

ARE YOU STILL HERE, MR HAASE? A STUDY OF AUSTRALIA'S TAX REBATES FOR RESIDENTS IN ISOLATED AREAS

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ABSTRACT

In 1945, a tax concession was introduced to compensate 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'.

Changes continued at reasonably regular intervals throughout the 1940s to the 1990s, with a particularly significant change in 1981. However, no further changes to the Zone Rebate have taken place since 1993.

This article suggests that the primary factor influencing the reluctance of Federal governments to address the tax concession is that the political capacity of remote voters has waned.

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I INTRODUCTION

Full of bright hopes, we rested in that land of Wait-a-while, speaking of the years to come, when the bush-folk will have conquered the Never-Never and lain it at the feet of great cities.

— Jeannie Gunn, Australian novelist, 1870–1961

This article looks broadly at the concept of reducing the tax liability of certain taxpayers to compensate those in a less favourable social or economic position than the general population of taxpayers.¹ Specifically, it looks at rebates of taxation, or tax offsets, granted to reduce the tax liability of taxpayers living or working in remote regions of Australia. In particular, it examines a tax rebate to grant those taxpayers

an income tax concession in recognition of the disadvantages to which [the residents of prescribed areas of Australia] are subject because of the uncongenial climatic conditions, isolation and high cost of living ... in comparison with [other] parts of Australia.²

That tax concession is generally referred to as the ‘Zone Rebate’,³ or more commonly the ‘Zone Allowance’.

When the £40 Zone A tax rebate was introduced in 1945, it was a significant concession.⁴ Subsequent reviews broadened its boundaries and changes were continued at reasonably regular intervals until the 1990s.

However, since 1993 no amendments to the tax concession have taken place. Some proposals have been made by rural and remote taxation practitioners and, in 2010, the final report of the Henry Review included a recommendation that ‘[t]he zone tax offset should be reviewed. If it is to be retained, it should be based on contemporary measures of remoteness’.⁵

However, those proposals were rejected by successive Federal governments. This article looks at some of those proposals, in particular that of Fullarton and Haase, which sought to tie Zone Rebate tax concessions to the relief of debts incurred under the higher education contribution scheme (HECS)⁶ for residents of remote zones. That proposal was dismissed outright by the then Federal Treasurer in 2007.⁷

This article suggests that the reluctance of Federal governments to increase taxation concessions to compensate for the uncongenial climatic conditions, isolation and high

¹ CCH Australia Ltd, *Asprey Report — An Analysis* (1975) para 301.

² *Income Tax Assessment Act (1936)* (Cth) s 79A.

³ *Ibid.*

⁴ The original £40 rebate is worth approximately \$2,633 in 2013 values.

⁵ Ken Henry et al, Australia’s Future Tax System Review Panel, Parliament of Australia, *Australia’s Future Tax System: Final Report*, (May 2010) recommendation 6 (‘The Henry Review’).

⁶ The HECS was changed to the higher education loan program (HELP) in 2005 to assist students to pay tertiary education fees. It is now referred to as HECS-HELP.

⁷ Letter from Peter Dutton to Barry Haase, 19 January 2007 (held by author).

cost of living of remote Australian taxpayers is influenced solely by political expedience. Numerically, voters in those regions are now vastly outnumbered by, and of less political significance than, other Australians.

It concludes that the political factor of electoral influence is greater than the legal, or socio-economic, factors of equity or fairness, referred to as vertical equity,⁸ and considered to be an essential element of a 'good' taxation system, in defining government taxation policies.

II TAX REBATES FOR RESIDENTS OF ISOLATED AREAS IN AUSTRALIA

I love a sunburnt country,
A land of sweeping plains,
Of ragged mountain ranges,
Of droughts and flooding rains.

— Dorothea MacKeller, Australian poet, 1885–1968

To provide clarity as to the regions of Australia under scrutiny, the map shown in Figure 1 describes the region of Australia considered to be 'remote' by the Australian Bureau of Statistics (ABS).

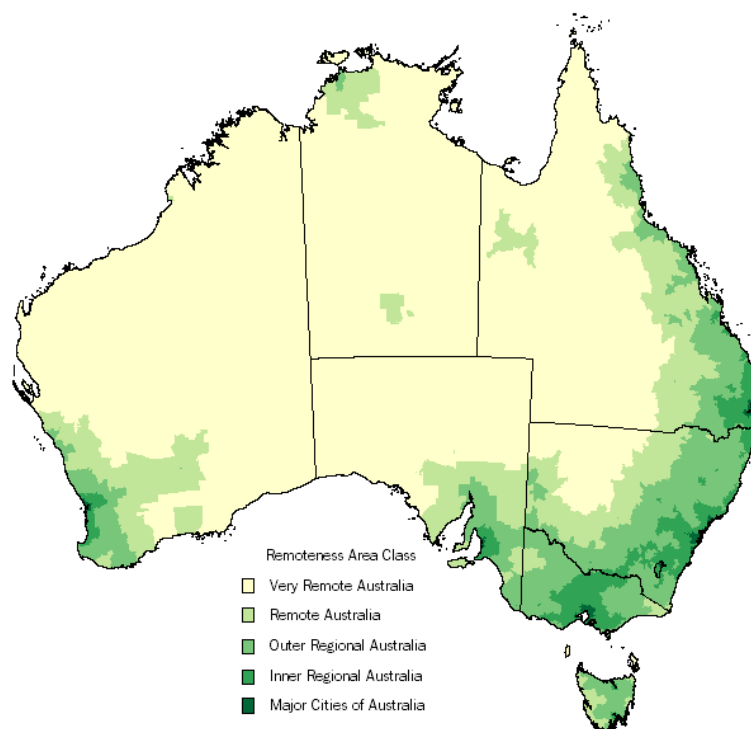


Figure 1: Map of Australia illustrating the 2006 Remoteness Structure

Source: ABS, the 2006 Remoteness Structure⁹

⁸ CCH Australia, above n 1.

⁹ Australian Bureau of Statistics, *The 2006 Remoteness Structure*, 10 June 2014 <<http://abs.gov.au/websitedbs/D3310114.nsf/home/remoteness+structure#Anchor2e>>.

It is no coincidence that the remote areas of Australia, as depicted in the map in Figure 1, are largely unpopulated. They are some of the harshest and most uncongenial physical environments in the world.

The analysis in this article is focused on the Pilbara region of Western Australia, a region included in the Federal seat of Kalgoorlie, and then Durack, which was represented by Mr Barry Haase. As shown in Figure 2, the Pilbara region of Western Australia has daily maxima in the summer months of over 40 °C—a most uncomfortable climate.

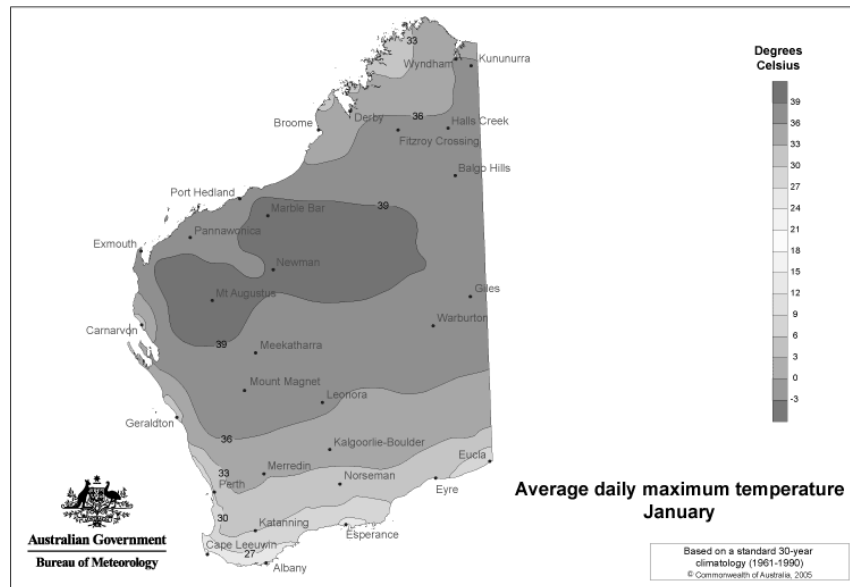


Figure 2: Western Australia's average daily maximum temperature for January

Source: Australian Government, Bureau of Meteorology¹⁰

Note: the original map is in colour. Isotherms are all above 24 °C and not under 18 °C (which are similar shades of grey in this reproduction)

The north-west of Western Australia is largely barren, a stony desert landscape with sparse vegetation. It has long periods of drought coupled with flooding rains when rotating tropical storms (cyclones) cross the northern coastline. At times, the desert is flooded, vegetation blooms and then the land returns to its parched state for months and sometimes years.

The cyclones bring rain, but they also bring devastating tempests and flash flooding to the region. The damage can be considerable: lives are lost, stock destroyed and communities isolated for days, sometimes weeks, due to damage to transport infrastructure.¹¹

¹⁰ Australian Government Bureau of Meteorology, Average maximum temperature for January 2014.

¹¹ Examples include the following: tropical cyclone 'Tracy', Darwin, December 1974, 65 killed, 650 injured, 35,000 evacuated, \$837 million insured damage total estimate over \$4.1 billion; tropical cyclone 'Bobby', Onslow, February 1995, seven killed; tropical cyclone 'Olivia', Pannawonica, April 1996, 10 injured, power installation and 55 houses destroyed; tropical cyclone 'George', Fortescue Metals campsite south east of Port Hedland, March 2007 two killed, 28 injured and \$8 billion

As indicated in Figure 3, tropical cyclones can cross the coast anywhere between Carnarvon and Broome, but the Pilbara region is under the greatest threat. As many as six cyclones a year can occur in the Pilbara.

Selected Tropical Cyclone Tracks

A	Ada	1970	L	Aivu	1989
B	Althea	1971	M	Onson	1989
C	Wanda	1974	N	Nancy	1990
D	Tracy	1974	O	Joy	1990
E	Trixie	1975	P	Fran	1992
F	Joan	1975	Q	Annette	1994
G	Ted	1976	R	Bobby	1995
H	Hai	1978	S	Chloe	1995
I	Hazel	1979	T	Rewa	1994
J	Kathy	1984	U	Ethel	1996
K	Winifred	1986	V	Olivia	1996



Figure 3: The pattern of tropical cyclone paths in Australia

Source: Australian Emergency Management Institute
Forum Hazards Disasters and Survival

Although tropical cyclones can cross the coast anywhere between Carnarvon and Broome, the Pilbara region is under the greatest threat. There can be as many as six cyclones a year occurring in this region.¹²

These seasonal cyclones bring another discomfort. The sudden influx of moist tropical air brought by the cyclones raises the humidity to extremely uncomfortable levels. Periods of high humidity can last for days, weeks or even months if successive cyclones pass through the region.

Therefore, despite recent population increases in parts of remote Australia due to the mining industry, the regions remain largely uninhabited. The inhospitable and uncongenial climate of Australia has encouraged population growth to focus on the more clement eastern seaboard and the south west of Western Australia.

