any idea about the financial and personal costs inherent in isolated living.

"Zone allowances were established in 1945, to encourage decentralisation and the subsequent development of rural and mining industries. The rebate, as it became in 1975, was to compensate for the consequent cost experienced by people, and to ensure taxation equity between zones.

"The total cost of this rebate is \$34 million or less than 1% of income tax collected. Surely, this is a small price to pay considering the amount of tax, especially from the mining industries, that is collected and considering that the standard of living that most Australians enjoy is in no small part due to revenue gained via the rural sector and through mining of our natural resources.

'At present, it would seem that the Government is going to continue with rebates of roughly the same amount, with a small increase in dependants' allowances', Senator MacGibbon said. "This is difficult to understand, considering that the base values have not changed since 1959, yet the cost of living and the amount of income and other taxes collected, have increased markedly for the 250,000 or so people who live in the present zones".

Senator MacGibbon concluded that the report was a great disappointment, and that he would be doing all that he could to ensure that Queenslanders living in the remoter areas of the State were given a fair go.

Zonal tax inquiry

A FEDERAL government inquiry aimed at examining the system of remote area zonal tax allowances opened in Townsville yesterday.

Representatives of business, industry and political groups came before the inquiry's four commissioners to express their views on the adequacy or otherwise of the existing zone tax system, which seeks to compensate taxpayers for the costs and difficulties associated with living in distant parts of the country.

The hearing—the first of a series to be held throughout Australia—considered submissions from the Queensland State Services Union, the Queensland Teachers Union, the Douglas Chamber of Commerce and Industry, the Australian Sugar Producers Association, the Queensland Confederation of Industry, a Biloela-based accountant, the National Party's northern division, and the Townsville City Council.

Held at the City Administration building, it will continue this morning.

Chaired by Mr Phillip C.E. Cox, the committee members are Sir Samuel Burston, Professor Alex

Kerr and Mr George Slater.

200 received

Mr Cox said the committee had so far received 200 submissions on the tax zone situation.

The submissions yesterday were concerned with proposals to modify the current system which recognises two tax zones (zones A and B) covering remote and slightly less remote areas of Australia respectively.

At present, zone A residents qualify for a rebate of \$216, plus 25 per cent of the rebates payable for dependants, including notional allowances for children.

In zone B, the figures are \$36 and 4 per cent.

In each case, a person must have lived in a zone for a minimum period of six months in any one financial year to qualify for the rebate.

The residency qualification was criticised yesterday by the deputy general secretary of the Queensland Teachers Union, Mr Arch Bevis.

"A teacher can arrive (in a remote area) at the start of the academic year and leave at the end and still not satisfy the

requirements of having lived there for six months in the one financial year," Mr Bevis told the inquiry.

'Inadequacy'

Mr Dick Bennett, senior vice-president of the State Services Union's Townsville branch, pointed to the inadequacy of the \$36 rebate applying to zone B residents.

"If you add up increases in petrol and milk the allowance doesn't even pay for these, let alone normal costs of living," Mr Bennett said.

He said each time the costs of these items rose, they went up to a greater degree in the North.

The president of the Douglas Chamber of Commerce and Industry, Mr Scott Grimley, said he favoured the retention of the tax rebate system over that of paying district allowances to employees, but said that more substantial rebates were needed.

"Zone rebates should be sufficiently substantial and district allowances could then be cut out," he said.

"This may not gain favour from some people being paid district allowances, such as public servants, but generally people in these areas do not receive these."

A Biloela chartered accountant, Mr Trevor Power, proposed a new system of boundaries based on radii drawn from capital cities and from cities with populations of over 30,000.

Mr Power proposed an inner radius of 100km from coastal cities and 200km from capitals, with the outer radius being a further 200km beyond each of these.

"Within a radius people do use the cities, but when they get over that radius they do not travel," he said.

"On the money side I'd prefer zonal rebates rather deductions from taxable income.

"A deduction means a lot more to a person on a higher income than to a person on a lower income or who is perhaps in a loss situation," Mr Power said.

