

Parliament of the Commonwealth of Australia

House of Representatives Standing Committee
on Banking, Finance and Public Administration

TAXING RELAXING

**Report on the
Inquiry into the Impact of Australia's
Taxation Regime on the Tourism Industry**

March 1995

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Foreword

This report examines the relationship between Australia's taxation regime and the tourism industry. Ten years ago tourism would have been categorised as a promising but fledgling sector of the economy. Following a rapid and vigorous period of development, boosted by Government support, tourism today is a multi-billion dollar industry, comprising a wide variety of businesses, providing income and employment for hundreds of thousands of people and contributing very significantly to the health of Australia's economy.

Now that tourism has emerged as such an important sector of the economy it is timely and appropriate to assess whether the current taxation regime impacts unfairly on the industry and to address any anomalies which may have arisen.

In gathering evidence for this report the Committee travelled widely and spoke to many individuals, businesses and organisations involved in tourism. I wish to express my gratitude to all those who have contributed to the inquiry, especially the many busy people who took time away from their businesses in order to provide members with information and assistance. In addition there were a number of Government departments and agencies which provided the Committee with valuable advice and assistance.

I thank, too, the members of the Committee for their commitment and dedication to the conduct of the inquiry and their valuable contribution to the preparation of the report.

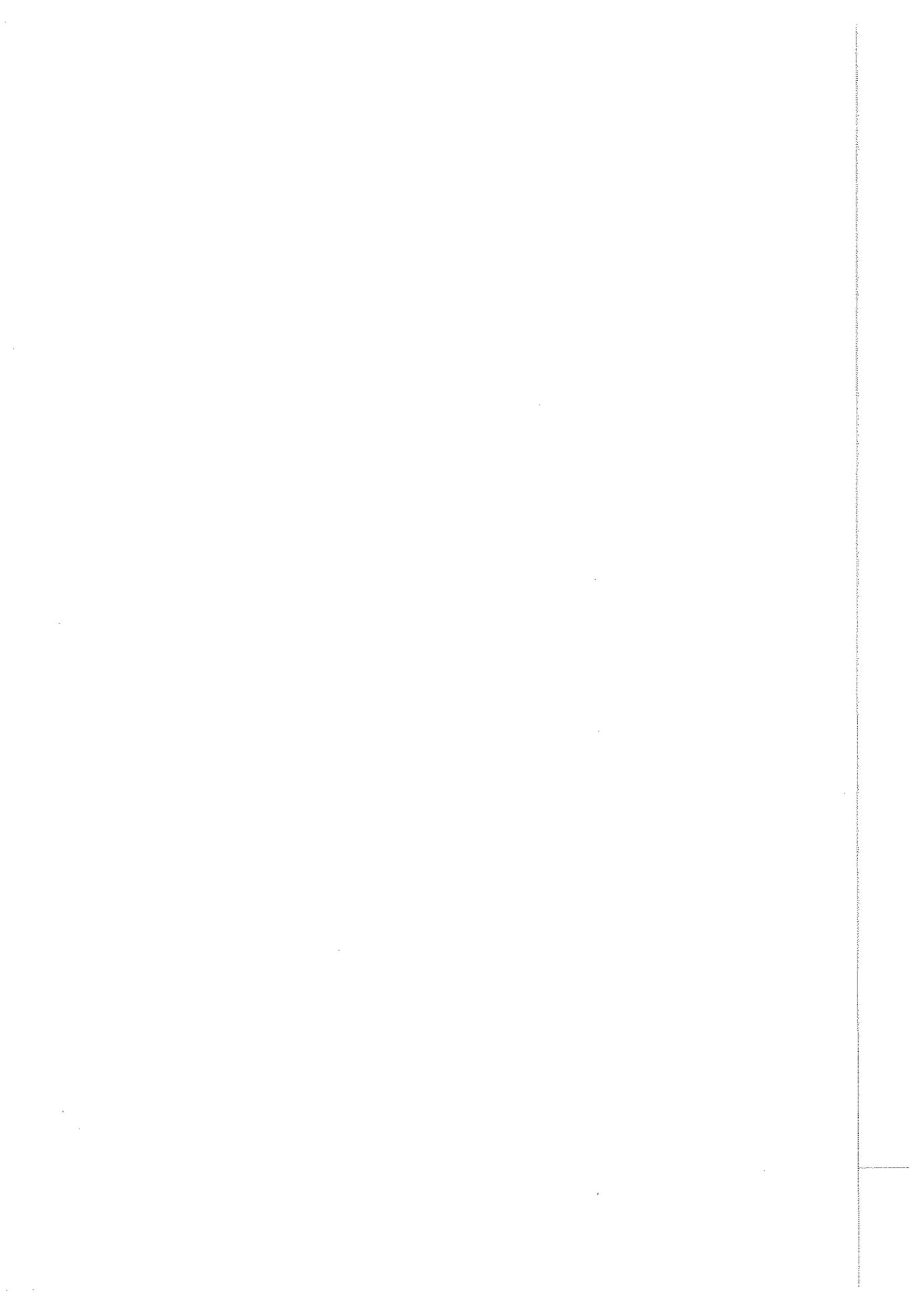
Finally, I commend the secretariat for both their support of the Committee and their assistance during the inquiry process and the production of the report. I wish especially to express the Committee's appreciation to Ms Alison Allcock from the Department of Tourism for her professional assistance during the course of the inquiry, along with Ms Pattie Tancred, Secretary, Mr Chris Paterson and Ms Margaret Cahill.

THE HON DAVID SIMMONS MP
Chairman

Members of the Committee

Chairman:	Hon D W Simmons, MP ¹
Deputy Chairman:	Mr J W Bradford, MP ²
Members:	Mr A J Abbott, MP ³ Mr R A Braithwaite, MP Mr B T Cunningham, MP Hon M J Evans, MP ⁴ Mr D F Jull, MP ⁵ Mr M W Latham, MP ⁶ Hon L R S Price, MP Mr S F Smith, MP Mr A M Somlyay, MP Mr H F Woods, MP
Secretary:	Mr C Paterson
Inquiry Staff:	Ms P Tancred Ms M Cahill
Adviser:	Ms A Allcock

¹ Replaced the Hon R P Elliott, MP as Chairman from 10 February 1994.
² Replaced Mr P K Reith, MP as Deputy Chairman from 13 October 1994.
³ Replaced Mr A C Rocher, MP as member of Committee from 5 May 1994.
⁴ Replaced Mr E J Fitzgibbon as member of Committee from 10 May 1994 and Mr Fitzgibbon replaced the Hon J C Kerin, MP as member of Committee from 9 February 1994.
⁵ Replaced Mr P K Reith, MP as member of the Committee from 12 October 1994.
⁶ Replaced the Hon R P Elliott, MP as member of Committee from 9 February 1994.



Terms of Reference

With reference to the overall structure and purpose of Australia's tax systems,

1. Examine the level of taxation, both direct and indirect, levied on the Australian tourism industry and whether the taxation regime impacts unfairly on the tourism industry relative to other industries.
2. Identify any inequities in the application of specific taxation measures to the tourism industry relative to other industries.
3. Examine whether the current taxation regime places the Australian tourism industry at a competitive disadvantage relative to the taxation regime of competitor countries.

Acronyms and Abbreviations

ABS	Australian Bureau of Statistics
ACS	Australian Customs Service
AHA	Australian Hotels Association
AMPTO	Association of Marine Park Tourism Operators
BTR	Bureau of Tourism Research
CAA	Civil Aviation Authority
CGT	Capital Gains Tax
CPI	Consumer Price Index
CRC	Cooperative Research Centre
DFRS	Diesel Fuel Rebate Scheme
EMDGS	Export Marketing Development Grants Scheme
FAC	Federal Airports Corporation
FBT	Fringe Benefits Tax
GBRMPA	Great Barrier Reef Marine Park Authority
GDP	Gross Domestic Product
GST	Goods and Services Tax
IDC	Inter-departmental Committee
MIMA	Motor Inn, Motel and Accommodation Association
OECD	Organisation for Economic Cooperation and Development
PMC	Passenger Movement Charge
RAC	Resource Assessment Commission
RCA	Registered and Licensed Clubs Association of Australia
SICTA	Standard International Classification of Tourism Activities
VAT	Value Added Tax
WEFA	Wharton Econometric Forecasting Associates
WTO	World Tourism Organisation
WTTC	World Travel and Tourism Council

List of Recommendations

The Committee recommends that:

1. the Australian Bureau of Statistics, in consultation with the Bureau of Tourism Research and other interested organisations, be provided with the resources to develop a statistical system for quantifying the significance of tourism in Australia as a matter of priority. (2.16)
2. the threshold for immediate income tax write off for items of plant and equipment be adjusted annually to allow for inflation. (3.18)
3. all vehicles which are used exclusively for earning assessable income be fully depreciable. (3.22)
4. landscaping and outdoor recreation facilities integral to the tourist experience be eligible for depreciation. (3.26)
5. net capital gains tax be deferred on the capital gain realised on the sale of a trading business which is rolled over into another trading business. (3.36)
6. the Australian Taxation Office investigate the taxation treatment of non-resident junket operators internationally to ascertain how they are taxed by other countries and whether there is any evidence that non-resident junket operators have been deterred from visiting particular countries as a result of taxation measures. (3.48)
7. Treasury undertake an assessment of the potential impact of the inclusion of non-resident junket operators in the income tax regime with regard to Federal, State and local government revenue and that this assessment be taken into consideration before any decision to proceed with taxing non-resident junket operators' income. (3.48)
8.
 - a. the Treasurer examine the mutuality principle as it applies to the club industry, its effect on government revenue and its contribution to taxation inequity between clubs and other tourism providers; and
 - b. the Treasurer refer this matter to the Industry Commission. (3.57)
9. FBT be removed from 'benefits' provided for health and safety reasons that are compulsory conditions of employment under an award or enterprise agreement and cannot be cashed out. (4.20)

10. methods for discounting the taxable value of benefits which are legitimate business expenses and cannot be cashed out be examined and reported on by Treasury by the end of 1995. (4.23)
11. a sales tax exemption be granted for tourism buses and four wheel drive vehicles of 12 seats and under and that the Transport Ministers Council be consulted for their assistance with the implementation of this exemption. (5.11)
12. for the purpose of validating a tax-free sale, details of the customer's visa and air ticket need not be photocopied but may be recorded by hand or any other suitable medium. (6.9)
13. the government carry out an investigation of the tourism shopping practices of tour companies to ascertain whether their activities and those of their tour guides act as a disincentive to fair competition. (6.11)
14. consultation take place between duty free retailers, the Australian Customs Service and the Federal Airports Corporation to examine ways of developing more efficient and less disruptive docket retrieval procedures. (6.18)
15. liability for unpaid duty be ascribed to the party at fault, whether it be the retailer or the customer. (6.18)
16. the general allowances be adjusted to reflect changes in the purchasing power of the Australian dollar since 1987 and that the allowance be indexed annually. (6.23)
17. consultation take place between duty free retailers, the Australian Customs Service and the Federal Airports Corporation with a view to determining whether a more appropriate range of products might be made available in inbound duty free retail outlets. (6.25)
18. duty free shopping be introduced for transit passengers at Australian airports. (6.27)
19. the Diesel Fuel Rebate Scheme be reviewed to clarify its objectives and to investigate alternatives that ensure equity and minimise distortions in its application. (7.8)
20. access to the Diesel Fuel Rebate Scheme be extended where the fuel is used in electricity generators which provide an essential service to areas not linked to the national electricity grid. (7.13)
21. in conformity with the equity criterion of good taxation, the accommodation sector not be singled out for taxation. (8.18)

22. the beneficiaries of user charges should be clearly identified and uniformly treated; all user charges are related to the cost of providing the good or service; and revenue from user charges should be allocated to the costs associated with the operation, maintenance and development of the product. (8.25)
23. once the Export Market Development Scheme is fully implemented, consideration be given to the provision of equal access to the Scheme for single service providers at the rate of 50 cents in the dollar. (9.7)
24. the Heritage Conservation Tax Incentive Scheme be monitored closely to ensure that the cap on revenue forgone be kept at a level commensurate with demand for inclusion in the scheme. (9.11)
25. eligibility for the Heritage Conservation Tax Incentive Scheme be expanded to include natural heritage places. (9.11)
26. The Council of Australian Governments consider means by which the payroll tax system (and consequently, Federal/State financial relations) can be reformed to resolve the difficulty in:
 - a. taxing labour inputs and disadvantaging labour intensive industries (at a time when Australia should be fostering the growth of these industries, particularly in regional areas); and
 - b. the declining base and integrity of State payroll tax systems. (10.8)

CHAPTER 1

SCOPE AND CONDUCT OF THE INQUIRY

Introduction

1.1 The business of tourism represents one of the most important sectors of the economy. The part played by the tourism industry in Australia's economic well-being is widely acknowledged to be significant, although estimates of its exact contribution vary. On the basis of the Wharton Econometric Forecasting Associates Group's (WEFA) analysis, Tourism Council Australia¹ estimates that, directly and indirectly, tourism accounts for 11.5% of Gross Domestic Product (GDP) and employs nearly one million people.² The Commonwealth Department of Tourism, on the other hand, provides the more conservative estimate of 6% of GDP and assesses tourism-related employment to be in the region of half a million.³

1.2 There is no doubt that whichever of these estimates is accepted the tourism business is a major component of Australia's economy. With \$10.6 billion in foreign exchange earnings generated by inbound tourists in 1993/94,⁴ tourism has a reasonable case for claiming to be one of the country's top export industries. While the proportion of inbound tourists is increasing, domestic tourism currently accounts for approximately 70% of total tourist expenditure and is the major source of revenue for many Australian tourism businesses.⁵

1.3 *Earnings of this magnitude significantly augment the tax base.* The Bureau of Tourism Research (BTR) estimates that in 1991/92 the amount of indirect taxation derived from the tourism industry was in the order of \$3.6 billion.⁶ This contribution to the economy is noteworthy but has also prompted some questioning of the relationship between tourism and the taxation regime. There is a widely held perception among industry representatives that their taxation burden is greater than that carried by other sectors of the economy. As a case in point, the Northern Territory Hotels and Hospitality Association estimates that, exclusive of company

1 Formerly the Australian Tourism Industry Association.

2 Evidence, p. S104

3 Evidence, p. S486

4 Evidence, p. S487

5 Evidence, p. S486

6 Evidence, p. S492

tax, the tax liability of 4 star hotel operators in the Territory is 14 cents in the dollar.⁷ There is, too, concern in the industry that heavy taxation is constraining tourism's future growth and development.

1.4 Statistics do not, of course, tell the whole story. Income from tourism and tourism related activity is crucial to a very large number of Australians. The industry's importance both to individuals and the economy may be perfectly evident in a city like Cairns, where some industry operators estimate that as many as 80% of businesses depend on tourism.⁸ It is probably less obvious to a Sydney factory worker manufacturing mattresses destined for use in a Cairns hotel. For both the Cairns hotelier and the Sydney mattress maker, though, it is vital that the business of tourism continues to grow and be profitable. One factor which will be decisive in ensuring tourism's continuing prosperity is a fair and equitable taxation regime with respect to the industry.