The ABS has determined that 1 per cent of Australia's land mass contains 84 per cent of our population and that approximately half of our continent contains only 0.3 per cent of the population. This gross imbalance in the distribution of Australia's population is a source of ongoing concern due to problems of security when large sections of Australia remain uninhabited.

There has, in recent years, been a continuing population decline in rural areas due to internal migration, and population increases in fast-growing areas such as the coast of

insured damage: Emergency Management Australia, *Hazards, disasters and survival: a booklet for students and the community* (1997) 22–5.

¹² Ibid, 22.

northern Queensland and Darwin. Remote inland pastoral and agricultural communities are disappearing, making others even more isolated, while previously small coastal towns have become thriving cities.

In recognition of the physical and socio-economic disadvantages faced by the population of remote Australia, a concession to the taxation of their income was introduced by the Australian government. The concept of a reduction in taxation for residents of isolated areas, known as a 'Zone Rebate', was introduced in Australia in 1945 as an income tax concession that recognises the disadvantages to residents in 'specific areas'. According to the Australian *Income Tax Assessment Act*, these disadvantages include uncongenial climatic conditions, isolation and the high cost of living compared with those of other parts of Australia.

A map showing the areas of Zone Rebates as they applied in 1945 is depicted in Figure 4. A comparison with the map of remoteness (Figure 1) indicates that the tax zones reflect the remoteness of those regions as suggested by the ABS.

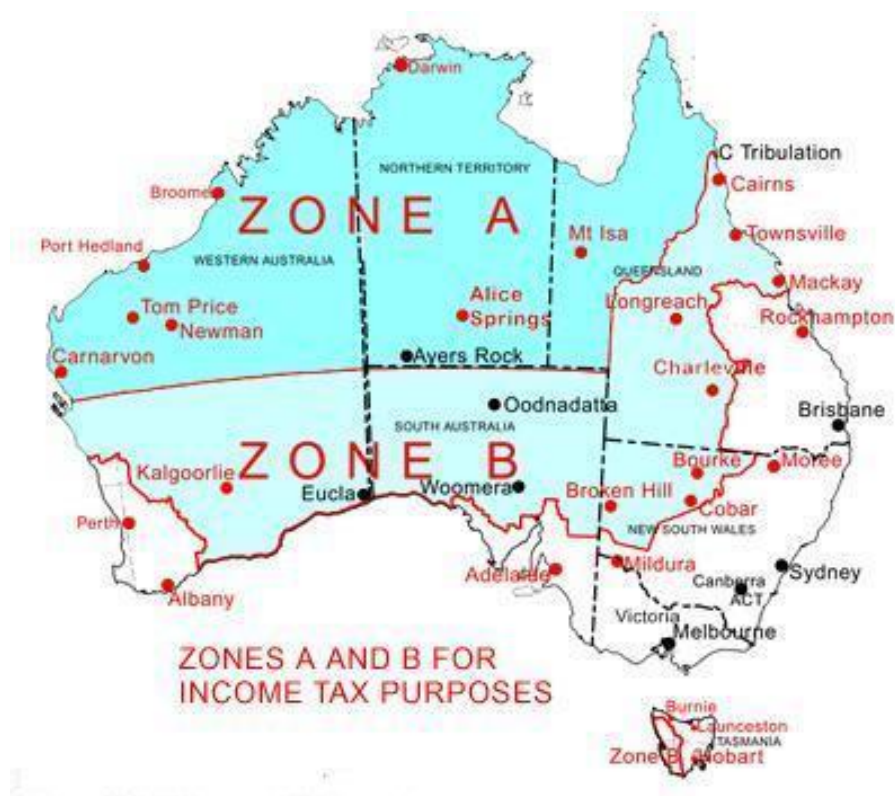


Figure 4: Australian tax rebate zones in 1945

Source: NATMAP NMP/84/002.24

In 1945, the 'specific areas' consisted of two zones. Zone A included nearly the entire continent above the 26th parallel and some offshore islands with the exception of approximately 50 per cent of eastern Queensland. Zone B, which is deemed to be less remote, includes the remainder of the continent except for highly populated areas.

When considered in light of the personal incomes and tax liabilities of the period, the £20 tax rebate was a significant concession indeed. There were further increases in the

1940s, while in the mid-1950s, boundaries were changed to broaden the application of the rebate.

Although reviews of the rebate paused in the 1960s, changes continued at reasonably regular intervals throughout the 1970s, 1980s and early 1990s. A particularly significant change took place under the stewardship of the then Liberal Party Federal Treasurer, John Howard, in 1981.

The 'Special Areas' of Zones A and B were further delineated within those zones to recognise the extreme uncongenial climatic conditions, isolation and high cost of living compared with conditions faced by the residents of the zones generally. The impact of the introduction of those Special Areas is reflected in Figure 5. The Zone Rebate for the taxpayers in these Special Areas was increased to \$750 per annum (and increased by 50 per cent of the individual taxpayer-dependent rebates).

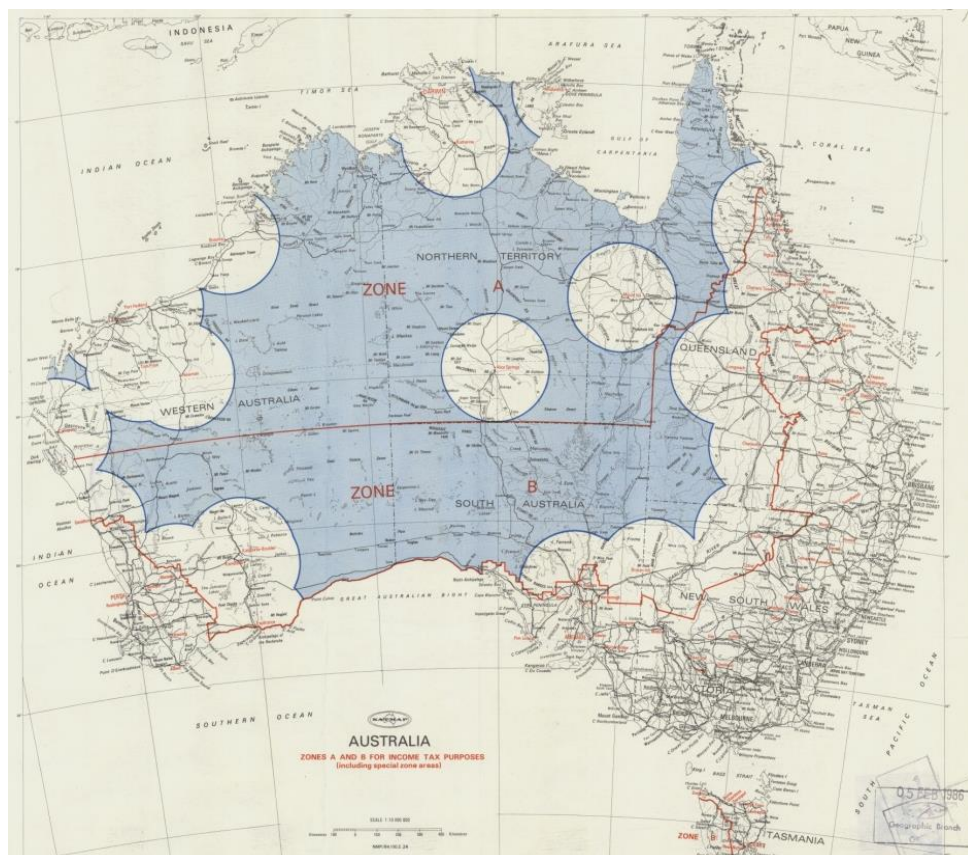


Figure 5: Australian tax rebate zones in 1981

Source: NATMAP G 8961.E74 1984¹³

Taxpayers in the Special Areas of both zones were deemed to be 'most remote'. 'Most remote areas' are defined as those being more than 250 kilometres from the nearest urban centre with a population 2,500 or more, as at the 1981 census.¹⁴

¹³ This map is reproduced with the permission of Document Supply Services, National Library of Australia, ACT 2600.

¹⁴ *Income Tax Assessment Act (1936)* (Cth) s 79A (3D).

However, the 1981 amendments excluded the rest of Australia's remote taxpayers, who received no increase in compensation for the disadvantages described in s 79A.¹⁵

Since 1981, there have been some small increases in Zone Rebates, which currently consist of an amount of \$338 for Zone A, \$57 for Zone B and \$1,173 for Special Areas in both Zones. In addition, those rebates are increased by a further amount based on a percentage of certain rebates for dependents, being 20 per cent for Zone B and 50 per cent for Zone A and Special Areas. The calculation of the additional 'rebateable amount' can be complex, as it includes 'notional child rebates'. 'Notional child rebates' are not dependant rebates to the taxpayer as such but are considered solely for the purpose of calculating zone rebate entitlement. Additional complexity arises from the fact that time spent in higher zones may also be calculated on a *pro rata* basis to increase annual zone rebate amounts. However, for simplicity this article only considers the basic rebate to a single taxpayer.

Given that the corresponding rebates in 1981 were \$216 for Zone A, \$36 for Zone B and \$750 for the Special Areas in both zones, these increases have been very modest indeed.

Taxpayers in the zones now consider the fiscal compensation afforded to be extremely trivial. Fullarton noted a comment from an interviewee in his research whose opinion as to the impact of Zone Rebates as recompense for the uncongenial climate, isolation and high cost of living in the prescribed remote areas of Australia was certainly less than favourable:

It's not even the difference of a tank of fuel. Put it this way, for the amount of tax I was putting into the big bucket, I don't think that our concessions in the north-west matched those of people who had the benefits they had down south or anywhere.¹⁶

Manning also notes that 'in relation to average weekly earnings the current Zone A rebate is worth only a quarter of its value in 1948'.¹⁷

To provide an indication of the relative value of the rebate, Table 1 shows the average weekly Australian wage from 1945 to 2005.

¹⁵ Ibid s 79A; \$338 per annum (and increased by 50 per cent of the individual taxpayer-dependent rebates) for those in Zone A; and \$57 per annum (and increased by 50 per cent of the individual taxpayer-dependent rebates).

¹⁶ Alexander Robert Fullarton, *Miners' motivation — the mass-marketed tax avoidance schemes of the 1990s in the Pilbara region of Western Australia* (PhD Thesis, University of New South Wales, 2013) 234.

¹⁷ Ian Manning, 'Income Tax Zone Rebates' (2013) 68 October, *National Institute of Economic and Industry Research* 1.para3 <<http://nieir.com.au/income-tax-zone-rebates/>>.

Table 1: Average Male Weekly 1945–2005

Year	Average Weekly Wage^{18, 19} (\$ per week)	Standard Rebate Zone A (\$ per week)
1945	12.03	1.53
1955	32.30	4.61
1965	51.70	10.38
1975	138.10	4.15
1985	391.40	4.85
1995	645.10	6.50
2005	1058.40	6.50

Sources: 1945 Australian Bureau of Statistics,²⁰ 1955–1995, Reserve Bank of Australia;²¹ 2005 Australian Bureau of Statistics²² Hicks²³

Table 1 includes the Zone A rebate (previously termed allowance) applicable to a single male without dependents, to provide a guide to the financial benefit of the concession. Note the negative change in the Zone rebate between 1965 and 1975.

