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### ***REGIONAL BUSINESS INCENTIVES***

The recent urban water crises in Australia reinforce the need for taxation measures aimed at decentralization to ease the pressure on infrastructure, alleviate urban congestion and provide stronger and more vibrant regional economies by creating much greater regional economic equity.

The Institute of Chartered Accountants and the Local Government and Shires Association of NSW have funded a major economic report on the generation of jobs in Regional areas, which was prepared by Dr. Ian Manning from the National Institute of Economic and Industry Research.(NIEIR) \*

### **MANNING REPORT PROPOSALS**

The essence of the Report is that:

- Regional Australian is in general performing below par in economic terms.
- Regional Business Incentives have been successfully utilised in O.E.C.D countries such as the US, UK, and Europe for over 20 years to promote regional development.

The Report proposes:

- Use of a co-ordinated mix of Investment, Employment and Income Tax Incentives offered by Federal, State and Local Governments to assist businesses to establish in underperforming areas, and reduce the risk of doing so.
- Incentives for individual taxpayers to move to or remain in regional areas. Currently in many areas of regional Australia the most significant economic driver is the oil, gas and mining industry, which is heavily biased towards fly-in-fly-out labour, which has a detrimental effect on local workforces. Significant incentives aimed at residential taxpayers would combat some of the attraction of the mining sector.
- A complete review of the current zone rebate system framed in 1945, with rebate levels set in 1994, since when the CPI has increased by 60%, while the remainder of the taxation system has undergone major reform.

It addresses:

- Constitutional issues frequently raised by critics of Regional Business Incentives, in a detailed opinion obtained from constitutional lawyer Patrick Brazil SC, from Phillips Fox.
- Regional population drift
- The need to promote decentralization to combat growing urban congestion and resultant huge infrastructure demands.

The Report concluded that over time its proposals would be revenue-neutral. The Report is intended to be updated soon , but the increasing social costs of population growth, and infrastructure demands will ensure continued revenue neutrality.

It continues to be supported by the Australian Local Government Association.

## **ZONE BOUNDARIES**

One of the reasons given for leaving the present zone boundaries intact is the electoral risk of taking responsibility for boundary changes.

However the Howard Government's own Regional Business Development Analysis Panel report released on 27<sup>th</sup> August 2003, on page 2 details the Australian Bureau of Statistics Accessibility/Remoteness Index of Australia, which is already in use and regularly updated.

This independent classification includes the existing remote Tax Zone boundaries and can form the basis of objective boundaries for a new system of Regional Taxation Incentives with a potentially strong electoral appeal to both concerned regional, and urban voters.

Present Tax Zone boundaries include Cairns, Airlie Beach and Port Douglas at the expense of more remote areas, and are in drastic need of reform.

## **CONCLUSION**

It is in the interests of Regional Australia to develop new policies to promote business establishment and employment creation in regional areas for the benefit of ALL Australians.

\* A full & two abbreviated versions of the Manning Report are freely available on the LGSA website – [www.lgsa.org.au /www/html/244-economic and regional development.asp](http://www.lgsa.org.au/www/html/244-economic%20and%20regional%20development.asp)>Enterprise Zones

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