Terms of Reference and Conduct of the Inquiry

1.5 The Minister for Tourism, the Hon Michael Lee MP, requested that the House of Representatives Standing Committee on Banking, Finance and Public Administration inquire into and report on the impact of Australia's taxation regime on the tourism industry. The Committee adopted the reference on 3 March 1994.

1.6 The inquiry was advertised on 13 and 14 May 1994 in major daily newspapers and trade publications, and submissions were invited directly from relevant Commonwealth government agencies, State governments and tourism and related organisations.

1.7 On 9 June 1994 the Committee received an initial briefing from representatives of the Commonwealth Department of Tourism which provided members with useful background information for the conduct of the inquiry. In view of both the enormous geographical spread of the Australian tourism industry and its economic diversity, the Committee determined that a wide ranging program of inspections, hearings and discussions was necessary if opinion across the broadest possible spectrum of the industry were to be canvassed.

1.8 Between June and October 1994, the Committee travelled extensively to conduct public hearings and hold discussions with tourism industry representatives and other interested people in most states and the Northern Territory. The Committee heard evidence at 18 public hearings in Darwin, Brisbane, Airlie Beach, Cairns, Sydney, Canberra, Adelaide and Perth. The hearings process concluded in December 1994. In addition, much valuable information was obtained during the course of less formal discussions with individuals involved in the industry in places as far apart as the Swan Valley, Uluru and Kuranda. Details of

⁷ Evidence, p. S288

⁸ Evidence, p. 185

the hearings program are provided at Appendix 1. A list of the witnesses who appeared before the Committee appears at Appendix 2.

1.9 The Committee's deliberations were also greatly assisted by comprehensive input from the 75 submissions received from individuals and organisations from across the spectrum of tourism interests. A list of submissions received by the Committee is provided at Appendix 3.

1.10 On 8 November 1994 the Committee published an issues paper based on the evidence received in submissions and at public hearings. The purpose of the paper was to pull together the issues that had been raised by the diverse range of industry participants and provide an opportunity for further input on these matters from as many different perspectives as possible. The paper was widely distributed and, as expected, this material greatly assisted the Committee in the production of its report.

1.11 The transcripts of the public hearings and other evidence authorised for publication have been incorporated in separate volumes and copies are available for inspection in the Committee Secretariat and the Commonwealth Parliamentary Library. References to evidence in the text of this report relate to page numbers in these volumes.

Structure of the Report

1.12 Chapter 2 provides a general overview of the problems associated with identifying and defining the tourism industry and the current position regarding the collection of statistical data on the industry. Chapter 2 also contains some broad discussion of the taxation regime and its relationship to tourism.

1.13 The remainder of the report is structured so as to address in specific terms the effect of certain aspects of the taxation regime on the tourism industry. Chapters 3 to 7 deal with particular taxation measures: income tax, fringe benefits tax (FBT), sales tax and duties and excises in terms of their impact on tourism operations. Chapter 8 discusses the application of user fees and charges in the tourism context and Chapter 9 reviews government support for the industry and identifies some of the incentives available. National and international comparisons are discussed in Chapter 10. The report's overall conclusions are drawn together in Chapter 11.



CHAPTER 2

TOURISM DATA AND TAXATION POLICY

Introduction

2.1 Tourism activity is served by many different types of businesses providing goods and services to people temporarily absent from their usual place of residence. While some businesses are exclusively involved in tourism, most cater to demand from different types of consumers. All of these businesses draw upon other businesses which may also be considered to be indirectly involved in tourism to a varying degree.

2.2 The difficulty in identifying the extent of tourism activity from the supply side was outlined in submissions from Commonwealth and State Government agencies and industry associations.⁹ This difficulty arises from a lack of an identified tourism 'industry' since existing statistical categories that are used for quantifying the significance of Australian industries have been defined according to the outputs or products of those industries. For example, Treasury stated that it is not possible to examine the tourism industry as a single entity using existing models as tourism is not separately identified in Australian Bureau of Statistics (ABS) data tables.¹⁰ In contrast to other industries, tourists consume outputs of many industry sectors. This raises questions about whether, or how, the contribution of those businesses partially or indirectly involved in tourism can be included in tourism statistics.

2.3 Various organisations are addressing the need for more reliable and practical tourism data. Australian organisations include the ABS, the Bureau of Tourism Research and State and Territory tourist commissions. Most of these efforts are directed towards tourism demand side data. The major source of economic data on tourism is ABS data.

Development of Tourism Statistics

2.4 The World Tourism Organisation (WTO) is developing a Standard International Classification of Tourism Activities (SICTA). This approach is based on existing classifications, such as those used by the ABS, and focuses on those sectors of the economy which are directly involved in the provision of tourism services, such as direct suppliers and tourism commissions.

⁹ Evidence, pp. S14, S43, S366-7, S471-3 and S890

¹⁰ Evidence, p. S366

2.5 The World Travel and Tourism Council (WTTC) takes a broader approach in developing its tourism economic accounts and includes indirect suppliers of tourism goods and services. It aims to identify the 'business of tourism' and examines the proportion of all businesses which may be attributed to tourism activity. For example, some primary production can be attributed to tourism since all tourists consume food.

2.6 The Organisation for Economic Cooperation and Development (OECD) is working on a system of tourism economic accounts which separate tourism from existing industry classifications. This approach is compatible with national accounts concepts and provides a step towards the development of satellite accounts.

2.7 Statistics Canada is working on Tourism Satellite Accounts which will be compatible with existing national accounts.

2.8 The ABS is cooperating with international organisations in the development of conceptual models for tourism statistics. It has commenced development of an Australian version of the classification of tourism activities to enable a more detailed analysis of businesses that supply goods and services for tourism and to provide a basis for more integrated studies of tourism supply. In addition, a revised system of national accounts is in the process of being adopted which will provide an improved framework for the development of tourism satellite accounts.¹¹ The ABS is also undertaking preliminary groundwork on a set of tourism satellite accounts which it explained thus:

What a satellite account provides is the mechanism to bring the supply and demand together and permit a complete analysis of tourism's role in the economy... The compilation of these satellite accounts requires the drawing together of a set of diverse collections of statistics and the conduct of additional ones. This drawing together in turn requires the development of consistent concepts, standards and classifications to permit this to be done.¹²

2.9 The main aim of this work is to show the contribution of tourism to the national economy.¹³ The ABS reported that progress in this area is time consuming and is constrained by lack of funds for program establishment and collection of the necessary data for these accounts.¹⁴ The cost of developing Australian Tourism Satellite Accounts was estimated at approximately \$2.6 million

11 Evidence, p. 765

12 Evidence, p. 765-6

13 Evidence, p. S474

14 Evidence, p. 766

for 1995-96 to 1997-98 (including \$1.9 million for additional data collection) and approximately \$2.7 million per triennium thereafter.¹⁵ The Committee commended the ABS for its assistance with the inquiry.

Conclusion - Tourism Data

2.10 Tourism is one sector of Australia's economy that has grown considerably in recent years. Forecasts based on data such as inbound visitor arrivals indicate that inbound tourism to Australia will increase at an average annual rate of 8% for the remainder of the decade, and this forecast does not take into account the impact of tourism to Australia arising from the Olympic Games to be held in Sydney in the year 2000.¹⁶

2.11 Tourism relies on careful planning, investment in public and private infrastructure and the development of goods and services to satisfy demand. The availability of relevant, timely and accurate information is a prerequisite for this process. However, it appears that adequate data is not available to assess many issues associated with tourism development. The lack of adequate data was noted by a number of organisations and was an impediment in the course of the inquiry. While a number of organisations are responding to this challenge, additional data would assist both governments and the private sector in continuing to develop a sustainable tourism sector, meeting tourist expectations and optimising the benefits that accrue to employment and the balance of trade. Realisation of Australia's tourism potential will benefit all sectors of the economy.

2.12 The Committee is of the view that a statistical system for quantifying the significance of tourism should be developed and that it should recognise all sectors of the economy that contribute to, or benefit from, tourism activity.

2.13 In this context the Committee is interested in the conceptual model developed by the WTTC which recognises that tourism relies on all sectors of the economy. There are limitations to applying this model; in particular it is necessary to establish the relative impact of tourism on each sector of the economy. While this has proved to be a vexing issue, the development of tourism satellite accounts will assist in this endeavour.

2.14 The Committee believes that satellite accounts would assist with the provision of basic facts upon which decisions can be taken. Reliable data would greatly assist in the formulation of policy, provide a means for policy evaluation and encourage the development of sustainable tourism businesses. Accurate and timely information provides a basis for major public and private investment and the Committee considers that the cost of developing Tourism Satellite Accounts will be significantly outweighed by the benefits which will be derived from them.

¹⁵ Correspondence, 9 February 1995.

¹⁶ Evidence, p. S485

2.15 In view of the rapid development of tourism in recent years the *Committee considered that additional work in this area should be undertaken as a matter of priority.* The Committee accepts the advice of inquiry participants on the subject of data deficiencies such as the Inbound Tourism Operators Association of Australia:

Might we suggest that the Committee draw attention to this problem and recommend that the Australian Bureau of Statistics review its internal priorities with a view to allocating more resources to data collection for service industries, such as tourism, that have substantial export sales.¹⁷

In recognition of the importance of this work, the Committee is of the opinion that additional funds should be allocated.

2.16 **The Committee recommends that:**

1. **the Australian Bureau of Statistics, in consultation with the Bureau of Tourism Research and other interested organisations, be provided with the resources to develop a statistical system for quantifying the significance of tourism in Australia as a matter of priority.**

Taxation Revenue

2.17 The Australian Bureau of Statistics (Catalogue No. 1217.0) classifies total taxation revenue as taxes, fees and fines.

- Taxes are compulsory levies imposed by governments with the intention of raising revenue. There is usually no direct link between the levy and government services provided:
 - direct taxes are paid by the people on whom they are levied; and
 - indirect taxes are usually passed on by the party which pays the tax, or incorporated into production expenses.
- Fees are levied for the use of a resource or regulation of an activity and are associated with the direct provision of services rather than to raise general revenue.
- Fines arise from penalties imposed on law breakers.

¹⁷

Evidence, p. S890

2.18 While the main emphasis of this inquiry is on the direct and indirect taxation regimes, the Committee also reviewed concern about the use of fees and charges as they apply to tourism activity.

Principles of Good Taxation

2.19 These principles were referred to in a number of submissions.

- An equitable taxation system ensures that people and businesses with equal capacities to pay tax are treated equally and that the proportion of income paid in taxes should rise with the capacity to pay.
- An efficient taxation system does not interfere with patterns of production or consumption set by the marketplace. It does not affect consumer behaviour or lead to discrimination between goods and services.
- A simple taxation system minimises direct administration and compliance costs.

2.20 These principles may conflict. For example, some sales tax rebates may be equitable but give rise to high compliance costs. In other cases the taxation regime is used as an instrument for implementing other government policy, for example, tobacco excise can be an economic disincentive to an activity regarded as unhealthy.

2.21 Principles of good taxation are widely recognised and have guided the Committee in its deliberations. As a general rule, the Committee is concerned that no industry should be unfairly burdened by taxes and in the course of this inquiry has sought to examine any unintended consequences of the taxation regime that may have implications for tourism operators. Conversely, the Committee has sought to ensure that the outcomes of this inquiry do not adversely impact upon other industries or give rise to inequities among other sectors.

2.22 This accords with recognition that all sectors of the economy may be indirectly involved in tourism and that perceived problems arising from the taxation regime cannot be addressed in isolation. The business of tourism, which is broadly based on all industries, should be well served by even handed taxation treatment. This view was supported in a number of submissions and is discussed in detail by Tourism Council Australia.¹⁸

18

Evidence, pp. S103-118 and S790-2

Impact of the Taxation Regime

2.23 There is some uncertainty over the impact of Australia's taxation system, in particular with regard to indirect taxation. According to Treasury, the current policy approach relies on the use of a mixture of taxes; rather than placing excessive weight on direct or indirect taxes, it uses a broad base with low nominal rates and allows very few sectoral concessions.¹⁹ In practice, however, it is suggested that our indirect tax system is narrowly based with many concessions and exemptions, and as a result often involves very high ad valorem-equivalent rates.²⁰ This would suggest that our taxation system has unequal effects on providers and consumers.

2.24 The importance of reviewing the taxation regime in response to changes in the economy was highlighted by the Commonwealth Department of Tourism:

In general, the current taxation regime was developed at a time when the economy depended primarily upon rural, manufacturing and mining sectors and the services sector was relatively undeveloped and was not recognised as an economic entity. ... This traditional legislative base often does not translate well from goods producing industries to more recently emerging services industries.²¹

2.25 While this issue is worthy of further debate, much of the concern that led to this inquiry has arisen from a number of exemptions or rebates which have been allowed within the indirect taxation regime.

Alternative Approaches to Taxation

2.26 One alternative to the present taxation system could be through the introduction of a value added tax. The Committee heard a range of comment on this subject, with some advocates suggesting that, provided that it is fully comprehensive, some of the problems identified in the existing tax regime would be addressed. For example, it would evenly tax goods and services by removing taxes on inputs and taxing services as outputs. A zero rating for exports would ensure that the exported component of tourism is internationally competitive. In contrast, evidence provided to the Committee concerning the experience of other countries indicated that value added taxes are often not comprehensively applied and do not necessarily meet the objectives of a good taxation system.²²

¹⁹ Evidence, p. S370

²⁰ Evidence, p. S798

²¹ Evidence, p. S489

²² Evidence, p. 782

2.27 A study by Horwath and Horwath for the Queensland Tourist and Travel Corporation and ATIA estimated that a 300 room, 5 star hotel would pay \$17.7 million in indirect taxes in its first ten years of operation. This study identifies that local government charges, payroll tax and wholesale sales tax form the largest proportion of the indirect tax burden.²³

2.28 The Committee notes the view of Access Economics that 'solving these *consumption* spending defects can *only* be achieved by replacing the wholesale sales tax with a comprehensive, uniform-rate VAT raising the same revenue. It is assumed that such a step, for the moment, is politically unacceptable.'²⁴

Conclusion - Taxation Regime

2.29 Consideration of major taxation reform would be inappropriate within the terms of reference for this inquiry which focus on anomalies and inequities as they apply to tourism. The Committee has not sought to single out tourism for special treatment within the taxation regime. Rather it has adopted the approach that it will examine evidence within the context of the existing system, seeking out and addressing identifiable inequities.

²³ *The Impact of Taxes on the Profitability of Hotels*, A Report prepared for the Queensland Tourist and Travel Corporation and the Australian Tourism Industry Association, Horwath and Horwath, Brisbane, 1993

²⁴ Evidence, p. S115

CHAPTER 3

INCOME TAX

3.1 A number of income tax issues were raised before the Committee, in particular regulations governing allowable tax deductions incurred in deriving income; capital gains provisions; and the liability of some casino group promoters or 'junket operators' for income tax under Australian law.

Allowable Deductions

3.2 Allowable deductions are detailed within the Income Tax Assessment Act, and the following issues were identified as of particular concern to tourism operators:

- deductibility of entertainment expenses;
- special capital allowance provisions for buildings and structures;
- pre-operating capital expenditure write off;
- research and development; and
- depreciation provisions.