The Zone rebate was reduced by the Whitlam Labor government from \$540 per annum to \$216 as part of its changes to social welfare policy, which increased family payments for the support of children. The changes included removing support by way of reduced taxation concessions, instead making payments directly to the child carer.²⁴ Discussion about those political and social issues is noted, but considered beyond the scope of this article.

How is it that this once ‘significant concession’ has been reduced to the value of a tank of fuel? This article suggests that the general drift in population away from remote regions towards urban areas has reduced the electoral influence that voters in the ‘Bush’ once had.

¹⁸ All figures converted to dollars. Australia converted from Sterling to Decimal currency in February 1966.

¹⁹ Average Weekly MALE Earnings.

²⁰ Australian Bureau of Statistics *Official Year Book of the Commonwealth of Australia* (1946) 466.

²¹ Reserve Bank of Australia Statistics at <<http://www.rba.gov.au/statistics/index.html>> 13 July 2014.

²² Australian Bureau of Statistics ‘Average Weekly Earnings’ Cat 6302.0 (2006) 4.

²³ Peter Hicks, ‘History of the Zone Rebate’, research note no 28, *Department of the Parliamentary Library Commonwealth Parliamentary Library* (2001).

²⁴ *Income Tax Assessment Act (No. 2) 1975* (Cth) s 10.

That there is little political gain in reviewing Zone Rebates is a possible explanation for John Howard's opposition to Zone Rebates as Prime Minister in 2006 — even suggesting that the rebate may be unconstitutional. This is contrary to views he expressed in 1981.²⁵

In April 2013 Julia Gillard, the then ALP Prime Minister, gave a similar answer to the same question, saying that the Zone Rebate may be unconstitutional.²⁶ In doing so, she implied support for a statement made by the Liberal Treasurer Mr Costello in 2006, namely that 'it is the preferred policy of the Government to cut taxes for all Australians ... rather than provide geographically targeted tax cuts through increases in the zone tax rebate'.²⁷

Concerns expressed by the Treasurer and Prime Minister as to the Zone Rebates being 'unconstitutional' appear to be based on the *Constitution*, which states 'The Parliament shall, subject to this Constitution, have power to make laws for the peace order, and good government of the Commonwealth with respect to: taxation; but so as not to discriminate between States or parts of States.'²⁸

Should this be the case, then s 79A of the *Income Tax Assessment Act 1936* (ITAA 1936) has been unconstitutional since 1945. It is curious to note that the legislation was introduced by the Parliament of Sir Robert Gordon Menzies, a noted barrister and scholar of the Constitution. Another constitutional scholar and radical reformer was Gough Whitlam, who, while making many attempts at constitutional change, did not view s 79A of the *ITAA 1936* as 'unconstitutional'. Indeed, in the time of the Whitlam government, s 79A was reviewed. Further, Malcolm Fraser, who achieved three constitutional changes and many taxation reforms, did not view s 51(ii) as an impediment to reviewing s 79A in 1981 and 1983.

Further reviews took place in 1991 and 1992, the latter under the Keating government. It seems therefore that if s 79A is 'unconstitutional' under sub-s 51(ii) of the *Constitution*, then the breach has existed for over 60 years through the administrations of no fewer than 12 Prime Ministers.

Given that the *Constitution* pre-dates s 79A of the *ITAA 1936* by some 36 years, either all those administrations, Liberal and ALP, have been acting unconstitutionally, or the current treasury advice is mistaken. Perhaps the reference to 'unconstitutionality' is merely politically expedient.

However, this article suggests that there are two alternatives as to why s 79A is not 'unconstitutional':

²⁵ Letter from Peter Costello to Barry Haase, 21 February 2006 (held by author).

²⁶ Julia Christensen, Interview with Julia Gillard, Prime Minister of Australia (Darwin, 26 April 2013).

²⁷ Costello, above n 25.

²⁸ *Australian Constitution* s 51(ii).

- (a) It is not considered to be 'taxation', which would subject it to s 51(ii), but rather 'financial assistance' and falls under s 96 of the Constitution which provides that 'the [Federal] Parliament may grant financial assistance to any State on such terms and conditions as the Parliament thinks fit' or
- (b) Unlike deductions, tax offsets are not taken into account in determining taxable income. Instead ... they reduce the 'basic income tax liability' on that taxable income ... The amount of any tax offset to which a taxpayer is entitled is independent of the level of the taxpayer's taxable income or marginal tax rate, although the separate net income of the dependant may be relevant.²⁹

In either case, s 79A reduces an individual taxpayer's liability to his/her tax debt and not to the taxation levied; therefore, it is outside the definition of 'taxation' in sub-s 51(ii) and the limitation does not apply.

If s 79A aims to grant to residents of the prescribed area an income tax concession in recognition of the disadvantages to which they are subject because of the uncongenial climatic conditions, isolation and high cost of living in comparison with other parts of Australia, then the rebate is clearly intended to serve as compensation for zone residents and not a penalty to those who are not.

An additional burden is what the writers of the *Constitution* also envisaged as treating states differently. This article suggests the Zone Rebate is therefore outside the scope of sub-s 51(ii), hence its 70-year existence.

III THE POLITICAL INFLUENCE OF TAXPAYERS IN REMOTE REGIONS

I am back from up the country — up the country where I went
Seeking for the Southern poets' land whereon to pitch my tent;
I have left a lot of broken idols out along the track,
Burnt a lot of fancy verses -- and I'm glad that I am back.

— Henry Lawson, Australian poet, 1867–1922

To illustrate the general rural/urban population shift in Australia, an investigation of ABS reports, shown in Table 2, indicates the following population distribution for Western Australia.

²⁹ Robert L Deutsch et al, *Australian Tax Handbook* (Thomson Reuters 2008), 978.

Table 2: An Indication of the Increase in the Influence of Urban Voters in Western Australia 1901–2011

Year	Western Australian population	Perth population ³⁰	Urban percentage
1901	193,601	70,700	36.52
1947	502,480	298,471	59.40
1976	1,144,343	805,747	70.41
1981	1,273,624	898,918	70.58
1986	1,406,929	994,472	70.68
1991	1,586,825	1,143,249	72.05
1996	1,726,095	1,244,320	72.09
2001	1,832,008	1,325,392	72.35
2006	1,959,088	1,445,078	73.76
2011	2,239,170	1,670,953	74.46

Source: ABS Census Data³¹

Fullarton³² found that, despite the fact that the overarching Federal electorates — such as Kalgoorlie, which encompassed most of remote Western Australia — were held by the Liberal Party, State voting patterns indicate that electors in the extremely harsh and remote Pilbara and Kimberley regions were Australian Labor Party (ALP) supporters — something that was likely to exacerbate the alienation of taxpayers in these remote regions. This article suggests (below) that that was a key influence when the then Liberal Treasurer dismissed Haase's proposal for a review of Zone Rebates in 2007.³³

Not only has the Zone Rebate diminished in relative value, anomalies have developed since 1945. Not all of 'remote Australia' has remained remote. An example is Darwin.

³⁰ For a comparative analysis, the geographical region of Perth has been applied consistently. However, there has been an expansion of the Perth metropolitan area over 110 years. Areas once considered to be rural, such as Gosnells (once agricultural, now a suburb of the Perth metropolitan area), have been included in this population.

³¹ Australian Bureau of Statistics, *Census Data* 10 November 2013
<<http://www.abs.gov.au/websitedbs/D3310114.nsf/Home/Census>>.

³² Fullarton, above n 16, 28.

³³ Dutton, above n 7.

This city has a population of 120,586,³⁴ which includes an estimate of approximately 70,000 taxpayers.³⁵ The population of Darwin represents over 55 per cent of the entire Northern Territory population. However Darwin is included in Zone A, which allows its taxpayers to claim a \$338 rebate.

Darwin has an international airport, a thriving seaport, international hotels and a cost of living not far removed from that of southern capitals. With the completion of the Darwin to Alice Springs railway and regular flights to Asia, it can no longer be regarded as a remote area.

Three of Queensland's regional northern coastal cities each have a population in excess of 60,000. The ABS 2011 census data show Cairns to have a population of 224,436, Townsville 217,897 and Mackay 166,811.³⁶ They are all situated in the present Zone B and have a combined population of 609,144. This represents roughly 357,000 taxpayers,³⁷ which is more than half the estimated taxpayers entitled to a Zone B rebate.

Zone B provides an average individual taxpayer with a rebate of \$57 per year, and an average family taxpayer, with an employed spouse and two dependent children, with a rebate of about \$208 per year. These individual payments are insignificant to individual taxpayers. However, the total payment to 357,000 Zone B taxpayers, who are residents of those large cities, may represent an estimated annual cost of over \$25.5 million to Commonwealth revenue.³⁸

There are certainly remote communities in Zone B, the most deserving being those in the Special Areas in that Zone, which should retain a Zone Rebate concession. However, there remains a question as to how many other areas in Zone B should be considered to be remote, after taking into consideration improvements in transport and communications over the past two decades. Those that are genuinely remote should certainly receive a rebate that is more generous than that outlined above.

From a more general perspective, the review of Australia's future tax system for the 2006/07 financial year found that some 530,800 taxpayers received the zone and

³⁴ Australian Bureau of Statistics, *Census Data 2011*, 5 May 2014
<<http://www.abs.gov.au/websitedbs/censushome.nsf/home/data?opendocument#from-banner=LN>>.

³⁵ This figure has been estimated by dividing the number of individual income tax returns lodged in 2011 provided by the Australian Taxation Office Taxation Statistics 20 June 2014
<<https://www.ato.gov.au/About-ATO/Research-and-statistics/In-detail/Tax-statistics/Taxation-statistics-2011-12/?page=8#Table4>> (12.6 m) by the entire Australian population for 2011 as provided by Australian Bureau of Statistics, *Census Data 2011* (above n34).

³⁶ Ibid.

³⁷ Ibid.

³⁸ This estimate is based on statistics provided by the Australian Government, *Architecture of Australia's tax and transfer system* (2010), which shows that 530,800 taxpayers received the zone and overseas forces tax offset to the estimated value of \$A225 m, in the 2006/07 financial year or an average of \$424 each. Given that that figure contains ALL taxpayers from ALL zones, the average Zone B rebate is estimated to be 57/338ths (Zone B/Zone A) of that figure. Further, Australian Taxation Office Taxation Statistics for 2011 show the average zone rebate to be \$450. Without analysing data from each specific district, the actual figure is difficult to estimate; however, for the purposes of this paper, the estimate is considered to be sufficient to demonstrate the point; Australian Taxation Office, above n 34.

overseas forces tax offset to the estimated value of \$225 million.³⁹ In 2010/11, those figures had risen to 605,540 taxpayers and the value to \$273 million,⁴⁰ a mere average of \$450 per annum or less than \$9 per week.

