

Isolated Children's Parents' Association of Australia Inc.

"Access to Education"



Submission

to the

Productivity Commission Review

into

Remote Area Tax Concessions

from the

Federal Council

of the

**Isolated Children's Parents' Association of Australia Inc.
ICPA (Aust)**

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The Isolated Children's Parents' Association of Australia, ICPA (Aust), welcomes the opportunity to contribute to the *Productivity Commission Review into Remote Area Tax Concessions and Payments*.

Since 1971, ICPA (Aust) has represented families living in rural and remote regions of Australia, who are passionate about the sustainability and prosperity of the industries they work in and the communities in which they live. Research indicates that the ability to access affordable and appropriate educational services plays a major factor in determining if a family will remain in rural and remote locations. The goal for our 2700 member families is to achieve equity of educational opportunity for all children living in rural and remote areas, ensuring they have access to a continuing and appropriate education determined by their aspirations and abilities rather than the location of their home. Remote and isolated locations in Australia provide the greatest challenges for improving provision of education options and pathways for children and families. In terms of educational and social development and to make sure their educational outcomes are not compromised; rural and remote students need the opportunity to gain an education that is commensurate to their needs. An education which allows them to realise their potential, presenting pathways which are comparable to those of their urban peers.

Many of the geographically isolated families that ICPA (Aust) represents live in areas where education and communication services are limited and infrastructure is scarce. The zone tax offset (ZTO), the fringe benefits tax (FBT) remote area concessions and the Remote Area Allowance were originally created to support individuals and businesses living in remote areas of Australia, however these measures may not have kept pace with the needs or cost of living incurred by families living in these areas. The eligible zones for the zone tax offset as originally established in 1945 were based on exposure to uncongenial climatic conditions, isolation or a relatively high cost of living.

In October 2018, ICPA (Aust) wrote to Federal Treasurer, the Hon. Josh Frydenberg MP expressing our members' concern regarding the Fringe Benefit Tax that is placed on rural employers who assist with necessary boarding school costs for children of employees in order to retain skilled staff in rural and remote areas. The Hon. Stuart Robert MP, Federal Assistant Minister, replied to our request suggesting that ICPA (Aust) consider putting forth the information around this issue into a submission for the *Productivity Commission Review into Remote Area Tax Concessions and Payments*.

FBT Remote Area Concessions

ICPA (Aust) feels that FBT Remote Area Concessions should include provision for rural employers who assist employees with necessary costs of education for their children while living in rural and remote areas.

Exemption from Fringe Benefits Tax (FBT) - Employers Assisting with Educational Costs for Employees

In an effort to attract and retain staff in rural and remote locations, some employers offer their staff a financial contribution towards educational expenses of their children. These payments incur a fringe benefits tax which negatively impacts the employer and the intent of the contribution. A large number of children living in rural and remote Australia must attend boarding school in order to access their compulsory education as due to distance, they live too far away from a school to be able to attend daily. For many families who live in rural communities as well as on rural properties, boarding is the only option for their children's education, particularly for secondary schooling. Many children living in remote regions of Australia must move away from home to attend school. There are very few government schools that have boarding facilities and for those that do exist, boarding spaces are limited and cannot accommodate all children needing to board. Queensland for example, has eight rural/remote Local Government Shires which do not have a high school. There are a further two Queensland Shires that only offer to Year 10 and several other Shires that, while there may be a high

school, it can be hundreds of kilometres from students' residences, making a daily commute impossible. Therefore geographically isolated, school age children require somewhere that offers 24/7 care and boarding while they attend school. This comes at a considerable cost to families as the majority of schools that offer boarding charge not only a boarding fee, but also a tuition fee. Information found in the ICPA (Aust) 2016 Boarding School Access Research for Geographically Isolated Students <https://www.icpa.com.au/page/attachment/94/final-boarding-school-survey-icpa-aust-with-comments-2016> showed the annual out-of-pocket boarding expenses (after all state and federal allowances are removed) for rural and remote families range from \$17,000 to \$35,000 per child. This is unsustainable for most rural families and as a result, many families leave rural and remote areas and their employment when their children reach school age due to the ever-increasing costs associated with educating children in these areas.