Entertainment Expenses

3.3 Entertainment expenditure is not deductible in most circumstances. The reintroduction of tax deductibility for business entertainment was suggested as entertainment is comparable to other deductible promotional options, such as advertising.²⁵

3.4 For example, one operator described the importance of entertainment for establishing and maintaining links with inbound tour operators:

Linkage occurs between the national and international tour booking operators, international and domestic airlines, accommodation sector and the tour operator in generating a positive impression of Australia for the tourist. ...Regular meetings with these 'partners' in the tourism industry is important for mutual success. Current entertainment legislation is an impediment to the effectiveness of this communication process.²⁶

²⁵ Evidence, p. S806

²⁶ Evidence, p. S353

3.5 While entertainment can be a legitimate business option for market development and promotional activities, deductibility of entertainment expenses was withdrawn in 1985 as a result of misuse. Consequently, its reintroduction would require provisions to ensure against revenue loss while minimising compliance costs. The Committee notes the suggestion that an entertainment allowance could be capped,²⁷ however this does not eliminate the need to address substantiation and compliance issues. The Committee is reluctant to pursue this matter as evidence presented does not adequately address the administrative and compliance concerns surrounding this issue.

Special Capital Allowance Provisions for Buildings and Structures

3.6 Most income producing buildings and structural improvements qualify for a write-off deduction of 2.5%. The rate for short term traveller accommodation was set at 4% between 1984 and 1987, reduced to 2.5% between 1987 and 1992 and then returned to 4%. It has been suggested that the amortisation rate could be increased²⁸ to reflect the effective life of tourism buildings²⁹ and that amortisation provisions for tourism buildings are not as generous as those offered to other industries such as mining and research and development.³⁰

3.7 The Committee is concerned that few hotels are under construction in Australia³¹ despite predictions that additional large international hotels are required to cope with projected increases in tourism activity. Lack of hotel construction is attributed to the effects of the taxation regime combined with other factors such as seasonality, marketing, development approval processes, high direct and indirect labour costs and international competition.³²

3.8 Amortisation rates may provide an opportunity partially to address this concern and to create a favourable environment for hotel development by reducing the time required for operators to recover major capital outlay and to generate accounting profits. This could be achieved either through self-assessment or an increase in amortisation rates for hotels.

3.9 The Committee is unable to assess the impact of these proposals on government revenue from evidence before the inquiry.

27 Evidence, p. S806

28 Evidence, p. S12

29 Evidence, p. S449

30 Evidence, p. S467

31 Evidence, p. 532

32 *The Impact of Taxes on the Profitability of Hotels*, op. cit.

3.10 The Committee also noted that existing provisions are comparable to those for other buildings which are used 24 hours a day, 7 days a week. For example, factories are eligible for an amortisation rate of 2.5% or 4% and private hospitals are eligible for 4%. In this context an increase in the amortisation rate for tourism buildings may be inequitable.

3.11 As well, the Committee recognised that if an asset, such as a hotel, is demolished or destroyed before it is completely written off, any undeducted capital costs are deductible for the year of income in which the asset was destroyed.

Pre-operating Capital Expenditure Write Off

3.12 Capital expenditure costs, such as feasibility studies, initial training or the development of a business plan are not usually deductible even though these activities are essential for the establishment of a profitable business and are usually required by lending institutions.³³ Although the costs of starting a business can be significant and can function as an impediment for businesses which do not return profits during their first few years, relief is available through capital gains tax provisions when the asset is sold.

3.13 The Committee is reluctant to proceed on this issue in view of the potential difficulties that would arise. To avoid inequities, a concession would need to apply to all capital expenditure and not single out tourism operators. This would involve a major loss of revenue to government, while incurring administrative and compliance costs for all industries.

Research and Development

3.14 A 150% deduction is available for research and development expenditure on projects described as systematic, investigative or experimental and involving technical innovation or risk. Market research, including product testing and consumer surveys, is, however, ineligible.³⁴ Various industry representatives suggested that this deduction could be extended to include tourism research.³⁵ The Committee has two main concerns with this proposal. Firstly, tourism research is generally market research and is essentially different from the innovative research that this concession is targeted to support. Secondly, it would be inequitable unless all market research were included. This would have a detrimental impact on the Budget.

3.15 Noting that overseas market research may be eligible for assistance under the Export Marketing Development Grants Scheme (EMDGS), the Committee considered a targeted response to this suggestion, for example for contributions to

33 Evidence, p. S577

34 *1994 Australian Master Tax Guide* p.804.

35 Evidence, p. S12

approved organisations such as the BTR. It was indicated by inquiry participants that such a concession may be inappropriate as it could compromise the work program of those organisations and would represent a double benefit as organisations such as the BTR are already directly funded by government.

Depreciation

Immediate Write Off

3.16 Immediate 100% income tax write off is available for items of plant or equipment which cost under \$300 or have an effective economic life of less than three years. In response to the suggestion that this be increased to \$1 000³⁶ the Committee notes that immediate write off provisions are already a tax concession as they represent accelerated depreciation beyond the effective life of an item. The \$300 limit was introduced in March 1991 to simplify tax administration and compliance and, after inflation, it would now represent approximately \$318.

3.17 The Committee considers that this allowance should be reviewed regularly to allow for inflation.

3.18 **The Committee recommends that:**

2. **the threshold for immediate income tax write off for items of plant and equipment be adjusted annually to allow for inflation.**

Vehicles Priced Over \$51 271 for the 1994/95 Income Year

3.19 A limit has been placed on depreciation provisions for motor vehicles to limit the subsidisation of luxury cars used by company executives, however this limit also applies to stretch limousines and four wheel drive vehicles used by tourism operators to earn assessable income.

3.20 Limited depreciation on tourism vehicles is anomalous when viewed in relation to other specialised items of plant and equipment, such as prime movers, which are not limited for depreciation. In addition, the rate of sales tax on luxury motor vehicles is 45%, which constitutes an added tax burden for the operators of stretch limousine and 4WD vehicles. These problems were summed up by the Inbound Tourism Organisation of Australia:

the value of such limousines for the purposes of calculating depreciation is limited to the sales tax threshold price. For example a basically equipped stretch limousine may cost in the vicinity of \$80,000 but the value of this vehicle for depreciation purposes is only \$51,271. ... The net result of this taxation treatment is

36

Evidence, p. S190

that the purchaser of a stretch limousine is required to pay a penalty rate of sales tax on the purchase but is only allowed to depreciate the vehicle at an arbitrarily low price.³⁷

3.21 The Committee is of the view that this situation is an unintended consequence of the taxation regime and that a distinction should be made between the price of a vehicle and its use. In this context, the full purchase price of vehicles used for earning assessable income should be depreciable and this distinction should apply equitably to all industries.

3.22 **The Committee recommends that:**

3. all vehicles which are used exclusively for earning assessable income be fully depreciable.

Landscaping and Outdoor Recreation Facilities

3.23 The introduction of depreciation provisions for landscaping and outdoor recreation facilities like golf courses was strongly argued in submissions from State and Territory governments.³⁸ For example, the West Australian Tourism Commission stated that they are:

an integral part of the whole project, necessary for the building to become income producing, and are subject to depreciation in value over time.³⁹

3.24 A number of structural improvements (including most outdoor recreation facilities such as paved tennis courts, in-ground swimming pools and covered shelters) have been eligible for depreciation at 2.5% since February 1992.⁴⁰

3.25 While a further extension of this provision may prove difficult to administer since it would require a distinction to be made between general landscaping and landscaping that forms an integral part of a product, such as a resort, the Committee considers that where landscaping is essential to the tourist experience, depreciation provisions should apply.

³⁷ Evidence p. S656

³⁸ Evidence, pp. S12, S311, S350 and S613

³⁹ Evidence, p. S350

⁴⁰ Evidence, p. S491

3.26 **The Committee recommends that:**

4. **landscaping and outdoor recreation facilities integral to the tourist experience be eligible for depreciation.**

Airport Pavements

3.27 Airport pavements (runways, taxiways and aprons) constructed after February 1992 are eligible for deductions at 2.5% of capital cost. The Federal Airports Corporation (FAC) has expressed concern that this rate does not reflect the fatigue life of pavements.

3.28 In addition, the FAC has a large investment in airport pavements constructed prior to that time for which no depreciation provisions apply.⁴¹

3.29 The Committee notes that these factors will be taken into account as the Government's policy to lease airport facilities is implemented. The adequacy of depreciation provisions will be reflected in the commercial value of airport leases, along with other factors such as location of the facilities.

Capital Gains Tax (CGT)

3.30 Capital gains tax is a term used to describe a set of provisions within the Income Tax Assessment Act which determine how a net capital gain is included as assessable income. These provisions became effective in September 1985 and apply to assets including land and buildings acquired after that time.

3.31 Two major concessions apply to the taxation of capital gain which do not generally apply to other forms of income: the tax is indexed for inflation and it is not paid until the gain is realised. CGT liability can be offset by the cost of capital improvements, but this gives rise to some compliance costs.⁴²

3.32 It was suggested to the Committee that a CGT exemption for properties retained under one ownership for a period of 5 to 10 years would encourage stability in the tourism industry and reduce the kind of speculative development that characterised tourism during the 1980's. It was argued that this level of development occurred as 'hotels and resorts were financed and built without mind to the long-term operational viability of the project.'⁴³

3.33 There are a number of arguments against the introduction of a concession of this type. A special concession for tourism would be inequitable: it

⁴¹ Evidence, pp. S592-597

⁴² Evidence, p. S470

⁴³ Evidence, p. S245

would encourage distortions in the economy; and could adversely influence the timing of business decisions. Many speculative developers lost significant amounts of money as a result of the 1980's boom and this has resulted in investors' exercising caution in their approach to investment. The Committee concludes that the potential benefits of this suggestion are not clear.

3.34 The Committee is interested in the suggestion that CGT 'rollover relief' provisions be introduced to encourage operators in Australia to reinvest in tourism.⁴⁴ Rollover provisions exist in other OECD countries such as Canada, France, Germany, the United Kingdom and the United States.⁴⁵ This concept has recently been assessed by the House of Representatives Standing Committee on Industry, Science and Technology⁴⁶ (the Beddall Report) which recommended that:

given the existing capital gains tax regime, capital gains tax be deferred on the capital gain realised on the sale of a trading business which is rolled over into another trading business.⁴⁷

3.35 Since all sectors of the economy could benefit from a concession of this type, this proposal should be adopted for capital gains realised on the sale of a business after losses have been taken into account. To highlight this issue the Committee reaffirms the above recommendation.

3.36 **The Committee recommends that:**

5. net capital gains tax be deferred on the capital gain realised on the sale of a trading business which is rolled over into another trading business.

Income Tax Liability of Non-Resident Group Promoters ('Junket Operators')

3.37 Most Australian casinos offer incentives or commissions to non-resident group promoters to bring international 'high rollers' to their facilities. These operators offer a specialised service differing from other group promoters such as inbound tour operators and are frequently referred to as junket operators. Commissions are usually a percentage of the total amount of money wagered or lost. The contribution made by junket operators was described by the Adelaide Casino:

⁴⁴ Evidence, p. S451

⁴⁵ Evidence, p. S863-S866

⁴⁶ House of Representatives Standing Committee on Industry, Science and Technology, *Small Business in Australia: Challenges, Problems and Opportunities*, AGPS, Canberra, 1990.

⁴⁷ Ibid: Recommendation 34; (Paragraph 5.142)

The services provided by the junket operator range from providing an interpreter, paying for group airfares, arranging entry Visas, providing funds for play, etc. To establish contact with these people, the operator must also entertain his/her clients when visiting them and would, by the nature of the business, incur costs without then, necessarily, securing business. The operators also take on responsibility for paying rebates back to the individuals, picking up the cost of airfares, bad debts and other general business expenses.⁴⁸

3.38 It is the payment of commissions by casinos to non-resident junket operators that has prompted the ATO to investigate the liability of junket operators for income tax in Australia.

3.39 Casino operators are concerned that group promoters represent a significant market which is price sensitive and that they would choose other destinations if costs increase through this tax. This would result in the loss of a significant amount of revenue which accrues from this sector both to governments and the private sector. One witness described the situation as follows:

So what does that mean? Firstly, it means significantly reduced revenue for the Adelaide casino and the other casinos in this country. Secondly, it means a reduction in state gaming taxes which would obviously put more pressure on state finances. Thirdly, it means lower profitability of the casinos and hence a lower corporate tax collection. Fourthly, it means reduced employment at the casino and hence less group tax and payroll tax and other indirect taxes being payable. And finally, there is the impact from the multiplier effect through the loss of this aspect of the business.⁴⁹

The Committee is concerned about this situation, despite the uncertainties surrounding the issues which are discussed below.

Legal Issues

3.40 The liability of junket operators for income tax in Australia depends upon legal interpretation of the source of income of the operator and whether the operation has a 'permanent establishment' in Australia. If, for example, income was generated from an Australian market and the operator was based in Australia, he or she would be liable for income tax on the commission.

⁴⁸ Evidence, p. S543

⁴⁹ Evidence, p. 590

3.41 The ATO has taken legal advice and argued before the Committee that there is a strong case for these operators to pay tax, although it is reluctant to disclose details of the relevant legal opinion since the matter could potentially be the subject of litigation.⁵⁰ The casinos have also taken legal advice and dispute that junket operators would be liable for income tax in Australia.⁵¹

3.42 If there is no liability then no further consideration of this matter is required. However, the following additional issues have been raised.

Extent of the Liability

3.43 The extent of the taxation liability of each operator would differ after consideration of double taxation agreements between Australia and the operator's country of origin and assessment of the expenses incurred by junket operators. Casino representatives maintain that junkets are costly to organise and operators are likely to have small taxable incomes or even losses.⁵² These expenses, however, require documentation which appears not to be available.⁵³

3.44 The Committee finds the substantiation issue hard to accept as all taxpayers are required to substantiate major expenses and it is unlikely that operators would remain in business if they incur losses.

Taxation Treatment of Non-Resident Junket Operators by Other Countries

3.45 The ATO is seeking further information from revenue authorities of other countries, initially the USA and UK, to ascertain how group promoters are treated internationally. This information will provide an indication of the impact of a tax on junket operators and assist with the development of a policy in Australia.

3.46 Advice from the United States is that, under a general tax rule, US casino operators are required to withhold 30 per cent of the commissions paid to non-resident aliens. Individual operators are, however, able to structure their arrangements in recognition of provisions such as double tax arrangements.⁵⁴

Conclusion - Non-Resident Junket Operators

3.47 The information presented to the Committee reveals a complex situation that requires objective investigation to reach a balanced conclusion.

⁵⁰ Evidence, p. S738

⁵¹ Evidence, pp. S553-S562

⁵² Evidence, p. S557

⁵³ Evidence, pp. 706 and S676

⁵⁴ Evidence, p. 700

Evidence presented to the Committee is insufficient to assess the merits of the case. The Committee also notes both that the Treasury had not addressed the revenue implications of this proposal; and that the situation had not been canvassed in submissions from State and Territory governments, even though a significant loss of business for casinos could affect the income base of State and Territory governments.