In Fullarton's interviewee's terms, that is around 260 litres of fuel in Pannawonica, or perhaps two Toyota Landcruiser tanks of fuel.⁴¹ To place that sum in a practical context, it would purchase sufficient fuel to travel to Perth from Pannawonica and half the return journey.

A further geographic anomaly is that of Pannawonica in Western Australia's Pilbara. It is considered to be in ordinary Zone A (\$338 plus 50 per cent of the dependent's rebate), yet it is one of the most isolated communities in one of the harshest climatic regions in Australia.

Fullarton suggests:

that the physically harsh living environment and heavy working conditions of the Pilbara region may have influenced the blue-collar workers' perceptions that their income tax rates were excessive and 'unfair'. Their physical isolation may have led to an increased perception of social distance, which in turn may have led to an increased resistance to paying tax.⁴²

Fullarton also noted that over 18 per cent of taxpayers resident in the Pilbara mining community of Pannawonica had engaged in the mass-marketed tax avoidance schemes of the 1990s. That was a rate nearly 46 times higher than that of the average Australian taxpayer.⁴³

Given that Pannawonica is one of the more remote communities of the Pilbara, and also endures a particularly uncongenial climate, the disproportionate participation rates in mass-marketed tax avoidance schemes by its taxpayers may have also been influenced by a perception of a poor level of compensation for these particularly harsh conditions.

Therefore, this article suggests that a review of Zone Rebates is urgently required to restore its relevance to addressing the imbalance of vertical equity caused by 20 years of its oversight by successive Federal governments.

However, it may be that the primary factor influencing the reluctance of Federal governments to address the now trivial tax concession is that the political capacity of rural and remote voters has waned. While it may be fair and equitable in a legal and

³⁹ Australian Government, *Architecture of Australia's tax and transfer system* (2010) <http://taxreview.treasury.gov.au/content/Paper.aspx?doc=html/publications/papers/report/section_2-12.htm>.

⁴⁰ Australian Taxation Office, above n 35.

⁴¹ Toyota Landcruisers are by far the preferred vehicle for 'Bush' people. They are large, robust, four-wheel drive capable and have a high highway speed. Although modern technology has helped, they are not very fuel efficient and are often fitted with large fuel tanks. Other types of vehicles are rarely present in the parking areas of Pilbara hotels.

⁴² Fullarton, above n 16, 286.

⁴³ Data of 2001 survey distribution by postcode; Email from Kristina Murphy to Alexander Fullarton, 20 September 2007. Fullarton, above n 16, 5.

social sense to address the concession, it has little or no political benefit. In fact, it may be contrary to the interests of government to address the matter of Zone Rebates.

This article now considers the political impact of taxpayers resident in remote zones. Figure 6 shows the Australian Federal electorates and their respective voting results in the 2010 election.

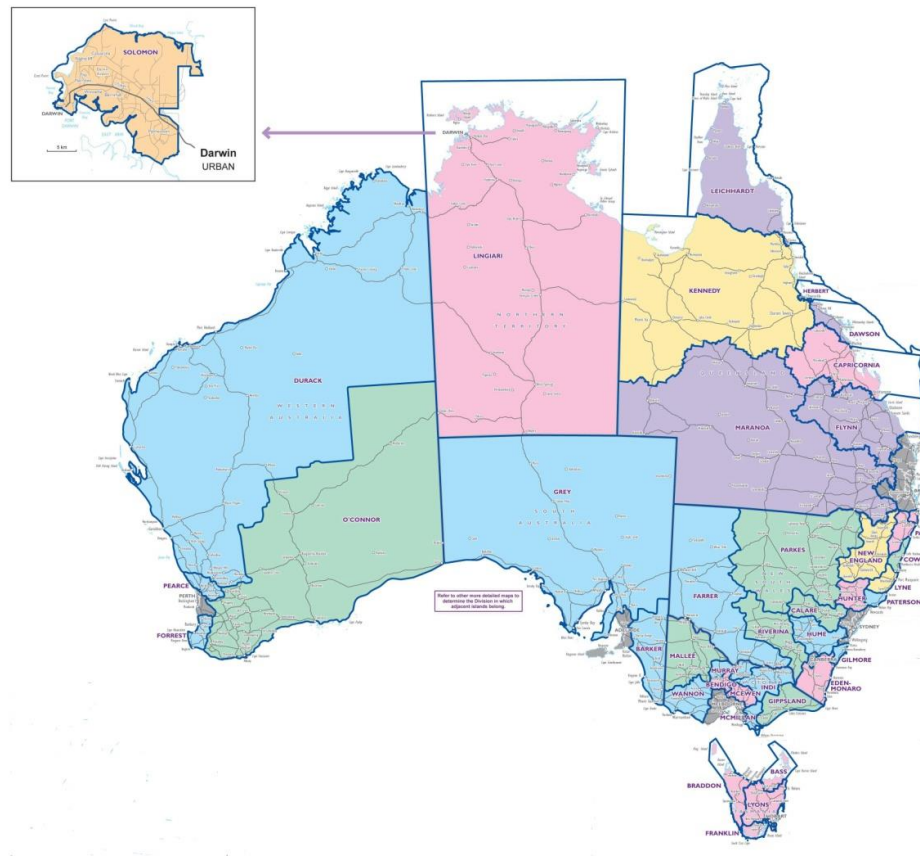


Figure 6: Map of Electoral Results, Australian Federal Election 2010

Source: Australian Electoral Commission⁴⁴

This article refers to the 2010–13 Labor government, as the current Liberal government was only elected in August 2013 and it is unfair to expect action as to a review of Zone Rebates from that administration at this time. It is also deemed to be pertinent as the Prime Minister of the Labor government expressed the same views about Zone Rebates⁴⁵ as did a previous Liberal Prime Minister in 2006.⁴⁶

The comparison of the map of the 2010 Australian Federal Election to the map of the Australian tax rebate zones in 1981, in Figure 5, shows that only 13 of the 150 members of the House of Representatives represent taxpayers in remote zones.

⁴⁴ Australian Electoral Commission, '2010 Federal Election House of Representatives Results Map' (25 October 2012) <http://www.aec.gov.au/Elections/federal_elections/2010/files/results-map-2010.pdf>.

⁴⁵ Christensen, above n 26.

⁴⁶ Costello, above n 25.

Table 3: Federal Representation of Remote Regions

Electorate⁴⁷	Held by⁴⁸	Margin (%)⁴⁹	Registered Electors⁵⁰	Percentage of Australian Electors⁵¹
Farrer (NSW)	Liberal	29.02	94,026	0.67
Parkes (NSW)	National	27.34	100,170	0.71
Capricornia (QLD)	ALP	24.16	91,961	0.65
Dawson (QLD)	Liberal/ National	4.86	94,533	0.67
Herbert (QLD)	Liberal/ National	4.34	91,044	0.65
Kennedy (QLD)	Independent	36.68	94,434	0.67
Leichhardt (QLD)	Liberal/ National	9.1	93,113	0.66
Maranoa (QLD)	Liberal/ National	45.78	97,892	0.69
Lingiari (NT)	Country Liberal	7.4	61,168	0.43
Solomon (NT)	ALP	3.5	59,891	0.43
Grey (SA)	Liberal	22.32	99,775	0.71
Durack (WA)	Liberal	27.34	85,811	0.61
O'Connor (WA)	WA Nationals	46.0	92,902	0.66
Total			1,156,720	8.21

⁴⁷ Capricornia, Farrer, Maranoa and Parkes are not included entirely in Zone B; therefore, the population contained in Zone B is inflated.

⁴⁸ Australian Electoral Commission, above n 44.

⁴⁹ Margin based on two-party preferred results, *ibid.*

⁵⁰ Total enrolled voters, *ibid.*

⁵¹ National total of enrolled voters 14,086 869, *ibid.*

Table 3 compares the population of remote electors with the national population. Apart from this being simply less than 10 per cent of parliamentary representation, it is also noted that only two of the 13 electorates were held by the government at that time.

Given that the electorates of Capricornia, Farrer, Maranoa and Parkes cover areas outside remote zones and that no seat is held by 100 per cent of the primary poll,⁵² the populations included in Table 3 are inflated by the number of electors within the electorate, but outside remote zones. In 2010, government supporters, with elected representatives, formed only 67,735 —less than one half of 1 per cent of the national population of electors.⁵³

Barry Haase, in the electorate of Durack, a Liberal and a supporter of Zone Rebate reviews, represented only about half that number (a little less than half); 26,155 of Durack electors had preferred the ALP representative.⁵⁴ Given those statistics, it is not surprising that the Federal government displays little interest in reviewing Zone Rebates.

An additional influencing factor is that most of the electorates in the remote areas are safe seats, generally represented by conservative politicians. Table 3 shows that only three seats are held by less than 5 per cent. An old adage of politics and policy making is that politicians tend to ignore voters who will *always* vote for them and voters who will *never* vote for them. The margins by which those seats are held indicate that policy makers may not focus on matters of concern to voters but specific to the remote regions. That focus may be of particular influence if it is thought that policy changes might be a negative influence in seats outside the remote regions.

Further, alienating 427,000 taxpayers/electors, as proposed by some of the submissions to Zone Rebate reviews examined later, is simply not in the interest of any major party wishing to form government. That situation applies in particular to the ALP, which would lose the electorate of Solomon, and to the Liberal/National party in relation to the electorates of Dawson and Herbert.

In 2006, when Barry Haase presented Fullarton and Winfield's proposal to increase Zone Rebates for the taxpayers of his vast and remote Western Australian electorate of Kalgoorlie to the then Liberal Treasurer of Australia, Mr Costello simply addressed the following points: 'How many [electors/taxpayers] are there? Do they vote for us?' On hearing Mr Haase's statistical estimate and electoral assessment, Mr Costello paused and replied 'Are you still here, Mr Haase?'⁵⁵

This article now moves on to review some of the proposals and calls for a review of Zone Rebates that have occurred since 1990.

⁵² The electorates of Maranoa and O'Connor were held by a two-party preferred margin of nearly 73 per cent, and Durack and Farrer by over two-thirds of the poll. However, while very representative of their communities, none of those members was in government.

⁵³ Australian Electoral Commission, above n 44.

⁵⁴ Ibid.

⁵⁵ Interview with Barry Wayne Haase, Federal Member for Kalgoorlie (Telephone interview, 21 June 2006).

IV PREVIOUS REVIEW PROPOSALS

The odds were a trifle heavy — but he wasn't the sort to flinch,
So he opened fire on the army, did the boss of the 'Admiral Lynch'

— Andrew Barton 'Banjo' Paterson, Australian poet, 1864–1941

Some public appeals or formal submissions have been made for a review of Zone Rebates since 1990. Those that have tend to come from rural and remote local councils, politicians and accounting or taxation practitioners resident in the regions. This part examines some of those proposals.

