

Standing Committee on Regional Australia

ANSWERS TO QUESTIONS ON NOTICE



Treasury Portfolio

Fly-in Fly-out Work Practices

Wednesday, 22 August 2012

Question: 1

Topic: Taxation Zone Rebate

Mr HAASE asked:

Mr HAASE: Just for the evidence, can you contrast the opportunities for a family with two children who qualify for family tax benefit parts A and B if they live in Darwin and if they live in Marble Bar? You may have to take that on notice.

Mr Moore: Yes, we will have to take that on notice.

CHAIR: That would be very handy, because we are getting some conflicting views on what all this is worth to real people on the ground.

Mr Moore: That is because it is location specific and also dependent on the circumstances of the individual family and what other offsets they are entitled to.

Answer:

As both Darwin and Marble Bar are in ordinary zone A for zone tax offset purposes a single income family with two children whose income situation is the same will receive the same amount of zone tax offset. This is illustrated in the following cameo.

Joseph and Mary live in Darwin with their two children, Jonathan and Mina, aged 12 and 10. Mary does not work and has no adjusted taxable income. Jonathan and Mina also have no adjusted taxable income. Joseph has a taxable income of \$70,000.

Joseph is eligible for a zone tax offset comprising the following components: a basic amount of \$338 and 50 per cent of the 'relevant rebate amount' he is entitled to, which for him comprises the notional dependant spouse with child offset (\$2,736) and two notional student offsets (\$372 each), or 50 per cent of \$3,488 which is \$1,744. In total Joseph is entitled to a zone tax offset of \$2,082.

Joseph and Mary are also eligible for Family Tax Benefit (FTB) Parts A and B. They receive \$169.12 of FTB Part A a fortnight and \$100.66 of FTB Part B a fortnight.

Oscar and Lucinda live in Marble Bar with their two children, Thomas and Lydia, aged 12 and 10. Lucinda does not work and has no adjusted taxable income. Thomas and Lydia also have no adjusted taxable income. Oscar has a taxable income of \$70,000.

Oscar is eligible for a zone tax offset comprising the following components: a basic amount of \$338 and 50 per cent of the 'relevant rebate amount' he is entitled to, which for him comprises the notional dependant spouse with child offset (\$2,736) and two notional student offsets (\$372 each), or 50 per cent of \$3,488 which is \$1,744. In total Oscar is entitled to a zone tax offset of \$2,082.

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Oscar and Lucinda are also eligible for Family Tax Benefit (FTB) Parts A and B. They receive \$169.12 of FTB Part A a fortnight and \$100.66 of FTB Part B a fortnight.

By way of contrast, Mike and Carol live in Cairns with their two children, Greg and Marcia, aged 12 and 10. Cairns is in ordinary zone B. Mike and Carol have the same income situation as the other two couples. Carol does not work and has no adjusted taxable income. Greg and Marcia also have no adjusted taxable income. Mike has a taxable income of \$70,000.

Mike is eligible for a zone tax offset comprising the following components: a basic amount of \$57 and 20 per cent of the 'relevant rebate amount' he is entitled to, which for him comprises the notional dependant spouse with child offset (\$2,736) and two notional student offsets (\$372 each), or 20 per cent of \$3,488 which is \$697.60. In total Joseph is entitled to a zone tax offset of \$754.60.

Mike and Carol are also eligible for Family Tax Benefit (FTB) Parts A and B. They receive \$169.12 of FTB Part A a fortnight and \$100.66 of FTB Part B a fortnight.

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Question: 2

Topic: Taxation Zone Rebate

Mr LIVERMORE asked:

Mr HAASE: So the 50 per cent exemption means that the employer would have to gross up just 50 per cent of that. How is the quantum of dollars assessed? For example, say, there is \$1,000 a week rent. The employee is renting the house at \$1,000 a week from another party. The employee reimburses that \$1,000 a week and then the \$500 a week is then a basis for the FBT.

Mr Poulakis: Very crudely, close to an amount of \$500 will be the FBT payable on it.

Ms LIVERMORE: But if the company owns the house that the employee is living in then there is a 100 per cent exemption?

Mr Poulakis: Yes.

Ms LIVERMORE: Is there some rationale for that distinction?

Mr Jacobs: It has been a longstanding provision.

Mr Leggett: It has been a provision since 1986.

Mr HAASE: Could you tell us in some broader terms of why that might be. Is it because somebody else is claiming an exemption? Is that third party possibly claiming some financial advantage? The rent would be income for them. Can you explain the rationale in broad terms.

Mr Jacobs: One thing we can definitely do is go back to the original explanatory memorandum for the amendments to find that the explanation for that difference, and that might be the best way that we can assist.

Answer:

Currently, under the *Fringe Benefits Tax Assessment Act 1986*, remote area housing benefits are exempt benefits and, therefore, not taxable to the employer. A housing benefit arises in relation to a housing right; that is, a lease or licence granted to a person to occupy a unit of accommodation and that accommodation is their usual place of residence.