3.48 **In the absence of resolution of the legal issues associated with the liability of junket operators, the Committee recommends that:**

6. **the Australian Taxation Office investigate the taxation treatment of non-resident junket operators internationally to ascertain how they are taxed by other countries and whether there is any evidence that non-resident junket operators have been deterred from visiting particular countries as a result of taxation measures; and**
7. **Treasury undertake an assessment of the potential impact of the inclusion of non-resident junket operators in the income tax regime with regard to Federal, State and local government revenue and that this assessment be taken into consideration before any decision to proceed with taxing non-resident junket operators' income.**

3.49 The Committee urges all casinos in Australia to participate cooperatively in this process. Although Australian casinos are independently managed and operate under differing legal constraints, income tax regulations for junket operators should apply nationally. Tax agreements tailored to each casino would be costly to administer and would potentially create anomalies in future. This would not accord with the endeavours of the Committee to address and remove anomalies.

3.50 The Committee was disturbed by the general lack of understanding of the junket business, due in large part to the competitive commercial sensitivity of casino operators. However, any precipitate action by the ATO may very well result in a significant net loss to revenue and significant job losses in the casino industry.

Taxation Treatment of Licensed Clubs: Mutuality Principle

3.51 A number of issues put before the Committee during the inquiry have been precipitated by the characteristic economic diversity of the tourism industry. The definitional problems which result from this diversity have led some sectors of the industry to query the validity of claims of other sectors to be included under the umbrella of tourism. This has posed a problem for the Committee because, in the context of the terms of reference of the inquiry, conclusions can only be arrived at concerning equitable taxation treatment for tourism businesses when decisions are made about what can legitimately claim to be a tourism business.

3.52 A case in point is the matter brought to the Committee's attention through representations made by the Australian Hotels Association (AHA) and the Registered and Licensed Clubs Association of Australia (RCA). The AHA argues that the club industry may not validly claim to be part of the tourism industry because the purpose of licensed clubs is to cater for their membership which, by definition, cannot include tourists. Furthermore, many clubs are operating in such a way as to disadvantage bona fide tourism businesses because, through their access to certain favourable taxation conditions, notably the principle of mutuality, they are in a position to compete unfairly with hotels and other genuine providers of tourism services.⁵⁵

3.53 The RCA maintains that the club movement, by virtue of its provision of entertainment, accommodation and facilities for visitors, both domestic and international, is a part of the tourism industry.⁵⁶ The RCA also contends that any discussion of the principle of mutuality falls outside the inquiry's terms of reference. The Committee accepts as valid the clubs' claim to be part of the business of tourism but is also of the view that if the club movement wishes to be seen as part of the industry, it must acknowledge that mutuality, an aspect of their *modus operandi* which impacts unfavourably on some other sectors of the tourism industry, is a legitimate topic for the Committee's examination.

3.54 The mutuality principle states that clubs, associations and similar bodies do not derive assessable income from their members, that is, a licensed club is only assessable for taxation purposes on trading income which relates to non-members and on income received from sources outside its general trading activities. Mutuality applies to clubs and associations which have no separate legal existence from their members.⁵⁷ Mutuality, therefore, exempts clubs from certain taxes on some of their receipts, which has the effect of placing some clubs in a better competitive position than businesses offering similar services, such as hotels. It should be noted that, technically, in respect of income derived from tourists, clubs are subject to the same taxes as hotels.⁵⁸

3.55 The AHA's view is that, thanks to the taxation advantage afforded to them by mutuality, some clubs have developed into massive operations which are able to offer services and products on a scale against which fully taxed enterprises

⁵⁵ Evidence, pp. S282, S707, S717 and 419

⁵⁶ Evidence, pp. S688-S691

⁵⁷ Evidence, p. S734

⁵⁸ Evidence p. S688

offering the same services cannot hope to compete.⁵⁹ The AHA stresses that this does not apply to all clubs and indeed believes that smaller clubs are in the same unhappy position as hotels when it comes to competition from larger clubs.⁶⁰

3.56 On the evidence presented to it, the Committee concludes that the application of the mutuality principle has benefited some clubs to a degree where they are able to compete unfairly with businesses which do not have a similar taxation advantage. In this respect mutuality, as it applies to clubs which engage in substantial commercial activity, is inconsistent with the equity criterion of good taxation, and requires review.

3.57 **The Committee recommends that:**

- 8 a. **the Treasurer examine the mutuality principle as it applies to the club industry, its effect on government revenue and its contribution to taxation inequity between clubs and other tourism providers; and**
- b. **the Treasurer refer this matter to the Industry Commission.**

⁵⁹ Evidence, p. 419

⁶⁰ Evidence, p. S282

CHAPTER 4

FRINGE BENEFITS TAX

4.1 Fringe Benefits Tax (FBT) was introduced in 1986 to ensure that fringe benefits provided by employers are taxed on the same basis as wage and salary income, thus maintaining equity within the taxation regime. Most witnesses before the Committee recognise and support the need for an equitable taxation system, including the equity considerations embodied within the FBT legislation.

4.2 The Committee identified three main areas of concern associated with FBT: the implications of the assessment processes; the application of FBT to expenses that are necessarily incurred in running a business and are not perceived by employers to be benefits; and the impact of FBT on the pattern of spending within the economy.

4.3 A Government review of compliance costs associated with FBT has resulted in a number of initiatives being announced by the Treasurer on 24 February 1995 which will take effect from 1 April 1995. The Committee is pleased to note that the review has addressed various issues of concern to the tourism industry and that new initiatives should reduce costs for tourism operators.

Assessment Processes

4.4 Considerable difficulties were reported in relation to meeting the requirements of FBT legislation. Operators maintained that compliance has become increasingly complex since regulations apply to activities including the use of portable computers, clothing and mobile telephones.⁶¹ This concern has been addressed by the Government in its review of compliance costs through the exemption of certain items which provide minor fringe benefits.

4.5 The complexity of FBT has resulted in unacceptable compliance costs. This point was illustrated by the Hilton Hotels group which commented that, for the Sydney Hilton for the calendar year 1994, it would cost the company approximately \$8 500 in staff time to record entertainment consumption. This would raise \$8 000 for the Government in revenue.⁶² The Committee notes that the recent

⁶¹ Evidence, p. S311

⁶² Evidence, p. S3

Government initiatives to simplify compliance should address this concern. For example, options have been introduced for determining the value of entertainment for FBT.

4.6 FBT is set at the top marginal tax rate of 48.4%. This is often higher than the income tax rate of many casual or part time workers and it would be preferable for an employer to cash out these benefits, but this is not an option for benefits provided as part of an award or enterprise agreement.

4.7 The method of grossing up FBT with tax deductibility is not immediately beneficial for companies in a tax loss situation⁶³ or those which, through international taxation treaties, are not liable to pay income tax in Australia. Grossing up also adversely affects cash flow.

FBT on Business Expenses

4.8 Many, if not all, tourism businesses incur legitimate business expenses from which a benefit may also accrue to an employee. These 'benefits' may be:

- part of an award or enterprise agreement, for example the provision of taxi fares for late night travel by shiftworkers;⁶⁴
- a prerequisite for providing a service, for example an employer may provide transport to an island resort or accommodation in a remote area because no alternative is available; or
- necessary to meet health and safety regulations, for example residential accommodation for hotel managers.⁶⁵

In these instances employee benefits cannot usually be cashed out.

4.9 The Government's recent FBT initiatives provide an exemption for certain taxi travel provided by an employer, recognising that employers have some responsibility for employee safety. This move is fully endorsed by the Committee.

4.10 The Committee is also concerned about the taxation of familiarisation visits by travel consultants. These are an essential part of the learning process for all consultants and are encouraged by operators who recognise the benefits of familiarising travel consultants directly with their products.

⁶³ Evidence, pp. S1 and S189

⁶⁴ Evidence, pp. S2, S12 and S201

⁶⁵ Evidence, p. S95

4.11 It is argued that the cost to an employer of providing familiarisation visits is minimal as it is based on the marginal cost of an additional hotel room or airline seat, and may involve stand-by arrangements. In contrast, FBT on familiarisation visits is generally based on an assessment of the full market value of the benefit and does not take into account the reasons for travel.⁶⁶

4.12 Familiarisation visits may also be provided directly to an employee by an operator. In these cases, if it is perceived by the ATO that an arrangement exists between the provider of the benefit and the employer, then the employer may be liable for FBT although it is possible that he or she may not be aware that the employee has consumed the benefit. The Committee notes that there could be some difficulty in extending the approach used for taxation of frequent flyer points (which are taxed as income to the employee if they are accrued as a result of work-related travel) as the connection between an employer and an operator can be unclear under many marketing and promotional schemes.

Impact on Spending

4.13 It has also been suggested that the introduction of FBT has affected the pattern of spending in the community, in particular that sales and turnover have fallen at restaurants and hotels which rely on business trade.⁶⁷ The Committee notes that taxation is only one factor that can influence expenditure patterns and that the hospitality sector has benefited from growing inbound and domestic tourism demand. It would, however, appear that there has been some adverse effect on demand.

4.14 One specific example of a change in spending patterns is that FBT provisions encourage larger companies to establish corporate dining facilities which are income tax deductible, and not subject to FBT, or to employ caterers for in-house entertaining.⁶⁸

Conclusion

4.15 While FBT is generally considered to be equitable, in many circumstances the imposition of this tax has extended beyond its original intention. It is widely recognised that compliance with FBT is excessively complicated and simplification of the regulations is required since legislation which relies on self-assessment must be easily understood.

⁶⁶ Evidence, p. 816

⁶⁷ Evidence, pp. S120 and S281

⁶⁸ Evidence, pp. S6, S120, S281 and S572

4.16 The need to simplify FBT and reduce compliance costs has recently been reviewed by the Government in its inquiry into FBT compliance costs. This review has resulted in a number of measures which address concerns facing tourism operators including the exemption of portable computers and airport lounge memberships and easing of regulations governing mobile phones and car parking. The Committee welcomes these initiatives.

4.17 A plethora of issues other than compliance was raised before the Committee, indicating that there is scope for further review of the application and impact of this tax. General issues arising from grossing up provisions and the use of the top marginal tax rate apply to all sectors of the economy and are not specifically disadvantaging tourism and the Committee is of the opinion that these should be noted in the broader economic framework.

4.18 With regard to specific examples of concern to the tourism industry, the Committee recognises that the assessment of many business expenses as fringe benefits does not acknowledge the complexity of the business environment for many tourism operators.

4.19 The Committee is of the view that expenses compulsorily incurred by an employer, either through the need to comply with legislation or in order to meet award conditions or enterprise agreements, should not be subject to FBT.

4.20 **The Committee recommends that:**

- 9. FBT be removed from 'benefits' provided for health and safety reasons that are compulsory conditions of employment under an award or enterprise agreement and cannot be cashed out.**

4.21 The provision of specialised tourism services may involve employees in activities that are perceived as 'benefits' by the ATO. Benefits are usually valued at their full commercial price, upon which the amount of tax is calculated. The Committee considers that the taxable value of a benefit could be discounted where the 'benefit' is a legitimate business expense that cannot be cashed out or substituted with a practical alternative.

4.22 There is a precedent for discounting the taxable value of a benefit through existing provisions that apply to items such as housing for employees in remote locations and exemptions under 'fly in fly out' arrangements. These provisions should be reconsidered to include comparable situations in the tourism sector and other industries.

4.23 **The Committee recommends that:**

- 10. methods for discounting the taxable value of benefits which are legitimate business expenses and cannot be cashed out be examined and reported on by Treasury by the end of 1995.**

CHAPTER 5

SALES TAX (WHOLESALE SALES TAX)

Introduction

5.1 Sales tax is generally levied on the last wholesale sale of goods that have not been previously used in Australia. The tax is levied at this point to limit a 'cascading' effect that could arise if taxes levied at an early stage of production were to be incorporated as costs at later stages.

5.2 Assessing the impact of sales tax is complicated by differences in tax rates for various classifications of goods, and the range of exemptions available. The rate of tax varies but can be as high as 45%, although most goods are taxed at the general rate of 21%. Aircraft, ships, railways and many buses are specifically exempt from sales tax. These exemptions were introduced to ensure competitive neutrality between the private sector and services traditionally run by government. Sales tax exemptions are also available to nominated user groups such as those involved in primary production, manufacturing or mining. These exemptions were granted because outputs of these industries attract sales tax when they are sold at wholesale level. In contrast, services are not sold at wholesale level and therefore do not usually qualify for sales tax exemptions on their inputs. Removal or rebate of sales tax on services inputs may create an imbalance between goods and services and raises questions about how services should be taxed.

5.3 The Committee is aware that competition policy in Australia is undergoing reform and that sectors of the economy that have been traditionally serviced by government are being increasingly exposed to competitive neutrality principles. These include transport services and public utilities. One possible outcome of the reform process is that sales tax exemptions, such as those that apply to aircraft, buses and railways will be removed. These matters are due to be considered by the Council of Australian Governments and the outcome of that process will impact on consideration of the following issues.

Specific Concerns

5.4 As the system currently stands, lack of uniformity in the application of sales tax has given rise to a number of specific concerns among tourism operators. These are discussed below.

Vehicles Under 12 Seats Including Small Buses, Courtesy Buses and Four Wheel Drive Vehicles

5.5 Buses of 13 seats or more are exempt from sales tax under a concession introduced in 1961 to allow for competition between government run transport services and those operated privately.⁶⁹ Sales tax is imposed on vehicles of 12 seats or under, even when these vehicles are used entirely for commercial purposes. This has led to the situation where operators using larger vehicles may have a lower tax liability than their industry colleagues who use small buses, stretch limousines and 4WD vehicles.

5.6 One operator, working within the specialist ecotourism market, described his dilemma when purchasing a new vehicle:

Ideally we would have liked an 8-10 seater 4WD but found that to have any less than 13 seats we would have to pay 21% sales tax. For example, a specially made 4WD coach built by Noosa Coach and Body would cost \$121 000 with 8-10 seats and only \$100 000 with 13 seats!⁷⁰

5.7 The Committee regards this situation as undesirable and has sought suggestions for implementing a sales tax exemption on tourism vehicles where they are used to generate assessable income.

5.8 The Committee identified administrative concerns with compliance and notes that an exemption would create an opportunity for tourism operators to sell their tax exempt vehicles after 40 000 kilometres or 2 years. It would also lead to pressure from other users of small commercial vehicles such as taxis and courier vehicles.⁷¹ In addition, these businesses are not taxed on their outputs.

5.9 The main administrative issue perceived by the Committee is the identification of bona fide tourism operators, recognising that an exemption should not be open to misuse. The Committee considered the suggestion that existing licensing or registration categories which apply to tourism vehicles would effectively identify bona fide operators. However, it is uncertain whether comparable categories exist in all States and Territories.

5.10 In conclusion, the imposition of sales tax discriminates against operators who rely on smaller vehicles and should be reviewed to achieve equity between these groups. The Committee considers that the Transport Ministers Council could assist with the implementation of this proposal.