In 2001 a research paper on the History of the Zone Rebate was presented to the Parliament of Australia.⁵⁶ It found that the average rebate for the 1997–98 financial year was \$407.⁵⁷

As to the real value of the rebate, it stated:

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 1999/2000 while the special rate would need to have been \$1710.⁵⁸

It then suggests, however, that '[a]lthough 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'.⁵⁹

That suggestion implies that despite the rebate being between one-third of its real value since its introduction (for Zones A and B) and two-thirds (for Special Zones), the linkage to other rebates would correct the discrepancy over time. As the increase due to the annual indexation of other rebates has resulted in an increase of just \$43 per annum or 80 cents per week 13 years later,⁶⁰ that implication seems to be unfounded.

However, the paper does acknowledge that the Zone Rebate has lost most of its original value in real terms. Despite that acknowledgement, no adjustments to the Zone Rebate took place.

In 2003, Winfield and Fullarton submitted a proposal for a Zone Rebate to Haase, the then member of the House of Representatives for the electorate of Kalgoorlie. The full submission is contained in Appendix A. Not only did it suggest a reconstruction of the regions for eligible taxpayers and an increase in Zone Rebates generally, but it also suggested that a discount be granted to university graduates who had HECS debts. The

⁵⁶ Hicks, above n 23.

⁵⁷ Ibid.

⁵⁸ Ibid.

⁵⁹ Ibid.

⁶⁰ See above n 38 and accompanying text.

discount of HECS debts was to be evidenced by their eligibility for the Zone Rebate as service within remote zones.

The effect would be that graduates who were resident in a Remote Area would have had their HECS liability reduced by 25 per cent during their time of residency. Those that had become residents of Special Zones within the Remote Area would have had their HECS liability reduced entirely during the period of their residency.

All professionals would have been rewarded by outback service: the further outback, the greater the reward. This would have had a major impact, particularly on the health and education professions, where HECS debts ranged from \$29,995 for medical and law students to \$10,794 for teachers and nurses.

The proportion of professionals in the rural and remote regions is heavily weighted towards the lower end of the scale, as are the numbers of residents of Ordinary Remote Areas relative to those in Special Remote Areas. The cost to government revenue was, accordingly, most likely to be only \$2,698 per graduate over three years. This could be considered a small contribution compared with the encouragement of facilities and the existing cost to government in attempting to attract professionals away from cities.

The benefits by way of community enhancements and services were considered to be incalculable in terms of social and economic resources being lost to remote areas in the persistent drift towards the major cities of Australia. Once the flow of graduates to the outback became so great that the cities were struggling to retain professionals, the benefit could have been reduced or suspended.

A further factor in costing the proposal was that graduates in remote localities were remunerated at twice and sometimes three times the rate of their city counterparts and thus taxed at higher rates. The \$2,698 tax offset would have been more than recovered by the higher tax revenue, as these graduates reached the highest marginal rates of tax almost immediately, while their city counterparts would have spent many years in the 30 per cent taxation rate margin.

This proposal could have had a positive outcome for the government, the economy, graduates and the people of the outback. It was suggested to be a poignant and fitting time to enact such legislation in 'the year of the outback' (2002).

In 2008, a number of submissions suggesting a review of Zone Rebates were put to Australia's Future Tax System Review Panel.⁶¹ Fullarton's submission,⁶² which included the suggestion that these Zones be restructured to reflect the population changes to major cities within them and increases in tax offsets generally, included the connection to a reduction in HECS debts suggest by Winfield and Fullarton in 2003. That submission is contained in Appendix B.

⁶¹ Henry et al, above n 5.

⁶² Alexander Robert Fullarton, Submission to Parliament of Australia, *Australia's Future Tax System Review Panel*, December 2008.

In 2011, Power suggested to the 2011 Tax Forum extensive changes to Zone Rebate boundaries, as illustrated in Figure 7.⁶³

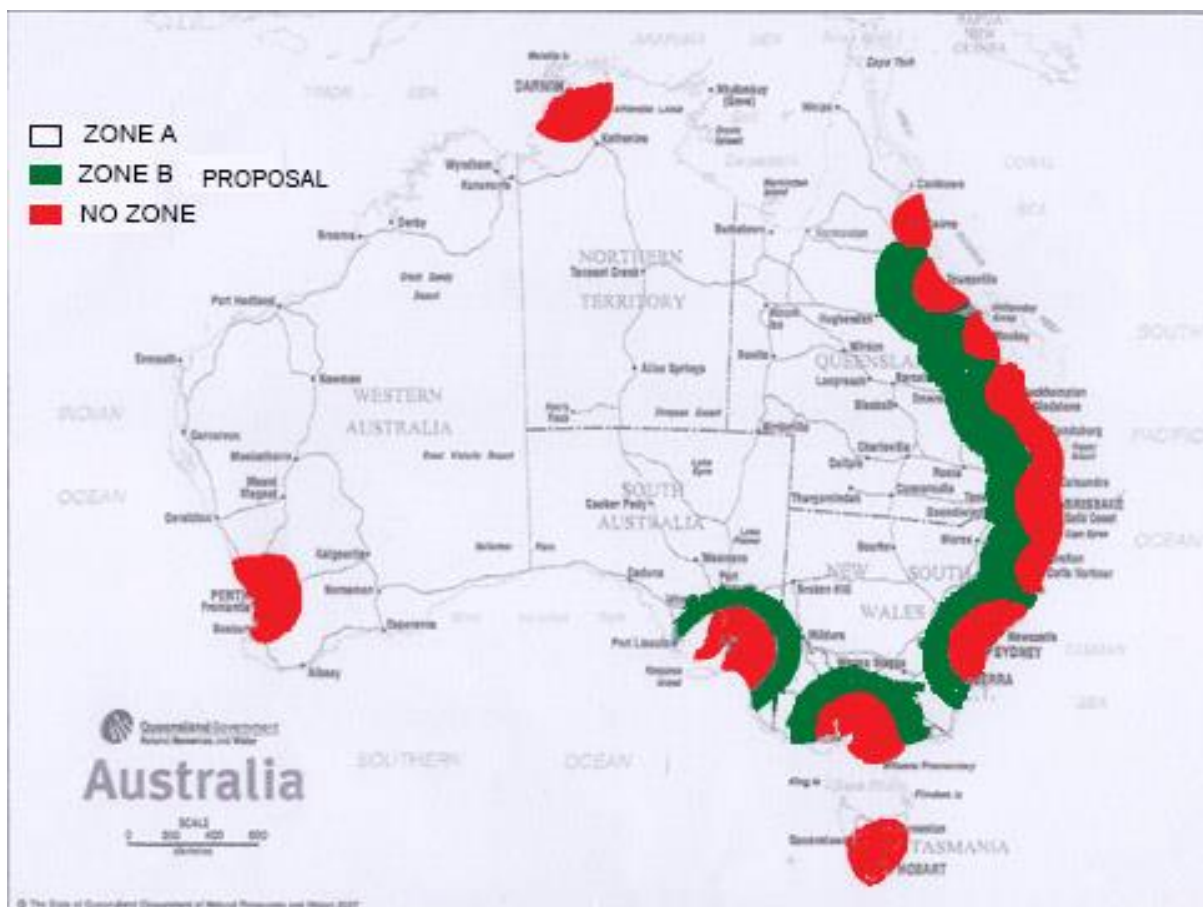


Figure 7: Map of Proposed Zone Boundary Changes — Power 2011

Source: Australian Electoral Commission⁶⁴

Those changes went a little further in their application than Fullarton's submissions, but were generally of similar intent. It was considered that certain communities within the existing zones were no longer as isolated or expensive, in comparison with other parts of Australia, as they were in 1945. In addition, as to the 'uncongenial climatic conditions', it was noted that many Victorians and New South Wales residents move, at least periodically, to Northern and Far Northern Queensland cities to 'enjoy the weather'. It is difficult to compare the lush tropical climate of Cairns with the harsh, hot, dry conditions of the Pilbara region of Western Australia.

Power, a chartered accountant from provincial Biloela in Queensland (Zone B), had been canvassing the cause of Zone Rebate reviews since 1981, when he made a submission to the Zone Allowances Inquiry⁶⁵ of that year. In that submission, he proposed the concept

⁶³ Trevor Kingston Power, Submission to Parliament of Australia, *A Tax Plan for Our Future: Tax Forum*, October 2011.

⁶⁴ Australian Electoral Commission, above n 44.

⁶⁵ Trevor Kingston Power, Submission to Public Inquiry into Income Tax Zone Allowances (Australia), *Report / of the Public Inquiry into Income Tax Zone Allowances* (1981). [Cox Inquiry].

of Special Areas. It is noted that the Cox Inquiry⁶⁶ made a recommendation for the 'creation of 'special areas' for particularly isolated areas in each zone, with higher rebates for residents'.⁶⁷

This article now examines the remaining eight of the 214 submissions to the Tax Forum 2011 that referred to reviews for Zone Rebates. Apart from Regional Development Australia Far West NSW's radical proposal to discount taxation in the Broken Hill area by 20–50 per cent as a trial to quantify the effect of Zone Rebates on the impact of rural/urban population drift,⁶⁸ most merely note the devaluation and lack of effectiveness of Zone Rebates.

McElone, a representative of the National Farmers' Federation (NFF), noted '[t]here is a tax zone rebate system in place at the moment, but even the Henry Review ignored it and it's out of date, it needs to be relooked at and revamped to make sure that there is a real need for it'.⁶⁹ The NFF submission stated that '[t]he NFF welcomes this announcement while noting that the review does not suggest that Zone taxes are either good or bad, but rather that the system is outdated and in need of an upgrade'.⁷⁰

The NFF further suggested that 'the scheme [Zone Rebates] be extended to businesses. Such a reform would inject a major new incentive for people to live and work outside the capital cities'.⁷¹

The Western Australian government's submission also went a little further and suggested that

Western Australia's priorities for reform of existing Commonwealth taxes include the restoration of the current system of income tax zone rebates to a level that reflects the higher cost of living in remote regions.⁷²

It further stated:

Whether by enhancing the current rebate scheme, or replacing it with an alternative grant-based scheme struck at realistic levels, this reform offers part of the solution to attracting and retaining a skilled labour force in regions of high productivity, including where resource endowments are high.⁷³

⁶⁶ Ibid.

⁶⁷ Hicks, above n 23, 3.

⁶⁸ Regional Development Australia Far West NSW, Submission to Parliament of Australia, *A Tax Plan for Our Future: Tax Forum*, October 2011, 3.

⁶⁹ National Farmers' Federation, Submission to Parliament of Australia, *A Tax Plan for Our Future: Tax Forum*, October 2011.

⁷⁰ Ibid 2.

⁷¹ Ibid.

⁷² Western Australian Government, Submission to Parliament of Australia, *A Tax Plan for Our Future: Tax Forum*, October 2011, 3.

⁷³ Ibid.