To address these significant education costs that families living in remote areas face, employers sometimes try to retain their valued staff and their families by assisting with schooling fees. This not only helps keep skilled workers in the rural workforce, it also sees families remain in rural and remote communities. However the FBT on this educational assistance provided by employers prevents some from being able to offer this assistance to their employees. It also can lead to some employers preferring to hire staff who do not have school age children, which does not help strengthen rural communities.

In some cases, the employer chooses to pay a higher wage/salary to the employee rather than incur the FBT on the education assistance. This is also problematic for families as a higher income bracket can affect eligibility for income-tested assistance such as the AIC Additional Boarding Allowance or Youth Allowance.

The Australian Tax Office states some benefits, for example the living away from home allowance, receive concessional treatment in relation to FBT. ICPA (Aust) recommends that benefits paid by a rural/remote employer to assist an employee with the unavoidable costs of having their child 'living away from home' for education could be treated in a similar way.

The removal of Fringe Benefits Tax on contributions to employees' children's education expenses will potentially encourage families to stay in the bush, improve recruitment and retention of families and inspire employers to contribute towards the increasingly high costs of boarding school. These outcomes would be consistent with 'Developing the North' aspirations and also support employers who wish to assist families living in isolation with essential education costs.

Zone Tax Offset (ZTO)

ICPA (Aust) encourages consideration into the areas classified in Zone A, Zone B and Special Areas under the Zone Tax Offset process. The Zones are inconsistent with the size of the towns and regions within them and what is available in these areas.

For example:

Zone A - (where "unfavourable factors are more pronounced" the rate is \$338 per annum) Queensland consists of Camooweal, Cloncurry and Mount Isa – the infrastructure, business, travel and education opportunities along with cost of living in these three towns are vastly different but all receive the same Zone Tax Offset. Mount Isa is a regional town with a population close to 22,000, a regional airport with commercial flights, several schools (both primary and secondary) and numerous businesses. Cloncurry has a population of approximately 2719. Camooweal, 200kms away from Mount Isa, has a population

of 208 and is a significantly smaller town, with limited services or infrastructure in or surrounding the town. Yet these towns all fall under the same zone for the ZTO. In Western Australia - Broome (population 13,984), Newman (pop. 7241) and Marble Bar (pop. 174) and in the Northern Territory - Darwin (pop. over 120,000), Katherine (pop. 6300) and Batchelor (pop. 507) are all Zone A. Services which are available to the people living in these areas and the distances they need to travel in order to access them are vastly different.

Zone B - (where “unfavourable factors are less pronounced” and the offset is \$57 per annum) – Queensland: Winton (pop. 875), Tambo (pop 367), Blackall (pop. 1416), Proserpine (pop. 3,562), Townsville (pop. 178,860) and Cairns (pop. 150,041) are in the same zone and have extremely different living situations.

Special Areas- (\$1173 per annum) – most areas in this zone are fairly remote or are in locations far from other regional centres. More rural and remote areas need to be considered for this zone.

The amounts offered currently under the Zone Tax Offset also need review as they are not significant enough to attract and support families through the challenges of isolation and the cost of living in these areas.

There is also no differentiation between someone who lives in a small rural town within the zones, and someone who lives/works on a more remote property many kilometres from the town itself. Those living on rural properties are usually classified the same as the small town near them. People living and running businesses more remotely/outside of towns often have an even higher cost of living (ie freight) as well as sometimes generating their own power/water and do not have other services offered to those in towns themselves. It has been suggested that there be a “remote” rate for those living outside of isolated towns.

For example, a rural property 200kms NW of Mount Isa is categorised as Zone B (the same as those living in Mount Isa itself) but on the property there are fewer services:

- No mains power
- No town water or rubbish run
- Road conditions often poor and requires a 4WD vehicle which is considered a “luxury” car and taxed higher
- No mobile infrastructure
- Further distance to schooling and other services (200+kms)

Challenges for Families Living in Isolated Areas of Australia

In seeking equity of access to education, ICPA members often mention the challenges they face while living in rural and remote areas. Acknowledgement of these challenges, and others not listed, will help ensure the zone tax offset (ZTO), the fringe benefits tax (FBT) remote area concessions and the Remote Area Allowance better support families living in these areas.