⁶⁹ Evidence, p. S377

⁷⁰ Evidence, p. S266

⁷¹ Evidence, p. S497

5.11 **The Committee recommends that:**

11. **a sales tax exemption be granted for tourism buses and four wheel drive vehicles of 12 seats and under and that the Transport Ministers Council be consulted for their assistance with the implementation of this exemption.**

Tourism Charter Vessels

5.12 Sales tax is imposed on certain types of tourism vessels including game fishing boats, sightseeing boats with a capacity of 12 people or under, any sized sightseeing boats operating non-scheduled services and bareboat charter vessels (ie charter yachts without a skipper). In contrast, vessels which undertake scheduled sightseeing services and those used for commercial fishing are eligible for sales tax exemption. This has prompted marine tourism operators to call for uniform sales tax treatment of charter and other passenger vessels.⁷²

5.13 One case illustrating how different sales tax provisions apply to vessels which have very similar functions was described by a representative of the Whitsunday Bareboat Operators Association:

I used to own two "commercial" charter boats. One of these vessels was the rather well known skippered sailing vessel "Solo" she was about 70 feet long, slept 13 passengers, departed at regular intervals every Sunday, and was Sales Tax exempt. I also owned a 40 foot (bareboat) Beneteau sailing vessel, aptly named "Lady Cathryn", she slept 8 passengers, departed at noon on any day you choose, took her passengers amongst the Whitsunday Islands exactly the same as "Solo" and she attracted Sales Tax.⁷³

5.14 It was also suggested that a sales tax exemption for bareboats would encourage domestic production of these vessels. This was demonstrated when the Committee visited a boat building factory which had closed 'largely as a result of the inability of the bareboat industry to implement their fleet replacement program and fleet growth programs.⁷⁴

⁷² Evidence, pp. S11, S32, S270

⁷³ Evidence, p. S35

⁷⁴ Evidence, p. 132

5.15 Administrative difficulties associated with implementing this proposal were raised in a number of submissions.⁷⁵ The main concern is to identify bona fide operators from those who own yachts predominantly for private use. This was highlighted in a recent report on Australia's marine tourism industry which stated that the boat hire industry is 'largely staffed by people who are in it for the "life-style" ' and stressed the need for increased professionalism among operators.⁷⁶

5.16 The Committee is not satisfied with this view. The industry is subject to all taxes and charges and faces the same mainstream administrative and management problems as any other business.

5.17 One suggestion was that a distinction could be made for yachts available for charter through 'full time Bareboat Operators'.

5.18 The representations of bareboat operators are of particular concern since these items have a similar, but not identical, use to others that are tax exempt. On weighing up the issues facing these operators, the Committee concludes that the exemption of sales tax from bareboats, without a compensatory tax on the outputs of these items, would effectively create a new anomaly within the taxation regime. This would occur as no tax would be required on inputs (as is customary for services) or on outputs (as applied to goods when they are sold at wholesale level).

5.19 Although there are a number of similarities between the concerns of bareboat operators and tourism operators using small vehicles, the Committee notes an important difference between these services: vehicle based operators provide a service that includes a driver. This raises concerns that a sales tax exemption on yachts available for rental may be considered inequitable since sales tax is paid on cars that are available for rental.

Running/Replacement Costs

5.20 Sales tax applies to spare parts used in the maintenance of all tourism vehicles and vessels. This regulation was introduced because most vehicle and vessel parts are interchangeable and, if purchased tax free, could be used in taxable vehicles and vessels.

5.21 There may be technical impediments to the interchange of parts and accessories in some sectors of tourism such as large buses,⁷⁷ however, this is not the case for most vehicles and vessels. In addition, an exemption would be difficult to administer and there would be a loss of revenue. While the Committee agrees

⁷⁵ Evidence, pp. 130, S33, S378

⁷⁶ J.D. Lefroy, *The Australian Marine Tourism Industry: A Report to the Australian Tourism Industry Association, ATIA, Canberra, 1993, p.5.*

⁷⁷ Evidence, p. S296

that sales tax on replacement parts represents an added tax burden for operators, the services they provide are not taxed and these costs may be written off or depreciated.

Cellar Door Wine Samples

5.22 Sales tax is levied on products used for promotional purposes, including samples that are given away. This affects wine makers who use some of their product for tasting purposes and is particularly onerous for operators of small wineries who rely on cellar door sales. For these operators, sales tax constitutes double taxation as the cost of samples, including their tax component, is built into the price of goods that are sold.

5.23 The Committee notes two dimensions to this issue. A special exemption for cellar door wineries could be administratively complicated because of differences in the way cellar door tastings are conducted, for example, some wineries charge a tasting fee and others include tastings as part of a food and beverage package.⁷⁸ In addition, an exemption would be inequitable unless it applied to all samples given away for promotional purposes. The Committee concludes that the issue of sales tax on product 'give aways' requires a fuller investigation and notes, that in respect of the wine industry, this issue is currently the subject an inquiry chaired by the Chairman of the Industry Commission which will report by 30 June 1995.

Tourism Literature

5.24 There appears to be an anomaly in the application of sales tax to tourism literature since, under certain circumstances, travel literature promoting foreign tourist destinations can be exempt from sales tax while promotion of local destinations can incur sales tax.⁷⁹

5.25 In reviewing this concern, the Committee noted that the application of sales tax is guided by the principle that information produced to educate or inform is exempt from sales tax while advertising material is liable for the tax. This means that general promotional material published by non-profit bodies (such as government tourist associations, regardless of their country of origin), is exempt from sales tax while advertising material produced by tourist associated business is not exempt. The Committee notes concern that the tax sometimes appears to apply unevenly but agrees with the rationale for this distinction.

78 Evidence, p. S743

79 Evidence, p. S350

Conclusion

5.26 A number of concerns are associated with the sales tax regime. While some of these problems arise from the variation in tax rate as it is applied to different goods, the majority of concerns arise from exemptions granted to certain classifications of goods or users.

5.27 Sales tax has been levied in Australia for over sixty years. During this period the application of the tax has been revised to reflect changes in the economic environment and to meet the changing financial and social objectives of successive governments. Even when exemptions are clearly defined and the rationale for them is understood, anomalies may arise. The method of delineation between taxable items and exemptions is often arbitrarily defined by the taxation system, and cases involving goods or services which may appear to be close to defined boundaries, for example the thirteenth seat on a bus, have been the subject of concern.

CHAPTER 6

DUTIES

6.1 Duty free and tax free shopping are an important part of the tourism experience and as such have an integral role to play in Australia's tourism industry. It is probably accurate to say that duty free entitlements do not constitute a major factor for most people deciding on a destination for their next overseas holiday.⁸⁰ Tourists, though, once they are here, do like to shop. The higher the level of satisfaction with that aspect of their visit, the better it is for tourism and, by extension, the economy. The \$1.7 billion spent on shopping by visitors to Australia in 1993⁸¹ makes tourism shopping as lucrative an earner of foreign exchange as the export of commodities like crude oil, aluminium and zinc.⁸²

6.2 The Committee believes that there are significant benefits for the economy in making tourism shopping easier and more convenient for international visitors.

Duty and Tax Free Shopping

Outwards - Open Bag System

6.3 Most foreign travellers wishing to purchase and export sales tax-free goods from Australia during their visit do so by way of the open bag system. Under this system, in place since 1993, the vendor of the goods is required to obtain and retain copies of a visitor visa and airline ticket as proof that the customer is a genuine visitor to Australia. The shopper then signs a declaration that he or she will take the goods out of the country when they leave.

6.4 The Committee was advised in the course of informal discussion with the ATO that there is no specific requirement in the relevant legislation that the traveller's documents be photocopied. The ATO, however, does not accept as sufficient evidence of the traveller's bona fides anything other than a photocopy or a duplicate copy.

⁸⁰ Evidence, p. S482

⁸¹ Evidence, p. S501

⁸² R. Haigh, *Holidays in Store: Shopping Patterns of International Tourists*, Occasional Paper No14, Bureau of Tourism Research, Canberra, 1994, p. 1.

6.5 While there is a reasonable level of satisfaction with this system,⁸³ the Committee heard evidence that there are aspects of the procedure which are onerous and administratively unwieldy for many retailers of tax free goods.⁸⁴ In cases where the customer is not carrying the required documentation, or where the retailer does not have access to photocopying equipment, the application of the regulations becomes problematic and may act as a disincentive to both shopper and retailer. The ATO defends the system on the grounds that it is equitable, practical and cost effective while being sufficiently protective of revenue.⁸⁵

6.6 The ATO is aware of industry concerns on this issue, acknowledging that 'a lot of the heat around this issue' pertains to the necessity for vendors to make and keep actual copies of particular documents. The justification for this requirement is that the system in operation before 1993 was open to significant abuse because of the difficulty of verifying the authenticity of the information provided by the customer.⁸⁶ Tax free retailers dispute that photocopying provides any more protection of revenue than alternative processes.

6.7 The ATO observes that travellers who are precluded from using the open bag system by not being able to provide the relevant documents for copying do have access to other options: they may use the sealed bag system; the goods may be forwarded to the customer's overseas address; and they may buy on the basis that they pay the tax and claim a rebate later.⁸⁷ The first two alternatives effectively deprive the buyer of the use of the goods until they leave the country and none of these options has the convenience of the open bag system.

6.8 It was put to the Committee that it is sufficient to obtain copies of the foreign traveller declaration together with full details of the passport and airline ticket.⁸⁸ This would be, in effect, a reversion to the system that operated before 1993. In this way the process would be simplified and the shopping process made easier and more pleasant for all concerned.

6.9 **The Committee concurs with this view and recommends that:**

12. **for the purpose of validating a tax-free sale, details of the customer's visa and air ticket need not be photocopied but may be recorded by hand or any other suitable medium.**

83 Evidence, p. S50

84 Evidence, pp. S361 and 80-81

85 Evidence, p. 693

86 Evidence, p. S517

87 Evidence, pp. 695 and S518

88 Evidence, pp. S361 and 80-81

6.10 The Committee was also apprised of difficulties encountered by some overseas visitors in respect of sales tax free shopping as a result of tour guides' earning commission from certain retailers. In this situation guides direct their clients to particular stores and discourage them from patronising others. In some cases, guides have been reported to have retained travellers' documents in order to discourage their shopping at rival establishments.

6.11 **The Committee recommends that:**

13. **the government carry out an investigation of the tourism shopping practices of tour companies to ascertain whether their activities and those of their tour guides act as a disincentive to fair competition.**

Outwards - Closed Bag System

6.12 The closed bag system allows Australians and New Zealanders, and significant numbers of overseas visitors, to buy duty free goods before travelling overseas. Under these arrangements, the goods may be bought at off-airport duty free shops within thirty days of departure. The retailer is required to sight proof that the customer is travelling and to generate three invoices in respect of the items sold. The duty free goods and one copy of the invoice are then sealed in a transparent bag and a second copy of the invoice is attached to the outside of the bag. The traveller must sign a declaration of export and the bag must remain sealed until the invoice is retrieved by an employee of the Duty Free Security Company at the customs barrier at the airport. This part of the process is referred to as 'docket plucking'. The invoice is then matched against the records of the duty free retailer as proof that the goods have been exported. The retailer is able to claim a refund on the sales tax and duty of the goods after the docket is matched.

6.13 There are a number of unsatisfactory elements to this system. It has been criticised by airport authorities as being cumbersome and disruptive of passenger processing procedures.⁸⁹ From the point of view of the air traveller, the process requires that he or she be stopped by the 'docket plucker' and asked to surrender the invoice at a time when, having cleared the customs barrier and just before they board an aircraft, they are least likely to be receptive to this. The package must also be carried as hand luggage so that it is visible and available to the person retrieving the invoice.

6.14 The process is also susceptible to inefficiency in that it depends on a number of variables. Even when, as would generally be the case, there is no intention of defrauding the system, the operation's success depends on the traveller being clearly aware of, and willing and able to comply with, the conditions for sealed bag duty free shopping. In addition, the 'docket plucker' must be constantly vigilant.

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Evidence, p. S606

6.15 There would be a number of occasions during peak times at busy airports when the combination of harassed travellers and/or busy employees causes dockets to be missed. If this does occur no record of the export of the goods is generated and they are deemed to have been consumed in Australia. In this event, the retailer who sold them, not the purchaser, is liable for the unpaid duty.

6.16 The Committee notes with disappointment that little has changed in the five years since the Tourism Shopping Implementation Committee examined the sealed bag system. At that time it was recommended that the ACS:

adopt a risk management approach and replace the sealed bag system with a system of random checks in conjunction with computerised sales documentation.⁹⁰

6.17 It is the Committee's view that the system is more than ever in need of evaluation with a view to streamlining and perhaps automating the procedure. The ACS has expressed its willingness to examine alternative systems.⁹¹ It is the Committee's hope that this will not take another five years.

6.18 **The Committee recommends that:**

14. **consultation take place between duty free retailers, the Australian Customs Service and the Federal Airports Corporation to examine ways of developing more efficient and less disruptive docket retrieval procedures; and**
15. **liability for unpaid duty be ascribed to the party at fault, whether it be the retailer or the customer.**

6.19 Other proposals for the improvement of shopping facilities for tourists were put before the Committee. One that deserves further consideration is that tourism shopping be deregulated to allow duty free status for retail outlets. Such a liberalisation of the duty free business would, it is suggested, encourage more tourists to visit city shopping precincts, expand the range and quality of duty free goods available and improve Australia's competitiveness in the international tourism industry.⁹²

⁹⁰ Department of the Arts, Sport, the Environment, Tourism and Territories, The Tourism Shopping Implementation Committee, *Tourism Shopping in the Nineties*, AGPS, Canberra, 1990, p.47.

⁹¹ Evidence, p. S479

⁹² Evidence, p. S621-S648

Inwards - Duty Free Allowances

6.20 Another matter which the Committee has considered in the context of Australia's attractiveness as a destination for foreign visitors is that of the duty free general and alcohol allowances permitted to inbound travellers. At present a traveller may import \$400 worth of duty free goods, one litre of alcohol and 250 grams of tobacco products. These levels were set in 1987, and were recommended for review in five years. The Committee notes that an interdepartmental committee (IDC) has met to discuss passenger concessions. The IDC will finalise its review early this year and any recommendations will be submitted to the relevant minister.⁹³

6.21 The Committee was told that the allowances have fallen well behind what is permitted by other countries, particularly New Zealand;⁹⁴ that, in respect of duty free alcohol, Australia's allowance of one litre is amongst the lowest in the OECD; and that Australia's allowance is also considerably less than that permitted in non-OECD countries.⁹⁵ On these grounds, it was argued that in order to maintain Australia's competitiveness as a tourism destination, particularly in relation to competitor countries in the Asia/Pacific region, the allowances should be increased. The Committee was not convinced by this rationale and considers that levels of duty free allowances do not influence choice of destination by international tourists.

6.22 While not wishing to pre-empt the findings of the IDC, the Committee agrees that the general allowance should be adjusted to reflect movements in the Australian dollar compared to OECD currencies over the period since the allowance was last adjusted and that it be indexed in the future. With regard to the allowance for alcohol and tobacco products, however, the Committee considers that, as levels for these products are based on quantity, not value, there has been no change since 1987 in what an incoming traveller may bring into the country and thus this allowance should be maintained at its present level.