The Western Australian Chamber of Commerce and Industry also considered reviewing the Zone Rebate to ensure 'that the incentives apply to those areas where workers are most needed. [Further] it may be necessary to extend the rebate beyond remote areas'.⁷⁴

Regional Development Australia Goldfields Esperance, Western Australia considered restricting Zone Rebates to bona fide residents. It suggested '[a]ny review should only apply to those persons legitimately residing in rural and remote areas, not for 'fly-in fly out' employees'.⁷⁵

It further suggested that

The review could remove access to the Taxation Zone Rebates to communities of [less than] 100,000 population as they would have the critical mass to create competition in retail, construction and service delivery etc that is not otherwise available at the same level in smaller communities.⁷⁶

O'Callaghan also stated that '[t]he [Zone] [R]ebate as it currently presents could not be regarded as an incentive to relocate to listed zones'.⁷⁷ However rather than reviewing Zone Rebates, she looked at providing

non-fiscal incentives, in the form of accelerated payroll deductions, zone or profit-linked rebates [to] enable employers to compete more readily for staff in the employment market. The resultant increase in rural and regional employment would act as a stimulus for growth in struggling sectors, ensuring a more resilient and growing private sector and stronger communities. An example would be in the primary industries sector where currently a lack of employees leads to underutilisation of resources and low productivity. Increased access to farm workers would revitalize the industry.⁷⁸

The submissions generally consider the Zone Rebate to have been eroded through the efflux of time and some suggest restoring its economic relevance. Others consider that the Zone Rebate may have some affect in retarding, or even reversing, the population drift towards urban centres. However, the Fullarton-Winfield proposal is unique in that it considers adding the benefit of reduced HECS/HELP debts to target professionals.

What they all have in common is that despite many recommendations by parliamentary inquiries, particularly the 'Henry Review', successive governments have chosen to ignore Zone Rebates. Instead, successive Prime Ministers have stated that 'it is the preferred policy of the Government to cut taxes for all Australians ... rather than provide geographically targeted tax cuts through increases in the zone tax rebate'.⁷⁹

⁷⁴ Chamber of Commerce and Industry — Western Australia, Submission to Parliament of Australia, *A Tax Plan for Our Future: Tax Forum*, October 2011, 18.

⁷⁵ Development Australia Goldfields Esperance, Western Australia, Submission to Parliament of Australia, *A Tax Plan for Our Future: Tax Forum*, October 2011, 2.

⁷⁶ Ibid 3.

⁷⁷ Anne Marie O'Callaghan, Western Australia, Submission to Parliament of Australia, *A Tax Plan for Our Future: Tax Forum*, October 2011.

⁷⁸ Ibid.

⁷⁹ Costello, above n 25.

This article now considers the factors influencing that political viewpoint in its conclusion.

V CONCLUSION

‘You had better stick to Sydney and make merry with the ‘push’,
For the bush will never suit you, and you’ll never suit the bush’.

— *Andrew Barton ‘Banjo’ Paterson*, Australian Poet, 1864–1941

It is noted that during the period 2001–08 letters to some of the Vice Chancellors of Australia’s universities soliciting support for the Fullarton–Winfield proposal resulted in the expression of some sympathy, but generally they considered it none of their business.

The then Inspector-General of Taxation expressed a desire not to get involved, and accounting and taxation professionals showed little interest. Opinion was expressed that if the disparity of vertical equity for taxpayers in the ‘Bush’ was so upsetting to the few ‘Bush’ professionals, why then did they simply not move to the city, where a qualified professional could lead a ‘better’ lifestyle?

This article concludes that taxation principles and policies are inextricably linked to political expediency. It does not matter how rational the social and economic arguments may be as to the adoption of practices and policies for raising taxation revenue by a government, the government will ultimately prioritise the political impacts of that tax policy over social and economic rationalism.

This conclusion is further supported by the Henry Review of 2009, which included a recommendation that ‘[t]he zone tax offset should be reviewed’.⁸⁰ The ALP government of the day came to the same conclusion as its Liberal predecessors: there are simply not enough votes in it to make a difference — ‘Taxation is a very political thing’.⁸¹

⁸⁰ Ken Henry et al, above n 5, recommendation 6.

⁸¹ A paraphrase of the theme of the Australasian Taxation Teachers’ Association 2014 Conference, held in Brisbane, Queensland in January 2014.

APPENDIX A

FULLARTON–WINFIELD SUBMISSION 2003

Summary of Recommendations

To tighten the definition of ‘residency’ in the tax legislation, so that the zone rebate/offset is available only to permanent residents of designated remote areas of Australia. To account for population shifts in Australia over the past two decades, which have rendered some areas less remote, by deleting all of, or some portions of, Zone B and the entire metropolis of the City of Darwin from the schedules of isolated areas.

To substantially increase the rebates/offsets available to the permanent residents of the present Zone A (except Darwin), any undeleted parts of Zone B and the Special Areas within Zone A and outside Zone A from their current inadequate level.

To provide an incentive for professional people to become residents of remote communities in the form of a rebate/offset of repayments due under the Higher Education Contribution Scheme and also of a generally higher zone rebate/offset.

To achieve the above objectives at a total cost equal to, or less than, the total cost of present rebates/offsets. This will require a considerable reduction in the number of taxpayers presently entitled to this concession.

EXPLANATORY MEMORANDUM

Introduction

In Australian taxation terminology, a ‘deduction’ is a dollar amount that reduces taxable income, while a ‘rebate’ is a dollar amount that reduces tax payable. In recent years, from 1999, the term ‘tax offset’ has been used to replace ‘rebate’ and both terms are still used interchangeably by tax professionals; consequently, they are referred to as rebates/offsets in This article.

The Income Tax Assessment Act states that the zone rebate/offset is ‘an income tax concession in recognition of the disadvantages to which they (residents of prescribed areas) are subject because of the uncongenial climatic conditions, isolation and the high cost of living ... in comparison with (other) parts of Australia’ (S 79A(1)).

The ‘prescribed areas’ consist of two zones, Zone A, which, apart from about 50 per cent of eastern Queensland, includes the entire continent above the 26th parallel and some offshore islands. Zone B, deemed to be ‘less remote’, includes the remainder of the continent except for the highly populated areas in the east, southeast and southwest as well as western Tasmania. There are also Special Areas in both zones, deemed to be ‘most remote’, which are more than 250 kilometres from the nearest urban centre (population 2,500 or more) (S 79 (3D) (a) and Schedule 2).

The zone rebate/offset currently consists of two parts: (i) a fixed amount of \$57 for Zone B, \$338 for Zone A and \$1,173 for the Special Areas in both Zones and (ii) an amount

based on a percentage of certain rebates/offsets for dependents, namely 20 per cent for Zone B and 50 per cent for Zone A and Special Areas.

Residency

The legislation defines a resident of a prescribed area as including a taxpayer who is actually in that area, not necessarily continuously, for a period of more than one half of the year of income (S 79A (3B) and (3C)). This can include tourists, casual visitors and workers on fly-in fly-out arrangements, all of which do little to add to the population infrastructure of a community. The fly-in fly-out system has been the principal reason for the depopulation of mining and mineral processing areas in the north of Australia.

This proposal recommends restricting the definition of resident to permanent residents who reside continuously in a remote area for more than half of the year of income. Current provisions for allowing a resident who moves from one remote area to another, or who spreads the period of residence over two tax years, to claim a rebate/offset should continue to apply.

Demographic Factors

'Half the area of the continent contains only 0.3 per cent of the population, and the most densely populated 1 per cent of the continent contains 84 per cent of the population ... concentrated in urban centres, particularly the State and Territory capital cities' (ABS (3)). This gross imbalance in the Australian population has been a source of concern because there are problems of security when large sections of the continent remain uninhabited.

There has also, in recent years, been a continuing population decline in rural areas due to internal migration, and population increases in fast growing areas on the coast of northern Queensland, in Darwin and in Kalgoorlie/Boulder (ABS(3)). The effect of the above movements has been that remote inland pastoral and agricultural communities have disappeared or become still more remote, while some previously small towns have become thriving cities.

Darwin, for example, capital of the Northern Territory, has a population of 90,000, which includes 42,000 taxpayers. This population is almost half that of the entire Territory (pop. 195,500), and the city has the fastest capital city growth rate of 2.3 per cent per year. Darwin has an international airport, a thriving seaport, international hotels and a cost of living not far removed from that of southern capitals. With the completion of the Darwin to Alice Springs railroad, Darwin should no longer be regarded as a remote area; it will in fact be less remote from the rest of Australia than Perth.

Three of Queensland's regional northern coastal cities each have a population that exceeds 50,000: Cairns (pop 115,000), Townsville (pop 130,000) and Mackay (pop 66,000). They are all situated in the present Zone B, have high growth rates and a combined population of 311,000. This represents about 165,000 taxpayers, more than half the estimated 317,000 taxpayers entitled to a Zone B rebate/offset (Appendix 1).

Zone B provides an average individual taxpayer with a rebate/offset of \$57 per year, and an average family taxpayer, with an employed spouse and two dependent children, with a rebate/offset of about \$208 per year. These individual payments are not significant.

However, the total payment to 165,000 Zone B taxpayers who reside in the above large cities represents an annual cost to Commonwealth revenue of about \$24 million.

There are certainly remote communities in Zone B, the most deserving being those in the Special Areas in that Zone, which should retain a zone rebate/offset concession. There remains a question as to how many other areas in Zone B should be considered to be remote after taking into consideration improvements in transport and communications over the past two decades. Those that are genuinely remote should certainly receive a rebate/offset that is more generous than that outlined above.

There seems to be little justification for the three degrees of 'remoteness' that form the basis of the present system. While the definition of Special Areas implies that these are very remote and requiring special treatment, one alternative in this proposal considers that the other parts of Australia considered to be remote should be part of one zone, which attracts a uniform rebate/offset.

The simplest approach could be to retain the present Zones and Special Areas but remove from the zone system all cities in Zone A and Zone B with a population exceeding 50,000 (Darwin and the three above Queensland cities). This would decrease the number qualifying for Zone A and Zone B entitlements by 42,000 and 165,000, respectively, to 101,000 and 152,000. There would continue to be 25,000 taxpayers in Special Areas (Appendix 1). This approach will be referred to as Zoning Alternative 1.

A second approach could be to remove Zone B entirely from the system on the basis that those residing in the lower part of Australia, with the exception of Special Areas, can no longer be considered to be remote. This could be justified by pointing out the very small amount of rebate/offset currently available to Zone B residents. This would leave only one remote zone, the present Zone A, less Darwin, and reduce the number of remote zone taxpayers to 101,000 plus the 25,000 in Special Areas (Appendix 1). This approach will be referred to as Zoning Alternative 2.

This proposal examines the cost of these two alternative zoning systems in Appendix 2.

The alternative zoning systems are

Zoning System Alternative 1 — The present zone system will be retained, but cities in Zone A and Zone B with populations exceeding 50,000 are deleted from remote area zoning. Special Areas remain.

OR

Zoning System Alternative 2 — The metropolitan area of Darwin is deleted from remote area zoning, and the complete Zone B is also deleted, but the Special Areas in the current Zone B are retained as Special Areas outside a remote zone.

Nomenclature

The name of Zone A then becomes inappropriate and it is recommended that the current Zone A, as amended, be renamed the Remote Zone.