Costs of Education-

- Many geographically isolated students need to go away to boarding school particularly for secondary schooling. While families living in regional and metropolitan areas can access government schools for daily face to face education, many rural and remote students cannot. More information can be found in the ICPA (Aust) 2016 Boarding School Access Research for Geographically Isolated Students <https://www.icpa.com.au/page/attachment/94/final-boarding-school-survey-icpa-aust-with-comments-2016>

- Other forms of education in geographically isolated areas also come at a higher cost than those in larger centres encounter. Distance Education (Schools of the Air or Schools of Distance Education accessed by families mainly outside of a town or in a town with no school for primary education and sometimes secondary) requires someone to supervise children in the home schoolroom. There is no government allowance or funding to assist families with hiring a governess to supervise children or for parents (often the mother) who come out of the workforce and lose income in order to tutor their children in a Distance Education classroom.
- Where a small rural school is available, extra costs for school activities such as camps, representative sporting teams and accessing artists, coaches or specialised teachers to supplement the children's learning is an extra cost burden on families in small rural towns.
- Regional Travel- the cost of getting isolated children to their place of boarding as well as children from small rural schools to events/camps etc is exorbitant in many regional areas. More information can be found in ICPA (Aust)'s submission to the Senate Inquiry into Regional Air Fares
<https://www.icpa.com.au/documents/download/1118/federal-submissions/federal-submissions-2018/regional-air-fare-inquiry-submission-feb-2018.pdf>
- Specific Learning Needs- children living in isolated areas with special learning needs incur extra costs for travel to see specialists such as Speech Language Pathologists (SLPs). In some states there is no travel assistance for patients/students with specific, identified learning needs which require special education sessions. Telehealth is a method being explored more frequently to help families in rural and remote areas access health care, however there is currently no Medicare rebate for telehealth services for items such as Speech Language Pathology. The same service qualifies for the Medicare Rebate if accessed in a face to face situation, which disadvantages families living greater distances from these services. There is also limited and costly internet for many of these families, especially those on the nbn Sky Muster service, which can prevent them from being able to utilise these services at home.

Communication Services

- Much less data and more costly than metropolitan areas.
- Isolated families often access their voice services, including audio for distance education schooling, through High Capacity Radio Concentrator (HCRC) or Next Generation Wireless Loop (NGWL) phones. These phone systems can have lengthy wait times for repairs.
- Lack of mobile coverage. For those living outside of towns and on the fringe of mobile service, there can be a huge cost to try to access mobile coverage. Many applicants for rural jobs or families considering areas prefer areas/employers with mobile coverage to those without. The cost of equipment required to access mobile service such as boosters (\$600-\$1,000), hy-gain antennae (\$3600+ installation), aerials, cel-fi go repeaters for vehicles (\$1500 per vehicle) add extra expense for those living in these areas to maintain what is now considered "expected communications". Many contractors or others who service isolated areas are very inconvenienced when they cannot remain "connected" and sometimes avoid non-mobile areas.
- Internet is provided by nbn "Sky Muster" satellite for much of isolated Australia.
 - Staff can't buy "data packs" for this service. There is only one service for each premise. There can be multiple people working in one place and one service. The Fair Use Policy limits the data available on this service and it's first in best dressed for the month. An employer often pays for the service in order to have it installed and consistent but there is no way for staff to top up or purchase their own service (unlike mobile broadband where they can have their own plan).

- Nbn Sky Muster Education Port, which allows 50 GB extra data, is available for schooling but only for Distance Education students and is still a cost to family/customer. Those trying to study tertiary/professional development online or attending small rural schools cannot access this service.
- Data allowances are limited in rural and remote areas compared to metropolitan areas and as a result are often insufficient for the needs of people living in these areas. While those in urban areas often have access to unlimited data, people in rural and remote areas are forced to forego internet services, including educational requirements, in case of exceeding their data limits.

Other costs and factors such as climatic conditions, cost of freight and lack of services when compared to availability in metropolitan areas also present challenges to families living in rural and remote Australia and should also be considered in this review. ICPA (Aust) hopes the review of remote area tax concessions and payments by the Productivity Commission along with the recommendations and actions that follow will update this assistance to better support families living in rural and remote areas.