6.23 **The Committee recommends that:**

- 16. the general allowances be adjusted to reflect changes in the purchasing power of the Australian dollar since 1987 and that the allowance be indexed annually.**

6.24 Another issue raised with the Committee was the range of products available at inbound duty free outlets. It was suggested that the range of goods failed to meet customer expectations and that the situation should be reviewed. The Committee is not in a position to make a judgment on this matter and considers that

⁹³ Evidence, p. S833

⁹⁴ Evidence, p. S71 and S757

⁹⁵ Evidence, p. S910

the most appropriate means of resolving this issue is for duty free retailers to consult with the ACS and the FAC to determine whether a more appropriate range of products might be made available.

6.25 The Committee recommends that:

17. consultation take place between duty free retailers, the Australian Customs Service and the Federal Airports Corporation with a view to determining whether a more appropriate range of products might be made available in inbound duty free retail outlets.

Transit Duty Free

6.26 Among other suggestions heard by the Committee concerning tourism shopping is the introduction of transit duty free shopping.⁹⁶ As transit duty free is available in most countries this would further bring Australia into line with its international competitors. It would also simplify matters for retailers at duty free shops beyond the customs barriers at airports and result in increased profits for retailers and airport authorities (and export income for Australia). Australia's reputation as a shopping destination among international travellers would also be reinforced.

6.27 The Committee recommends that:

18. duty free shopping be introduced for transit passengers at Australian airports.

Conclusion

6.28 The Committee concludes that there are a number of respects in which tourism shopping in Australia is easier and more convenient than it is in many other countries. Australia's extensive network of off-airport duty free shops, the ability to buy goods tax free at point of sale and freedom from the inconvenience of claiming rebates at or after the point of departure, all contribute to this country's attractiveness as a place for tourists to shop.

6.29 It is obvious, however, that many aspects of this issue lack simplicity. The Committee recognises the need for regulation of tourism shopping but believes that often shoppers and retailers alike are faced with a degree of inconvenience and delay. This has the potential to make shopping transactions a little less easy and enjoyable than they might otherwise have been. In light of this, it is the Committee's view that more could be done to make tourism shopping in Australia

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Evidence, pp. 565-566

even more efficient, attractive, convenient and therefore profitable. To this end relevant government agencies need to adopt a more pro-active approach to the matters examined by this inquiry.

6.30 It is hardly to the credit of these agencies that criticism made of them seven years ago by the Committee of Inquiry into Tourism Shopping is as relevant today as when it was first expressed. That report said that the time had come for both the ATO and ACS to take a 'fresh look' at the area of tourism shopping and that:

The enormous benefits which will accrue to Australia from a more liberalised concession policy demand that agencies adopt risk management practice and look for reasons why liberalisation should occur rather than looking for reasons why it should not.⁹⁷

6.31 The Committee endorses this opinion and urges both the Taxation Office and the Customs Service to give a high priority to re-examining the policies and procedures which impact on all aspects of tourism shopping.

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Department of the Arts, Sport, the Environment, Tourism and Territories, *Tourism Shopping in Australia*, Report of the Committee Inquiry, AGPS, Canberra, 1988, p.20.

CHAPTER 7

EXCISES

Diesel Fuel and Petroleum Excise

7.1 Petroleum excises provide a source of general revenue for government and are also intended to act as an economic instrument to promote the conservation of petroleum resources.

7.2 Petroleum products attract excises from the Commonwealth Government and all states except Queensland. The Commonwealth excise is forecast to raise \$9.7 billion in 1994-95⁹⁸ which represents approximately 9% of its revenue. This includes approximately \$3 billion raised from diesel fuel excise, of which approximately \$1 billion is rebated.

The Diesel Fuel Rebate Scheme

7.3 The Commonwealth Government operates the Diesel Fuel Rebate Scheme (DFRS) which is available to primary producers, mining and residential users not connected to the national power grid. The rebate was originally introduced to reimburse off road users for diesel fuel excise that was hypothecated to road funding, although there is no longer a direct policy link between fuel excise and expenditure on roads. Indeed there is no longer a clear rationale for the Scheme although it continues to provide rebates for selected off road users, incorporates social objectives by providing assistance to institutions like hospitals and nursing homes and embodies some equity considerations by providing a rebate to residential users not connected to the power grid since the resources used in the production of electricity are tax exempt. Differential rebate rates apply within the Scheme: primary producers qualify for a 100% rebate; the mining industry qualifies for a 91% rebate and other eligible users qualify for 76%.

7.4 The recent Industry Commission Inquiry into Petroleum Products noted that the current structure of rebate rates came about through a series of ad hoc adjustments and that the DFRS favours selected off road users.⁹⁹

7.5 The DFRS does not generally apply to tourism operations. The Australian Customs Service summed up the situation as:

⁹⁸ Evidence, p. S379

⁹⁹ Industry Commission, *Petroleum Products*, Report No 40, AGPS, Melbourne, 1994, p.280.

...not only is tourism not included in the scheme, some of its elements are specifically excluded. In the category of 'fishing operations', fishing activities or operations of fishing vessels carried out for business purposes connected with recreation, sport or tourism are excluded from the scheme. Similarly, in the category of 'residential premises', premises used in the business of a hotel or motel are excluded.¹⁰⁰

7.6 A number of constructive suggestions were offered to address the inequities evident in the DFRS. Many of these suggestions focus on extending the rebate to include tourism operations. This could raise administrative, compliance and equity issues. A simpler and more equitable proposal is that the excise could be removed,¹⁰¹ either completely or for all commercial users of petroleum products. This would have significant revenue implications and would not accord with environmental and conservation goals although it would assist tourism operations in regional and remote areas by reducing operating costs. Another suggestion is that the DFRS could be abolished completely which would result in all industries paying excise at the existing rate on the fuel they use. Another possibility is that the DFRS could be removed with the rate of excise reduced on a revenue neutral basis. This would result in approximately a 10 to 12% reduction in the rate of petroleum product excise,¹⁰² but it would increase costs for those groups presently included in the Scheme. Alternatively, the DFRS could be removed on a revenue neutral basis whereby excise on diesel fuel, but not all petroleum products, would be reduced for all users.

7.7 Each of these suggestions is worthy of further examination. The Committee saw particular merit in the latter proposal and supported the principle of a review to assess the objectives and future directions of the DFRS.¹⁰³

7.8 **The Committee recommends that:**

19. **the Diesel Fuel Rebate Scheme be reviewed to clarify its objectives and to investigate alternatives that ensure equity and minimise distortions in its application.**

7.9 In the absence of clearly defined objectives for the DFRS, the Committee assessed individual concerns that fall within its terms of reference.

100 Evidence, p. S481

101 Evidence, p. S108

102 Evidence, p. 514

103 Evidence, p. S499

These include specific examples of inequity arising from the DFRS as it applies to diesel generators used by tourism operators off the national power grid, cruise ships and domestic marine tourism.

Power Generators Off the National Grid

7.10 A number of agencies advocated that diesel power generators used in tourist accommodation establishments which are not on the electricity grid should be eligible for the DFRS.¹⁰⁴ State and Territory government tourism commissions supported this proposition which would encourage equity with other industries and stimulate regional development.

7.11 This was described by the South Australian Government:

a large part of the State is not on the power grid and tourism developments in these areas rely on diesel powered generators for electricity generation. It adds another cost burden to operators and prospective developers in areas of the State where the South Australian Tourism Commission sees emerging opportunities for eco-tourism, Aboriginal tourism and nature based tourism.¹⁰⁵

7.12 The Committee is concerned about the predicament of these operators, noting the range of difficulties associated with operating in remote areas. Since electricity is an essential service it appears unfair that operators located in remote areas should be disadvantaged in comparison to others who have access to this utility. Although no immediate costings are available for this proposal, it would stimulate the development of tourism facilities in remote areas. The Committee supports the inclusion of these operators in the Scheme and believes that it is appropriate to address this anomaly, pending a review of the DFRS.

7.13 **The Committee recommends that:**

20. **access to the Diesel Fuel Rebate Scheme be extended where the fuel is used in electricity generators which provide an essential service to areas not linked to the national electricity grid.**

Cruise Shipping

7.14 Cruise ships operating exclusively in Australian waters are subject to excise while, under international treaty arrangements, cruise ships visiting Australian ports as part of an international voyage are able to purchase fuel free of

¹⁰⁴ Evidence, pp. S12, S99, S291, S352 and S613

¹⁰⁵ Evidence, p. S613

excise. Since diesel fuel excise is regarded as a significant operating cost,¹⁰⁶ operators commonly include a visit to an international port in their cruise itineraries. This practice is not desirable for operators based in Australia as it necessitates longer cruises which are less marketable, nor is it desirable for the economy which loses other benefits such as employment and the development of infrastructure.

7.15 This situation was described by a representative of the Passenger Ship Committee of the Australian Chamber of Shipping:

We are trying to develop Australia as an international cruising destination, and we are actually operating between two terminal ports, Cairns and Sydney. It actually means that when we are putting people back onto our shore, investing revenues into the local tourism infrastructure, et cetera, we have to pay tax; whereas if we had taken the passengers out to Noumea, Vila or Fiji and brought them back to Sydney, we would not be paying tax.¹⁰⁷

7.16 The actions of cruise shipping companies in making token visits to international destinations to minimise their tax liability is disappointing but understandable. The Committee is concerned at the possible equity implications of rebating diesel fuel excise to cruise shipping operators as it could give rise to additional anomalies within the taxation regime. As such, it does not accord with the work of the Committee to address taxation anomalies. It should, however, be fully addressed in a review of the DFRS.

Domestic Marine Shipping

7.17 The DFRS applies to regular transport, such as ferries, and fishing industry vessels which has raised concerns among marine tourism operators that the present situation is inequitable and that they should be included in the rebate scheme.

7.18 The cost to revenue of including marine tourism operators in the DFRS proved difficult to assess as government departments were unable to provide estimates due to a lack of relevant data. The Association of Marine Park Tourism

¹⁰⁶ Evidence, p. S356

¹⁰⁷ Evidence, p. 346

Operators responded to this challenge and conducted a survey of its members. This indicated that the cost of extending the DFRS to Marine Park Operators is likely to be under \$14 million¹⁰⁸ and, from this information, the Australian Customs Service has estimated the overall cost at between \$17.5 million and \$20 million per year, indexed to the CPI.¹⁰⁹

7.19 The inclusion of these operators within the DFRS would be administratively difficult, giving rise to additional compliance costs. In contrast to many other vessels, such as those used in the fishing industry, marine tourism operators are not taxed on the service they provide. The Committee commended AMPPTO for its assistance with the inquiry. The inequity between fishing vessels as distinct from tourism vessels is noted and will form a useful basis for further debate about the DFRS (see recommendation 19).

Conclusion

7.20 The Committee is concerned at the obvious inequities that arise from the DFRS and supports a full review of the Scheme. Particular interest was expressed in the possibility of extending the Scheme to all commercial users on a revenue neutral basis, however this option requires further consideration and public debate. The debate should include consideration of all aspects of the issue, including the environmental, social and revenue implications.

7.21 The Committee also noted the desirability of developing and using renewable energy technologies, especially in remote areas. This direction was recommended by the report of the House of Representatives Standing Committee on Environment, Recreation and the Arts entitled *Working With the Environment*.¹¹⁰ Ideally, the adoption of alternative technology should be considered within the review of the DFRS.

7.22 The application of the DFRS is further confused by the existence of a separate rebate scheme administered by the ACS on behalf of the Department of Transport¹¹¹ which provides some relief from diesel fuel excise for coastal freight vessels. This scheme has also attracted criticism because eligible vessels must be 60 metres or over in length.

¹⁰⁸ Evidence, p. S853-856

¹⁰⁹ Evidence, p. S887-888

¹¹⁰ House of Representatives Standing Committee on Environment, Recreation and the Arts, *Working with the Environment: Opportunities for Job Growth*, AGPS, Canberra, 1994, p. 80.

¹¹¹ Evidence, p. 474

Aviation Fuel Excise

7.23 Aviation fuel excise is appropriated to the Civil Aviation Authority (CAA) to contribute towards the setting and enforcement of aviation safety standards. Airline representatives expressed the view that this excise unfairly burdens Australian regular public transport carriers who contribute substantially under this tax but only account for a small proportion of CAA costs, compared to the general aviation sector.

7.24 Many aspects of aviation sector management, including aviation safety standards, are currently under review. The Committee concluded that this sector is in the process of rapid change and the imposition of aviation fuel excise will be considered in the context of a complete review of the sector.

CHAPTER 8

USER CHARGES AND FEES

User Pays

8.1 More and more participants in the tourism industry, providers and consumers alike, are being confronted with the concept and the reality of user charges, or 'user pays'. A user charge is a payment imposed for the use of goods or services provided by the public sector, or for the enjoyment of a publicly-owned resource.

8.2 There is a distinction to be made between a user charge and a tax: the former should relate to the actual cost of providing the good or service concerned; this is not necessarily the case with a tax. There are several user charges, or fees, which affect tourists and tourism operators. These range from entrance fees for national parks to the 'pedestal tax' imposed by some local authorities on accommodation providers.

8.3 The introduction of 'user pays' principles in the tourism context is justified on a number of grounds. These arguments carry particular weight when applied to the cost of providing access to and maintenance of natural attractions. With growing numbers of people seeking to enjoy aspects of Australia's landscape, culture and heritage, the issue of the degradation or destruction of natural and other attractions is becoming one of increasing importance. Fees paid by visitors to these sites not only augment public funding for the conservation and management of the site, but their implementation can also be used as a way of controlling and, if necessary, restricting, access to sites which may be suffering from prolonged or excessive exposure to visitors. User charges may also finance the provision of publicly provided utilities such as sewerage, roads or accommodation which are of benefit to the tourist. It is also noteworthy that, with regard to any type of taxation on services, user charges are a possible alternative to GST or VAT style taxes.

8.4 There is no doubt that the application of user charges is valid in certain circumstances. There is, however, a growing perception within the tourism industry, expressed in several submissions, that user charges are proliferating, that they are sometimes used as purely revenue raising devices, or that they are selectively or inappropriately applied.¹¹² The point was made that it was an easy option to justify a user charge as a means of raising revenue rather than taking the harder political option of reducing expenditure or increasing existing taxes.¹¹³ In the wake of such criticism, the Committee believes that there is a clear requirement for

¹¹² Evidence, pp. S850, S668 and S890

¹¹³ Evidence, pp. S668 and S890

guidelines under which 'user pays' may be applied. In principle, these guidelines should conform to the precepts of good taxation, that is they should be based on the concepts of equity, efficiency and simplicity. It is frequently the case, however, that there are practical difficulties in applying these principles when it comes to user charges. In the case of visitors to national parks with multiple entry points, for example, it may be difficult to intercept and charge all users.