Zone Offsets/Rebates

The effects of inflation and changing family structures have rendered the dollar amounts of offsets/rebates in the current system ineffectual in meeting the disadvantages accruing to permanent residents of the Remote Zone and Special Areas.

The fixed amounts are inappropriately low when average annual taxable incomes are around the \$35,000 level, and the cost of living in remote areas is considerably in excess of that in southern cities. To provide one example, fuel costs in remote areas range from 20 per cent to 50 per cent above southern city prices.

In the average Australian family, there are now slightly fewer than two dependent children and a partly or fully employed spouse earning a 'separate net income', which eliminates or reduces the dependent spouse rebate/offset. Consequently, few family taxpayers in remote areas can claim a significant rebate/offset for dependents, and this reduces the value of the 'base' part of the zone rebate/offset.

In this proposal, the dollar amounts of rebates/offsets for the residents of Zones A and B, or the Remote Zone, and Special Areas are raised to a level closer to meeting their locational disadvantages. However, because the number of potential claimants has been reduced, there will not be an increase in the total cost of providing these benefits. In fact, the demographic and calculation changes usually result in a total cost reduction (Appendix 2).

Two alternative methods of calculation will be examined:

Method A- This retains the present system of totalling fixed and base amounts, but the fixed amounts have been increased to \$600 for permanent residents of Zone A and \$100 for permanent residents of Zone B if Zoning Alternative 1 is adopted. If Zoning Alternative 2 is adopted, the fixed amount will be \$1,000 for permanent residents of the Remote Zone. Under both alternatives, the fixed amount is \$2,000 for permanent residents of Special Areas. The calculation of the base amounts has not changed.

OR

Method B- This calculates rebates/offsets as a percentage of the tax payable on taxable income (excluding the Medicare Levy). The percentages decrease as taxable income increases, as follows:

For permanent residents of Zone A (Zoning Alternative 1)

	Tax payable (%)
Taxable Income- \$1 to \$30,000	25
\$30,001 to \$60,000	15
\$60,001 to \$90,000	5
exceeding \$90,000, no rebate/offset on the excess	
For permanent residents of Zone B (Zoning Alternative 1)	
Taxable Income- \$1 to \$30,000	4
\$30,001 to \$60,000	3
\$60,001 to \$90,000	2
exceeding \$90,000, no rebate/offset on the excess	
For permanent residents of the Remote Zone (Zoning Alternative 2)	
Taxable Income- \$1 to \$30,000	30
\$30,001 to \$60,000	20
\$60,001 to \$90,000	10
exceeding \$90,000, no rebate/offset on the excess	
For permanent residents of Special Areas (both Zoning Alternatives)	
Taxable Income- \$1 to \$30,000	40
\$30,001 to \$60,000	30
\$60,001 to \$90,000	20
exceeding \$90,000, no rebate/offset on the excess	

HECS Rebate/Offset

Inherent in both methods is an additional rebate/offset of the annual compulsory repayment contribution, through the tax system, by a graduate who has an accumulated HECS debt. This is calculated as 25 per cent of the year's repayment contribution for permanent residents of Zones A and B, or the Remote Zone, and 100 per cent of the year's repayment contribution for permanent residents of Special Areas.

This provides an incentive for young professionals to relocate to remote areas and reduces the need for government to offer expensive cash incentives. Details of an estimate of the number of taxpayers who have incurred HECS Assessment Debts in Northern Australia are contained in Appendix 3.

A comparison of the cost of the rebates/offsets under the existing and proposed methods is contained in Appendix 2.

Method A is based on the current system, and it would consequently be more familiar to tax advisers and administrators. The fixed amount increases offered to taxpayers in Zones A and B are significant if Zoning Alternative 1, which reduces taxpayer numbers to 253,000, were adopted. However, Zoning Alternative 2, which reduces taxpayer numbers still further to 101,000, allows a more generous fixed amount to be incorporated into the rebate/offset for Remote Zone taxpayers.

Method B calculates the rebates/offsets as a percentage of tax payable, with these percentages decreasing in bands of increasing taxable income. It is a similar concept to HECS repayments through the tax system, where the percentage repayment increases through bands of increasing HECS repayment income (Appendix 2). The calculation is simple, and to a certain extent 'inflation proof', and it could be incorporated into the ATO's computer system.

The total cost of the HECS rebate/offset is currently negligible because only about 2 per cent of Remote Area taxpayers have currently incurred HECS debts, but it will probably increase over time (Appendix 2).

Both of the above calculation methods produce total costs, using an 'average taxpayer' model, close to the level of the total cost of the existing system. The tighter residential requirement recommended would also reduce the calculated total costs of the above-proposed rebates/offsets by several millions of dollars (Appendix 1).

Recommendations

Zoning

The two zoning systems have been designed to produce almost identical total costs. A decision on the best alternative depends on the perception of the degree of remoteness suffered by residents of the reduced Zone B.

Calculation

Zone Rebate/Offset

The writers are equally divided on the merits of each calculation method. Either would be acceptable.

HECS Rebate/Offset

There are reports of graduates leaving Australia in order to avoid HECS repayments. This will offer graduates an opportunity to continue to reside in this country and have the tax system make the repayments, without the need to live overseas.

Conclusion

The research, which has been involved in developing the above proposals, has shown that the current zone allowance system is in need of overhaul. It provides small benefits to the undeserving and mediocre benefits to the deserving. The above proposals, which delete the benefits applied to many city and southern residents and increase those applied to residents in remote communities, are an attempt to properly compensate residents for the disadvantages of their remote location and encourage more permanent residents to settle in northern Australia. This article has indicated that the proposals require little or no additional cost to revenue.

The proposals apply equally to members of the defence forces, who are already provided for in the legislation (s 79A).

R R Winfield, FCPA, M Com (UWA)

A R Fullarton, M Tax (Curtin), Reg Tax Agent

April 2003.

References

- 1 Australian Taxation Office, Taxation Statistics 1999–2000.
- 2 Commonwealth of Australia, Income Tax Assessment Act 1936, s 79A.
- 3 Australian Bureau of Statistics, Yearbook Australia 2002, Population distribution.

Appendix 1

Estimated Number of Taxpayers in Remote Areas

The Australian Taxation Office (ATO) publishes totals only for the most recent year (1999–2000) of the number of taxpayers (485,141) allowed zone rebates/offsets and the dollar amount (\$193 million) of these rebates/offsets.

The following is a broad estimate of the number of taxpayers in each Zone and in the Special Areas for that year based on published ATO statistics of rural and regional areas, part of each of which are in Zone B. Although three years have now passed since the above statistics were issued, there is no reason to believe that the proportion of taxpayers in each area has changed significantly.

Special Areas — (15 per cent × 25,000 × \$1173)	
+ (85 per cent × 25,000 × (\$1173 + 50 per cent of \$752))	37.3 million
Total estimated rebate/offset for 1999–2000	\$190.0 million
Actual rebate/offset amount for 1999–2000	\$193.0

The difference may be explained by the fact that the assumed percentage of taxpayers unable to claim for dependents may be a little too low.

By using the above numbers as a base, this proposal's remote area taxpayer numbers would be:

Zoning System Alternative 1

Zone A — (current Zone A less Darwin taxpayers)	
(143,000–42,000)	101,000
Zone B — (current Zone B less Cairns, Townsville & Mackay)	
(317,000–165,000)	152,000
Special Areas	25,000
Total	278,000

Zoning System Alternative 2

Zone A — (current Zone A less Darwin taxpayers)	
(143,000–42,000)	101,000
Special Areas (no Zone B)	25,000
Total	126,000

Owing to a lack of published data, it is not possible to calculate the effect of the tighter residency recommendation on the above numbers. The recommendation would almost certainly remove from the zone system all those taxpayers employed in a remote zone on a fly-in fly-out basis and also a considerable number who visit towns in a remote zone for some months during a year, but who are not zone residents. This could reduce the above numbers by from 2 to 5 per cent.

Appendix 2

Comparison of the total cost of the proposed rebates/offsets, using 1999–2000 estimated taxpayer numbers, with the cost of the present system

Based on the ‘average’ taxpayer example in Appendix 1, whose HECS repayment income equals a taxable income of \$35,000 for the year, with a consequent \$6,880 tax payable (at 2002 rates), and who has two child dependents. Assume that 15 per cent of taxpayers do not have dependents. Further assume that approximately 2 per cent of 1999–2000 remote taxpayers have incurred accumulated HECS debts (Appendix 3).

Zoning System Alternative 1

Estimated Taxpayer Numbers & Offset/Rebate Rates	(\$ million)
Method A — Zone A — (15 per cent × 101,000 × \$600)	
+ (85 per cent × 101,000 × (\$500 + 50 per cent of \$752))	\$92.88
Zone B — (15 per cent × 152,000 × \$100)	
+ (85 per cent × 152,000 × (\$100 + 20 per cent of \$752))	34.63
Special Areas — (15 per cent × 25,000 × \$2,000)	
+ (85 per cent × 25,000 × (\$2,000 + 50 per cent of \$752))	57.99
Total	\$185.5
HECS Offset — Zones A and B	
— (2 per cent × 253,000) × (25 per cent of 4.5 per cent × \$35,000)	2.0
— Special Areas	
— (2 per cent of 25,000) × (4.5 per cent of \$35,000)	0.8
	2.8
Total	188.3
Method B — Zone A — 101,000 × (15 per cent of \$6,880)	\$104.2
Zone B — 152,000 × (3 per cent of \$6,880)	31.4

Special Areas — $25,000 \times (30 \text{ per cent of } \$6,880)$	51.6
	\$187.2
HECS Offset — as above	2.8
Total	190.0

Zoning System Alternative 2

Method A — Remote Zone — $(15 \text{ per cent} \times 101,000 \times \\$1000)$	(\$ million)
+ $(85 \text{ per cent} \times 101,000 \times (\$1000 + 50 \text{ per cent of } \$752))$	133.3
Special Areas — $(15 \text{ per cent} \times 25,000 \times \$2,000)$	
+ $(85 \text{ per cent} \times 25,000 \times (\$2,000 + 50 \text{ per cent of } \$752))$	58.0
Total	191.3
HECS Offset — Remote Zone	
— $(2 \text{ per cent} \times 101,000) \times (25 \text{ per cent} \times 4.5 \text{ per cent} \times \$35,000)$	0.8
— Special Areas	
— $(2 \text{ per cent of } 25,000) \times (4.5 \text{ per cent of } \$35,000)$	0.8
	1.6
Total	192.9
Method B — Zone A — $101,000 \times (20 \text{ per cent of } \\$6,880)$	139.0
Special Areas — $25,000 \times (30 \text{ per cent of } \$6,880)$	51.6
	190.6
HECS Offset — as above	1.6
Total	192.2

Current System — as calculated in Appendix 1

	(\$ million)
Zone A	94.1
Zone B	58.6
Special Areas	37.3
Total	190.0

The above percentage of taxpayers who live in remote areas and who have incurred an accumulated HECS debt is simply a broad estimate (see below). It is probable that this debt would be incurred by a greater percentage of high-income young and middle-aged professionals and a much lower percentage of low- and middle-income taxpayers.