Other fringe benefits arise when an employer subsidises certain costs incurred by employees in acquiring accommodation in remote areas, such as loan fringe benefits, expense payment fringe benefits, remote area housing rent and property fringe benefits. The taxable value of these benefits is reduced by 50 per cent.

When the *Fringe Benefits Tax Assessment Act 1986* was enacted, the taxable value of remote area housing benefits and other benefits provided in relation to remote area housing was reduced by 40 per cent. This concessional treatment replaced the income tax treatment

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provided by former section 26AAAB of the *Income Tax Assessment Act 1936*. In 1987, the reduction in taxable value was increased to 50 per cent.

From 1 April 2000, the reduction in taxable value of remote area housing benefits was replaced with an exemption. This amendment extended the exemption available to primary producers for remote area housing benefits to all employers to reduce their compliance and record keeping costs and to make it easier to attract and retain staff in remote areas. No change was made to the concessional treatment of other benefits provided in relation to remote area housing. To qualify for the remote area housing benefits exemption, a number of conditions had to be met, including that it was necessary for the employer to provide or arrange for residential accommodation for employees and customary for employers in the relevant industry to provide free or subsidised accommodation to their employees.

From 1 April 2006, the requirement that it must be customary for free or subsidised accommodation to be provided by employers was removed. This requirement was removed to assist small businesses to access the concessional treatment.

Additional scenario – provided 12 October 2012

Jack and Dianne live in Perth with their two children, Chris and Meg, aged 12 and 10. Dianne does not work and has no adjusted taxable income. Chris and Meg also have no adjusted taxable income. Jack has a taxable income of \$70,000. Jack works in Marble Bar and spends two thirds of the year there. The rest of the family remains in Perth while Jack is working.

Because Jack resides in Marble Bar for the majority of the year he is eligible for an ordinary Zone A zone tax offset comprising the following components: a basic amount of \$338 and 50 per cent of the 'relevant rebate amount' he is entitled to, which for him comprises the notional dependant spouse with child offset (\$2,736) and two notional student offsets (\$372 each), or 50 per cent of \$3,488 which is \$1,744. In total Jack is entitled to a zone tax offset of \$2,082.

Jack and Dianne are also eligible for Family Tax Benefit (FTB) Parts A and B. They receive \$169.12 of FTB Part A a fortnight and \$100.66 of FTB Part B a fortnight.

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Australian Taxation Office

Inquiry into the use of 'fly-in, fly-out' workforce practices in regional Australia

22 August 2012

Topic: Employment declaration – residential address

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Question: 1

Mr HAASE: On a slightly different note, what is the rigour attached to the declaration by an employee of their residential address? **Mr Moore:** That might be a question for the tax office. **Mr HAASE:** Fair enough. **Mr Poulakis:** I do not know the answer to that one. I will need to take it on notice. My general understanding is that it is all part of the employment declaration. When you go and work for someone you give them your tax file number and all your details. My vague recollection is that you make a statement in that declaration. I do not believe there is a separate declaration, but I am not entirely certain that that is still the case.

Answer:

Zone Tax Offset:

An employee eligible to claim a zone tax offset does so by completing the relevant section of their individual tax return.

The benefit of the tax offset can be received throughout the year, by way of the employer reducing the amount of tax withheld from salary payments, if the employee completes the required ATO form. The employee completes the tax file number declaration form, which includes details of their home address in Australia, and a withholding declaration, which includes a statement by the employee showing the amount of the expected zone tax offset entitlement.

The tax system is a self assessment system and information provided to the ATO is initially accepted as being true and accurate. Both the tax file number and withholding declaration forms note that there are penalties for making false or misleading statements.

Living Away from Home Benefits/Allowances

In most cases, to enable a reduction in the taxable value of living away from home benefits, the current fringe benefits tax legislation (noting that *Tax Laws Amendment (2012 Measures No. 4) Bill 2012* is currently before Parliament) requires the employer to obtain a declaration from employees living away from home for the relevant period. A pro-forma of this declaration is shown below. The declaration includes a requirement for the employee to provide the location of their usual place of residence.

Employees employed under 'fly-in fly-out' arrangements or on offshore oil rigs, do not have to provide this declaration as there is a concession under the law. However, all taxpayers have to include their address on tax returns they submit and there are penalties for making false and misleading statements.

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<p style="text-align: center;">Living away from home declaration</p> <p>I, _____ declare that (employee name)</p> <p>during the period _____ 20____ to _____ 20____ I was required to live away from my usual place of residence in order to perform the duties of my employment and that during that period my usual place of residence was</p> <p>_____</p> <p style="text-align: center;">(state place where you usually live)</p> <p>and the nature of that residence was _____; and, during the period the place at which I actually resided was</p> <p>_____</p> <p>_____</p> <p>(state all addresses at which you resided while away from home in the period stated above)</p> <p>Signature _____</p> <p>Date: _____</p>
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In cases where the declaration is required, but not provided, the employer is required to pay fringe benefits tax on the full value of the living away from home benefits provided to that employee.