8.5 Certain user charges brought to the attention of the Committee do not conform to the principles of good taxation contravening, in particular, the requirement for equity. Evidence presented by the Motor Inn, Motel and Accommodation Association (MIMA) suggests that some local authorities are imposing additional, unfair charges on accommodation providers in the name of 'user pays'. These charges are levied on the basis of the number of pedestals installed in an establishment, rather than on the basis of occupancy or use of sewerage and water services. As MIMA points out¹¹⁴ another establishment, such as a country club, may have fewer toilets than a motel but will, by virtue of greater use, place more demands on sewerage and water facilities, yet accommodation providers are subject to the extra 'pedestal tax'.

8.6 Pedestal taxes as currently levied by a number of local authorities also seem to bear little relation to the cost of the service provided. Indicative of this is the fact that some authorities charge \$25 pedestal tax and others over \$200.¹¹⁵ Such a significant variation suggests that the level of charging to which many accommodation providers are subjected is arbitrary. This kind of user charging, of the 'some users pay' or 'some users pay a lot more than others' variety is plainly an added and inequitable impost on an important sector of the tourism industry.

Passenger Movement Charge

8.7 Another complaint laid against the 'user pays' system is that such charges are often not transparent in application. In practice, this means that both the amount charged and the purpose to which revenue raised is put may be subject to change without the knowledge of the consumer. It is also desirable that a clear link be established between the charge and the consumer, that is, that beneficiaries of any user charge be clearly identifiable. Questions of transparency have been raised with regard to some aspects of the new Passenger Movement Charge (PMC) which replaces the previous Departure Tax.

8.8 It is thought, for example, that the Charge, which, when fully implemented will be included in the cost of the departing traveller's ticket, is in danger of becoming a 'hidden tax' whose purpose will not be clear to the

114 Evidence, p. S194

115 Evidence, p. 259

purchaser.¹¹⁶ The existence of the PMC, however, will be evident to the traveller as the airlines plan to show the charge in a box on the ticket.¹¹⁷

8.9 The validity of the PMC as a 'user pays' measure has also been questioned on the grounds that it is a charge on all departing travellers, not all of whom will benefit from it. Foreign visitors to Australia could not be considered to be beneficiaries of the airport customs, immigration and quarantine services which the PMC has been instituted to fund. By the same token, the component of the Charge slated for recovery of the costs of providing short-term visitor visas is of little benefit to the departing Australian passenger.¹¹⁸

8.10 In one important respect, though, the PMC satisfies the transparency criterion. Any variation in the amount payable will require taxation legislation and hence ratification by Parliament¹¹⁹ which means that the PMC cannot be increased (or decreased) without public scrutiny.

Accommodation Tax

8.11 User pays measures should be neither proposed nor introduced without their full implications being subjected to thorough appraisal. One such measure which, in the Committee's opinion, has received inadequate consideration is the introduction of accommodation taxes, such as those proposed by the report of the Resource Assessment Commission's Coastal Zone Inquiry (the RAC Report),¹²⁰ or those currently imposed on accommodation properties on the Gold Coast and in the Northern Territory.

8.12 The Committee believes that taxes of this type are unsatisfactory in a number of respects, most notably in their economic consequences. As noted by some commentators, when an accommodation tax is passed on to foreign visitors it becomes, in effect, a tax on Australia's tourism export, making that export less competitive. Conversely, accommodation taxes paid by Australian travellers in this country penalise the Australian product relative to imported substitutes which can be purchased when travelling offshore, resulting in increased competitiveness for the imported tourism substitute.¹²¹

116 Evidence, p. 369

117 Evidence, p. S891

118 Evidence, p. S890

119 Evidence, p. 501

120 Resource Assessment Commission, *Coastal Zone Inquiry Final Report*, AGPS, Canberra, 1993, p. 385.

121 Geoff Carmody, 'Export enhancing spending must be left alone', *Financial Review*, 13 January 1995, p. 27.

8.13 The Committee also considers that arguments in favour of accommodation taxes¹²² give too little consideration to equity concerns. It is essential that user pays measures do not impact unfairly on one group or sector. The Committee is concerned that accommodation or bed taxes constitute discriminatory charges, contrary to the principles of good taxation.

8.14 It is difficult to fault the actual or proposed use to which revenue raised by these taxes is put. Income from the Northern Territory's 'tourism marketing duty' (5% on all accommodation income) and the Gold Coast levy is hypothecated to tourism marketing and consequently benefits the industry as a whole; and the tax recommended by the RAC Report has been proposed as an environmental protection measure in coastal areas.

8.15 The laudability of these intentions does not negate the fact that accommodation taxes strike at only one sector of the tourism industry in order to pay for services from which all users will benefit and other industry participants will profit.¹²³ This is inequitable and the Committee urges that, where possible, other options be explored. The Committee notes and commends, for example, the efforts of tourism providers in the Kimberley district of Western Australia in raising a promotion fund for the area. There, a majority of businesses including some that would not traditionally be regarded as tourism operations, imposed a levy on themselves. This, when topped up by the Western Australian Government and the Kimberley regional tourist board, raised over one million dollars.¹²⁴

8.16 It has become obvious to the Committee that the accommodation sector presents a soft target when it comes to revenue of this kind: hotel and motel guests represent an attractively accessible source from which to raise revenue, and the accommodation provider is equally conveniently placed to act as tax collector. As a representative of the Northern Territory Tourism Commission admitted 'Here, because we have got a small industry spread far and wide, this is the easiest way of collecting....'¹²⁵ The Committee does not regard ease of collection as an adequate justification for singling out a particular sector of the tourism industry for taxation purposes.

8.17 Nor is the Committee persuaded by claims that there was a degree of support for the 'duty' among many other sectors of the Territory tourism

122 see Akis Haralabopolous, 'Hotel tax would target a growing industry', *Financial Review*, 10 February 1995, p. 29.

123 Evidence, p. 435

124 Evidence, p. 267

125 Evidence, p. 19

industry.¹²⁶ It is hardly surprising that those reaping the rewards of a taxation measure that they neither have to pay nor collect would favour it.

8.18 **The Committee recommends that:**

21. **in conformity with the equity criterion of good taxation, the accommodation sector not be singled out for taxation.**

Great Barrier Reef Marine Park Environmental Management Charge

8.19 A specific instance of the 'user pays' philosophy at work is the Great Barrier Reef Marine Park Environmental Management Charge, usually known as the reef tax or levy. This provides a useful illustration of the way a 'user pays' charge is collected, managed and used, and how it impacts on those who pay it.

8.20 The levy came into effect in July 1993 and applies to all commercial permit holders, including tourism operators, who operate in the jurisdiction of the Great Barrier Reef Marine Park Authority (GBRMPA). Individual visitors to the Marine Park and commercial fishing are exempt. For most operations subject to the levy the charge is \$1 dollar per passenger carried per day.

8.21 As is the case with most user charges, the reef tax has not escaped criticism. Tourism operators in the area have argued before the Committee that, in its present form, it is a discriminatory charge impacting unfairly on only some users of the Marine Park,¹²⁷ and that the flat \$1 dollar per visitor per day is a disproportionately large imposition on the proprietors of smaller or budget tourist operations.¹²⁸ There is also a perception that revenue raised is being swallowed in administrative costs.¹²⁹

8.22 These criticisms have been acknowledged by the Authority and some attempt is being made to redress industry concerns, particularly the inequity aspects of the levy. A review is currently underway to try and determine ways of eliminating its inequitable aspects.¹³⁰ GBRMPA has also refuted suggestions that revenue raised is not being put to the purpose for which it was intended, pointing out that all monies raised by the levy are returned to the Authority, with 75% being used to fund the Cooperative Research Centre for the Ecologically Sustainable Development of the Great Barrier Reef (CRC) and the remaining 25% of revenue being spent on collection costs and on certain education, management and research

126 Evidence, p. 16

127 Evidence, p. S851

128 Evidence, p. S389

129 Evidence, p. S390

130 Evidence, p. 406

projects of relevance to the Reef, its management and conservation.¹³¹ That the CRC has substantial industry representation with sizeable input into the way funds are disbursed is a point acknowledged by AMPTO.¹³²

8.23 Another aspect of user charging which concerns the Committee is the multiplicity of fees for which some tourism businesses are liable. In the Whitsunday area, for instance, it was brought to the Committee's attention that, in addition to the GBRMPA levy, certain resort operators are subject to four other charges for the registration and use of tourism vehicles in national parks and forestry areas.¹³³ Given that problems of this type frequently involve several different agencies and jurisdictions the Committee urges that the matter be addressed by consultation between the Department of Tourism and the Council of Tourism Ministers.

8.24 Given that user charging as a method of cost recovery and resource management is now widespread in the industry and given the likelihood of 'user pays' being more extensively applied, the Committee believes that, in the interests of equity and efficiency, the application of user charges should be underpinned by certain principles. Such charges should be minimal and transparent in application; they should relate to the cost of the good or service provided; and those who are to benefit from the charge should be identified.

8.25 **The Committee recommends that:**

- 22. the beneficiaries of user charges should be clearly identified and uniformly treated; all user charges are related to the cost of providing the good or service; and revenue from user charges should be allocated to the costs associated with the operation, maintenance and development of the product.**

131 Evidence, pp. 406-407

132 Evidence, p. S852

133 Evidence, p.119

CHAPTER 9

INCENTIVES

Government Support for Tourism

9.1 The Committee, while being sensitive to the crucial role that tourism plays in the country's economy, and to concerns regarding the impact of taxation on tourism businesses, wishes to stress that any discussion of the relationship between the taxation regime and the tourism industry must acknowledge the essential interdependence of the two. Tourism, like all other industries, is part of the country's economic environment and as such relies on the provision by government, in all three spheres, of taxpayer funded services and infrastructure without which there would be no possibility of a viable tourism industry.

9.2 In addition, the Commonwealth government directly supports tourism through funding totalling over \$102 million,¹³⁴ of the Australian Tourist Commission, the Bureau of Tourism Research, and the programs administered by the Commonwealth Department of Tourism. The efforts of these organisations have been rewarded by increases in domestic and international tourism activity. For example, the tripling of overseas visitor arrivals over the last decade is indicative of the effectiveness of Australia's overseas marketing efforts. With this in mind, and in view of forecasts that inbound tourism will continue to grow, the Committee urges that present levels of funding for overseas marketing be maintained.

Export Marketing Development Grants Scheme

9.3 Tourism operators are eligible for direct government assistance through a number of government administered schemes. One such is the EMDGS, administered by Austrade, which was set up in 1974 to assist Australian exporters in promotional efforts to seek out and develop overseas markets. Tourism was eligible for assistance under this and a subsequent scheme from 1978 to 1987 when it was excluded. The industry was readmitted to the Scheme in July 1990.

9.4 Since then, the EMDGS has been open to most tourism operators who provide three or more prescribed tourism 'amenities'. These operators qualify for a grant of 50% of eligible expenditure. In its 1993 report, *Undersold Overseas*, the House of Representatives Industry, Science and Technology Committee recommended that the Scheme be extended to include the whole tourism industry.¹³⁵ Access to the Scheme has been available to single service tourism providers, that is,

¹³⁴ Evidence, p. S512

¹³⁵ House of Representatives Standing Committee on Industry, Science and Technology *Undersold Overseas*, AGPS, Canberra, 1993, p.44.

operators who promote one or two amenities, since July 1994. The grant rate for these operators is 25%. Arrangements for the implementation of the revised Scheme have been agreed to in principle by the Minister for Trade and the Minister for Tourism.

9.5 The expenditure threshold for all grant claimants is, at present, \$30 000. Activities which operators may claim as eligible expenditure include market research; trade fairs, displays and missions; and foreign language training. In its present form EMDGS gives access to government assistance to a wide spectrum of the tourism industry, including accommodation providers and proprietors of tourist attractions. Subject to the new implementation arrangements being passed by Parliament, the Government proposes to include several additional categories.

9.6 The Committee has received representations in respect of a number of aspects of the Scheme which is still regarded by many operators, despite the Industry Committee's recommendations, as being too restricted in its application. Criticism of the current EMDGS arrangements focuses on the perceived inequity of the single service operators' grant rate being half that of other industries.¹³⁶ The Committee endorses the Industry Committee's recommendations and notes the reservations of some industry representatives concerning the 'treatment of Australia's major export industry as a second class citizen'¹³⁷ in respect of this inequity. The Committee also urges the new implementation arrangements be approved without delay.

9.7 **The Committee recommends that:**

23. **once the Export Market Development Scheme is fully implemented, consideration be given to the provision of equal access to the Scheme for single service providers at the rate of 50 cents in the dollar.**

Heritage Conservation Tax Incentive

9.8 Visits to and enjoyment of cultural and historical heritage sites have a well defined part to play in tourism. Heritage sites, especially built heritage require, like other tourist locations, considerable upkeep. If ownership of the site is in private hands, the financial burden of maintaining it may well prove prohibitive. In recognition of this, the government has introduced a tax incentive for heritage conservation.

¹³⁶ Evidence, pp. S176, S190, 609, S469 and S892-S895

¹³⁷ Evidence, p. S894

9.9 This scheme, which will come into effect in 1995, is aimed at encouraging private owners of heritage listed buildings and structures, either income or non-income producing, to undertake approved conservation work valued at \$5 000 or more. For owners of eligible heritage sites this will mean a tax rebate of 20 cents in the dollar. Under the scheme, the Minister for Communications and the Arts will be able to approve heritage conservation work valued at \$9.5 million annually. Total revenue foregone is capped at \$1.9 million.

9.10 Despite criticism that this 'gesture' is less than sufficient,¹³⁸ the Committee commends this action as an important contribution towards the conservation of Australia's built heritage from which the tourism industry will also benefit, as some of those eligible for the rebate will certainly be operators of tourist facilities. The Committee advocates that the Scheme be kept under review to ensure that, should demand for inclusion in the Scheme exceed the set limit, the cap will be raised. The Committee also commends the suggestion of the Department of Environment, Sport and Territories that the Scheme be expanded to include natural heritage places¹³⁹ such as Wirrimbirra Sanctuary or the Guerrilla Bay/Burrawarra Point area. Extension of the rebate to such sites would advantage tourism by promoting the protection of such natural assets as rare flora sites and geological deposits.

9.11 **The Committee recommends that:**

24. **the Heritage Conservation Tax Incentive Scheme be monitored closely to ensure that the cap on revenue forgone be kept at a level commensurate with demand for inclusion in the scheme; and**
25. **eligibility for the Heritage Conservation Tax Incentive Scheme be expanded to include natural heritage places.**

138 Evidence, p. S452

139 Evidence, p. S433

CHAPTER 10

TOURISM AND TAXATION, NATIONAL AND INTERNATIONAL COMPARISONS

Introduction

10.1 During the course of the inquiry several issues were identified in the context of comparisons between tourism and other business sectors nationally, and between tourism in Australia and the tourism industry in competitor countries. Although it has not generally been possible to come to firm conclusions regarding possible areas of disadvantage for tourism relative to many other sectors of the Australian economy, or relative to tourism businesses abroad, the Committee commends these issues for discussion.

10.2 It has already been noted in this report that there are difficulties associated with gathering national data on the tourism industry. This stems, in part, from the industry's complexity and the consequent definitional problems. These difficulties are compounded when international comparisons are attempted. The Committee regrets this deficiency and reiterates the necessity for improved national data collection to facilitate comparisons between tourism in Australia and the industry in competitor countries.