Appendix 3***Higher Education Contribution Scheme (HECS) Debtors in Remote Areas 1999–2000***

The ATO publishes details of the number of taxpayers from regional and rural areas of Australia who are carrying a HECS debt. In the same manner as in Appendix 1, a broad estimate of the number of these taxpayers resident in Zone B is calculated.

HECS Taxpayers in Regional and Rural Areas (ATO statistics)		Estimated No. of HECS Taxpayers in Zone B and its Special Areas	
NSW Rural	9279	10 %	928
Qld Rural	8020	20 %	1604
Qld Regional	6738	40 %	2695
SA Rural	2486	20 %	497
WA Rural	3044	20 %	609

Estimated number of HECS taxpayers in Zone B and its Special Areas: 6333

Estimated total number of taxpayers in Zone B and its Special Areas: 334,000

Percentage of HECS taxpayers to total taxpayers in Zone B and S.A. = 1.9 per cent.

Adopt 2 per cent as a reasonable percentage for all designated remote areas

(3.13 per cent of all individual taxpayers have a HECS assessment debt (ATO Statistics)).

APPENDIX B

FULLARTON SUBMISSION TO AUSTRALIA'S FUTURE TAX SYSTEM REVIEW PANEL 2008

Tax Zone Rebate

Explanatory Memorandum

INTRODUCTION

The Taxation Zone Rebate introduced in 1945 is an income tax concession that recognises the disadvantages to residents in 'specific areas' of Australia. These disadvantages, according to the Australian Income Tax Assessment Act, include uncongenial climatic conditions, isolation and the high cost of living compared with those of other parts of Australia.

These 'specific areas' consist of two zones. Zone A includes nearly the entire continent above the 26th parallel and some offshore islands with the exception of approximately 50 per cent of eastern Queensland. Zone B, which is deemed to be less remote, includes the remainder of the continent except for highly populated areas. There are also Special Areas in both zones that are deemed to be 'most remote', which are more than 250 kilometres from the nearest urban centre with a population of 2,500 or more, as at the 1981 census.

The Zone Rebate currently consists of two parts: (i) a fixed amount of \$57 for Zone B, \$338 for Zone A, and \$1,173 for Special Areas in both Zones and (ii) an additional amount based on a percentage of certain rebates for dependents, namely 20 per cent for Zone B and 50 per cent for Zone A and Special Areas.

RESIDENCY

A resident is defined as a taxpayer who spends time in the Tax Zone Rebate zones, but not necessarily continuous time. Entitlement to the rebate requires a combined residency period of 182 days minimum over two years.

The research, involved in developing This article has shown that the current zone rebate system is in desperate need of review. It presently allows large benefits to the undeserving fly-in fly-out residents and mediocre benefits to the deserving remote bona fide residents.

Fly-in fly-out, encouraged by the imposition of the Fringe Benefits Tax on company-provided housing, has been the principal reason for the depopulation of mining and mineral processing regions. This proposal recommends that for the purpose of Tax Zone Rebates, the definition of resident be restricted to permanent residents residing continuously in an area (those eligible to be enrolled are enrolled at that address). Current provisions allowing a resident who moves from one remote area to another, or who spreads the period of residence over two tax years, to claim a rebate should continue to apply.

An example of the disparity under the existing provision is that a fly-in fly-out mining engineer resident in the leafy suburb of South Perth, engaged at Leinster Western

Australia, could receive a tax rebate as high as \$2,975 per annum or \$57 per week (assuming a dependant spouse and four school-age children). On the other hand, a truck driver resident at the Gascoyne Junction is entitled to \$338 per annum or \$6.50 per week yet he/she lives over 160 km from an urban centre of fewer than 7,000 persons, in a community of fewer than 100 persons, without hospital, medical or police services, no general store and the community is often isolated by seasonal cyclones. Already this is inequitable without the consideration of the extreme climatic differences between Perth and Gascoyne Junction.

The proposal to exempt fly-in fly-out workers from the Tax Zone Rebate is based on the consideration of the extremely different circumstances workers are subject to. Typically, fly-in fly-out workers are transported to the area by air at no cost to the worker, picked up by company air-conditioned vehicles, housed in air conditioned accommodation, eat in an air-conditioned dining room, enjoy three meals a day with menu choices and then return to his/her permanent home environment. The remainder of the family have continued to enjoy a well-serviced environment, enjoying all manner of choices. Contrast this with the bona fide tax zone rebate area resident paying local uncompetitive prices for fuel and groceries and a meagre range of locally provided services. High fuel prices cut deep due to the great distances travelled to access medical services.

Removing the benefits now enjoyed by fly-in fly-out workers residing in populous cities and increasing benefits to residents in remote communities is an attempt to properly compensate them for the disadvantages of their remote location as well as encourage more permanent residents to settle in remote Australia. This article has indicated that these minimum proposals require little or no additional cost to revenue.

DEMOGRAPHIC FACTORS

The ABS determines that 1 per cent of Australia's land mass contains 84 per cent of our population and that approximately half of our continent contains only 0.3 per cent of the population. This gross imbalance in the distribution of Australian population is a source of ongoing concern due to problems of security when large sections of Australia remain uninhabited.

There has in recent years, been a continuing population decline in rural areas due to internal migration, and population increases in fast growing areas such as the coast of northern Queensland and Darwin. Remote inland pastoral and agricultural communities are disappearing, making others even more isolated, while previously small coastal towns have become thriving cities.

Darwin, for example, has a population of 117,400, which includes approximately 42,000 taxpayers. Darwin is included in the Zone Rebate under Zone A, allowing taxpayers to claim a \$338 rebate. This is 55 per cent of the entire Northern Territory population. Darwin has an international airport, a thriving seaport, international hotels and a cost of living not far removed from that of southern capitals. With the completion of the Darwin to Alice Springs railroad and regular flights to Asia, Darwin can no longer be regarded as a remote area.

Three of Queensland's regional northern coastal cities each have a population exceeding 60,000: Cairns (pop 120,000), Townsville (pop 171,000) and Mackay (pop 91,000). They

are all situated in the present Zone B, have high growth rates and a combined population of 291,800. This represents about 165,000 taxpayers, more than half the estimated taxpayers entitled to a Zone B rebate.

Zone B provides an average individual taxpayer with a rebate of \$57 per year, and an average family taxpayer, with an employed spouse and two dependent children, with a rebate of about \$208 per year. These individual payments are insignificant to individual taxpayers. However, the total payment to 165,000 Zone B taxpayers who reside in the above large cities represents an annual cost to Commonwealth revenue of about \$24 million.

There are certainly remote communities in Zone B, the most deserving being those in the Special Areas in that Zone, which should retain a Zone rebate concession. There remains a question as to how many other areas in Zone B should be considered to be remote, after taking into consideration improvements in transport and communications over the past two decades. Those that are genuinely remote should certainly receive a rebate that is more generous than that outlined above.

There seems to be little justification for the three degrees of 'remoteness' that form the basis of the present system. The definition of Special Areas implies that these are very remote and requiring special treatment.

This proposal recommends retaining the present Zones and Special Areas but removing from the zone system all cities in Zone A and Zone B with a population exceeding 60,000 (such as Darwin and the three above Queensland cities). This would decrease the number qualifying for Zone A and Zone B entitlements. There would continue to be approximately 25,000 taxpayers in Special Areas.

VALUE OF REBATE

The effects of inflation and changing family structures have rendered the dollar amounts of rebates in the current system ineffectual in meeting the disadvantages accruing to permanent residents of the Remote Zone and Special Areas.

The fixed amounts are inappropriately low when average annual taxable incomes are around the \$35,000 level, and the cost of living in remote areas is considerably in excess of that in southern cities. To provide one example, fuel costs in remote areas range from 20 per cent to 50 per cent above southern city prices.

In the average Australian family, there are now slightly fewer than two dependent children and a partly or fully employed spouse earning a 'separate net income', which eliminates or reduces the dependent spouse rebate. Consequently, few family taxpayers in remote areas can claim a significant rebate for dependents, and this reduces the value of the 'base' part of the zone rebate.

In this proposal, the dollar amounts of rebates for the residents of Zones A and B, or the Remote Zone, and Special Areas, are raised to a level closer to meeting their locational disadvantages. However, because the number of potential claimants has been reduced, there will not be an increase in the total cost of providing these benefits. In fact, the demographic and calculation changes result in a total cost reduction.

REVIEW OF ZONES

It is proposed —

- Zone B is abolished by deleting any reference to Zone B in s 79A and that the definition of Zone A is applied to a new zone, termed 'Ordinary remote', and the term Zone A also be abolished. This will modernise the terminology and bring it in line with the payment made under the Federal Social Security Legislation.
- The area described as Zone B in Part II of Schedule 2 be encompassed into the area described as Zone A in Part I of Schedule 2. There will then be only one Ordinary Remote Area, which will extend over areas of both Zones A and B as existing.
- That sub-s 79A(3) be deleted accordingly.

REVIEW OF REBATES

- To amend sub-s 79A(2)(a) by deleting the figure '\$1,173' and substituting the figure '\$2,000' and to increase the Tax Zone Rebate for the 'Special Remote' to reflect not only the ravages of inflation in the intervening period since the 1991 review, but also to provide an incentive for remote residency rather than a temporary period of visiting the areas.
- To amend sub-s 79A(d) by deleting the figure '\$338' and substituting the figure '\$500'. While the increase may not seem to be commensurate with the increase proposed for the existing Zone A, consideration has been given to the residents of Zone B, who will now benefit from the extension of Zone A.

HECS-HELP Rebate

It is also proposed that a graduate who has an accumulated Higher Education Contribution Scheme (HECS-HELP) debt receive a rebate through the tax system. This is calculated as 25 per cent of the year's repayment contribution for permanent residents of Zones A and B, or the Remote Zone, and 100 per cent of the year's repayment contribution for permanent residents of Special Areas.

This provides an incentive for young professionals to relocate to remote areas and reduces the need for government to offer further expensive cash incentives.

If imposed now, the cost of this change would be negligible because only about 2 per cent of remote area taxpayers have currently incurred a HECS-HELP debt.

The above produces costs using an 'average taxpayer' model close to the level of the total cost of the existing tax system. The tighter residential requirement recommended would reduce the calculated costs of the proposed rebates by several millions of dollars.

It has been reported graduates are leaving Australia in order to avoid HECS-HELP repayments. The changes proposed in this article will offer graduates an opportunity to continue to reside in this country and have the Australian tax system contribute to their repayments, without the need to live overseas. It will also provide an incentive for

graduates to reside in rural and remote Australia with an incalculable benefit to regional communities and the nation generally.

Many thousands of dollars are spent annually on medical practitioners' rural retention funds. The introduction of this scheme would not only extend rural retention incentives to all graduates, but also provide a method of reducing reliability on that direct cost.

SUMMARY OF RECOMMENDATIONS

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.
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.
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*).