National

Leisure and Luxury Taxes, Labour Taxes, Real Estate Taxes

10.3 Concern has been expressed that tourism incurs an unfair tax burden since it is generally a leisure activity which attracts high levels of taxation applied to luxury goods. Specific concerns relate to taxes on luxury items, the rate of which can be as high as 45% for luxury motor vehicles. This is considerably higher than the general rate of 21%. It has been suggested that luxury taxes unfairly burden an industry where expenditure is discretionary and some market segments are price sensitive.

10.4 The Committee also noted some disquiet regarding payroll tax, levied by all state governments, which is applicable to all businesses when wages exceed a taxable threshold. It has been argued that payroll tax discriminates against labour intensive industries like tourism and acts as a disincentive for small businesses to expand.

10.5 Moreover, with the internationalisation of the Australian economy, there has been a general decline in the labour intensity of industries such as manufacturing. This restructuring process has emerged as a serious economic and

social problem in regional Australia. Tourism is the type of industry which can assist the adjustment process.

10.6 This highlights the absurdity of state governments taxing labour inputs with payroll taxes. These taxes discriminate against labour intensive enterprises and encourage employers to minimise their labour inputs. The elimination of state payroll taxes is likely to produce a 1.5% increase in employment rates nationwide.¹⁴⁰

10.7 In any case, the integrity of the states' payroll tax base has declined substantially. For example, NSW now offers \$500 million in payroll tax exemptions. Competitive federalism and tax discounting between state governments is likely to place further pressure on the integrity of this tax.

10.8 **The Committee recommends that:**

26. **The Council of Australian Governments consider means by which the payroll tax system (and consequently, Federal/State financial relations) can be reformed to resolve the difficulty in:**
 - a. **taxing labour inputs and disadvantaging labour intensive industries (at a time when Australia should be fostering the growth of these industries, particularly in regional areas); and**
 - b. **the declining base and integrity of State payroll tax systems.**

10.9 The matter of real estate duties, including land tax and stamp duty (levied by state governments) and the taxation of capital gains (levied by the Commonwealth Government) has been brought to the Committee's attention as another possible area where tourism may be at a disadvantage. Real estate duties could impact heavily on those sectors of tourism which rely on real estate, particularly low density development.

Remote Areas

10.10 The Committee recognises that there exist a number of specific burdens for business operators in remote areas. These include additional costs associated with the transportation of goods, services and people, and longer waiting times for supplies. There are, too, the added expenses associated with the replacement and repair of buildings, furniture and fittings which, in remote areas, are frequently subject to harsher climatic conditions which contribute to added wear and faster deterioration.

¹⁴⁰

Langmore, J., and Quiggin, J., *Work for All: Full Employment in the Nineties*, Melbourne University Press, 1994, p.153.

10.11 The Committee canvassed the possibility of addressing the inequities faced by businesses in remote areas by extending the existing personal income tax Zone Rebate Scheme to provide additional concessions for companies in remote areas. Tourism operators believe that this is of limited utility in their situation in that the Scheme focuses on taxable income, rather than addressing operating costs.¹⁴¹ Indeed it was suggested that a more equitable approach would be through reducing the level of diesel fuel excise paid by all businesses. This would assist tourism operators in remote areas by reducing the costs of transport and power generation.

Variations in Fees and User Charges Between States/Territories and Between Local Governments

10.12 As a good deal of evidence to the Committee indicates, there is frequently a lack of uniformity in the level or application of state or local taxes which arises from differing budgetary constraints and priorities.¹⁴² These include the taxation treatment of gaming machines; vehicle registration fees; navigation, light dues and port charges; utility supply and garbage disposal. Standardisation of these taxes and charges would assist tourism operators who cross state borders or who compete for business with other states or territories. The Committee believes that this lack of uniformity would be best addressed by direct consultation between industry representatives and the Council of Australian Governments.

Conclusion

10.13 Inter- or intra-industry comparisons may suffer from the same flaws as 'comparing apples with oranges'. The difficulty is that such arguments take a broad perspective which fails to consider such aspects of the tourism industry as its heterogeneity, which make comparisons, both external and internal, difficult. Not all sectors of the industry, for example, are labour intensive. By the same token there are few useful areas of comparison between tourism, in so far as it is labour intensive, and other, more capital intensive, industries.

10.14 One example of the difficulty in comparing the taxation burden between industries and industry sectors is the aviation sector which is subject to a number of user charges, for example to meet the cost of providing airport facilities, safety and anti-terrorism measures. Income tax and FBT imposts vary according to the country of origin of each individual airline, and many 'inputs' including equipment used for aircraft maintenance and safety, security screening and flight catering are subject to sales tax. While these taxes represent significant costs for airlines which are then passed to the traveller in ticket prices, aircraft, including those used exclusively for domestic services, are exempt from sales tax.

¹⁴¹ Evidence, p. S802

¹⁴² Evidence, pp. S191-S195, S310-S313, 253 and 258-261

10.15 A range of concessions that have been afforded to 'older' industries such as mining and primary production have been highlighted during the course of the inquiry. Comparisons between industries are difficult when outputs of other industries may be taxed at a later point in the production process. In addition, the emergence and growth of the Australian tourism industry over the last decade has coincided with attempts to rationalise the taxation system.

International

10.16 Countries around the world have developed their taxation regimes to meet social as well as economic objectives. OECD comparisons indicate that Australia's overall tax burden (ratio of total tax revenue to Gross Domestic Product) is amongst the lowest of OECD countries, although higher than in many neighbouring Asian countries.

General Comparisons

10.17 A recent study commissioned by the Commonwealth Department of Tourism (discussed in submission number 40) indicates difficulties in directly comparing the taxation regimes of various countries. While some observations can be made on the imposition of a range of taxes, assertions about the relative taxation burden of the tourism industry are not feasible without additional detail.

10.18 On general taxation issues the study found that Australia's company tax rate of 33% is in a similar range to competitor countries and that all countries studied have either a sales tax or VAT/GST. There is no evidence to support the contention that the overall level of indirect taxation in Australia is higher than that in other countries.

10.19 Concerning taxes which impact specifically on tourism enterprises, the study found that Canada, France, Indonesia and the USA have occupancy or bed taxes; Malaysia applies a duty on entertainment tickets; and various states of the USA levy indirect taxes on tourism.

10.20 There is some indication that compliance costs associated with tax rules may be higher in Australia than in competitor countries. All countries tax non-cash benefits which may be provided to employees, although Australia and New Zealand have the most rigorous and complex systems for taxation of benefits.

10.21 Australian treatment of depreciation and capital allowances appears to be consistent with other countries although Malaysia and Singapore do not generally allow depreciation on buildings used in the tourism industry.

Tourism as an Export Industry

10.22 To ensure that Australian exports are internationally competitive they are generally exempt from indirect taxes including sales tax. This policy is advocated in the National Tourism Strategy. Implementation of the policy is problematic since, while tourism is recognised as an important export earner, tourism goods and services are often not distinguishable as exports as they are consumed in Australia by both domestic and international visitors. Under these circumstances it is not practical to remove all indirect taxes from domestic tourism transactions.

10.23 In addition, Treasury and ATO policy is that transactions that take place in Australia are considered to be domestic transactions and therefore not exempt from sales tax.

10.24 The Committee considered options for implementing exemptions from indirect taxation for readily identifiable tourism exports such as inbound tour packages, goods purchased for export,¹⁴³ international flights¹⁴⁴ and hotel sales to international visitors.¹⁴⁵

10.25 Indirect tax exemptions for tourism exports would be costly to administer and could be inequitable if applied only to tourism services. A more equitable approach would be the introduction of a rebate scheme for all exports. This was proposed in a report recently released by the LEK partnership,¹⁴⁶ although no strategy has been identified for implementation of this proposal.

10.26 The Committee endorses this proposal and agrees, in principle, that a scheme should be established to address the impact of indirect taxes on exported services. The Committee has not taken sufficient evidence on this issue to recommend an implementation strategy but noted that it is to be addressed by the House of Representatives Standing Committee on Foreign Affairs, Defence and Trade.

Conclusion

10.27 The value of international comparisons is limited as they do not take into account other indicators such the standard or level of government support, direct or indirect, provided in each country. This includes the provision of health services, law and order, environmental management and infrastructure. The

143 Evidence, p. S116

144 Evidence, p. S844

145 Evidence, p. S668

146 Austrade, *Intelligent Exports and the Silent Revolution in Services*, Austrade, 1994, p. 117.

presence or absence of these services can affect tourism positively or negatively. Another factor not taken into account is the degree of direct government support given to tourism in the countries studied. In addition, the Committee noted that taxation is only one of a number of factors which affect the profitability of Australia's tourism industry. Other factors include currency exchange rates, occupancy levels and room tariffs of hotels and market demand.

10.28 The Committee notes that its attempt to examine the difficulties of Australian tourism apropos its international competitors was seriously hampered by a paucity of evidence or comment on the issue. The Committee regrets that, despite repeated requests, so little material was forthcoming from the industry, the exceptions to this being Mallesons Stephen Jaques whose written submissions on the subject of duty free allowances contained much useful and comprehensive international data, and the Commonwealth Department of Tourism for its review of foreign country taxation regimes.

10.29 The difficulties encountered by the Committee in examining the relative taxation regimes of Australia's international competitors, with particular regard to the impact of indirect taxation on services that are exported, provide another example of the difficulties arising from Australia's indirect taxation system.

CHAPTER 11

CONCLUSIONS

11.1 The subject of this inquiry has proven to be extremely broad and has led the Committee to examine a wide range of issues. It has explored the background and policies underlying the imposition of various taxes to understand why tax rates and exemptions have been introduced and it has considered practical issues such as how the present taxation regime is administered and the difficulties of effectively quarantining exemptions.

11.2 Through extensive discussion with people involved in tourism, the Committee has learned of a range of tax related issues that affect the delivery of tourism services. Most of the issues raised focus on the impact of Commonwealth Government taxes although these represent only a part of the total taxation impost faced by tourism operators.

11.3 Underlying many of the concerns of tourism operators, managers and planners is the lack of reliable data to address questions arising from the terms of reference. The Committee has responded to this issue in its recommendation for the development of tourism satellite accounts.

11.4 The Committee is concerned that the principles of good taxation frequently do not apply to tourism operations. Many of the concerns examined during the course of the inquiry have arisen because the taxation regime is not always simple to comply with; there are numerous examples of its impact on spending within the economy; and there is considerable doubt about whether the impact of taxation is equitable.

11.5 FBT is of particular concern throughout the industry. The Committee commends recent Government initiatives aimed at reducing compliance costs arising from this tax and adds that there is need to examine further the application and impact of FBT. For example, FBT is applied to 'benefits' that are legal obligations for tourism employers or essential for the operation of a business and cannot be cashed out.

11.6 The Committee is particularly concerned at a number of inequities identified during the inquiry. The most conspicuous example of inequity is in the application of the DFRS and the lack of a rationale for this scheme. The Committee has considered a number of options for revision of the Scheme or its eligibility criteria and has concluded that the implications of various options extend well beyond tourism and into all sectors of the economy. The Committee believes that the costs, benefits and equity implications of this tax should be the subject of general debate.

11.7 The Committee also identified a number of inequities arising from the application of sales tax which allows exemptions for many industries or user groups. The Committee's efforts to address sales tax issues have been hampered by a lack of practical suggestions for implementing changes to the taxation regime while minimising compliance costs for operators. The relative sales tax burdens of goods and service producers has proved particularly difficult to address.

11.8 The Committee believes that it would not be responsible to consider any modification of the taxation regime without also considering its impact on government revenue. The Committee regretted the lack of information that was forthcoming on this aspect of the inquiry, in particular from Commonwealth Government departments.

11.9 The Committee considers that, while taxation treatment of tourism in other countries may assist in decision making for specific taxation issues, it must be examined cautiously as taxation regimes and government policies vary considerably between countries.

11.10 The emergence and growth of the Australian tourism industry over the last decade has coincided with Government attempts to rationalise the taxation system. As a result, tourism may not have enjoyed the range of tax breaks and concessions historically available to emerging industries. The taxation treatment of tourism appears to be less favourable than several older industry sectors, most notably mining, agriculture and manufacturing. This point was reinforced regularly throughout the inquiry as participants itemised a range of concessions that have been granted to these industries.

11.11 Nonetheless, it is difficult to argue that tourism has been targeted unfairly through the taxation regime or that it should be eligible for special tax breaks and concessions. In this context, it has been argued that the interests of tax equity would be better served by closing down inappropriate concessions in other industries, guaranteeing tourism inter-sectoral equity in tax policy.

11.12 The tourism industry is complementary to other sectors of the economy, and not in competition with them. Because all industries play a role in tourism through the provision of goods and services to travellers, the Committee has endeavoured to ensure that its recommendations are equitable and do not single out any sector for special treatment. Equity within the taxation regime will positively affect the way tourism is planned and managed in Australia.

THE HON DAVID SIMMONS MP
Chairman
9 March 1995

Dissenting Report from Mr J Bradford MP, Mr R Braithwaite MP, Mr D Jull MP, and Mr A Abbott MP

In making this dissent we wish to stress that we are in agreement with and support virtually the whole report and recommendations contained within. Our dissent relates to the tourism charter vessel business.

The Committee has not seen fit to recommend changes to the taxation regime as it applies to 'Bareboat Operators', even though the Committee saw fit to support a review of the taxation arrangements applying to the operation of buses and four wheel drive vehicles used in the tourism business.

The representations of Bareboat Operators were of particular concern as Bareboats have a similar, but not identical, use to others that are tax exempt. Some opinion concluded that an exemption from sales tax for Bareboats, without a compensatory tax on outputs of these businesses, would effectively create a new anomaly within the taxation regime. We believe that to a substantial extent this already applies in industries that are wholesale sales tax exempt and that the present system is anomalous to Bareboat Operators.

There are a number of similarities between the concerns of the operators of Bareboats and others in the tourism industry using small vehicles and vessels, particularly related to the rules that limit tax deductibility to those carrying over 12 passengers and to having set timetables for departure. It is an indication of how inflexible the Act has become, that it cannot accommodate the needs of an industry that is innovative and is needed to service the requirements of a changing market.

Recommendation:

That sales tax exemptions be available to genuine Bareboat Operators for the purchase of vessels and parts for business use with unscheduled departure and arrival times.

Mr J Bradford MP Mr R Braithwaite MP Mr D Jull MP Mr T Abbott MP

9 March 1995

Dissenting Report from Mr R Braithwaite MP

In addition to the dissent regarding the tourism charter vessel business, there is one further matter on which I believe the report to be deficient. I am concerned that the report's conclusion does not adequately address the fundamental shortcomings of the indirect taxation regime in Australia.

The significant potential of the tourism industry to contribute to growth and job creation in the Australian economy is obvious. What is also obvious is that the increasingly important role played by service industries such as tourism has resulted in a complex indirect taxation regime which is no longer equitable, efficient and simple. Compliance is a major problem for businesses and inequity may distort investment decisions, and the complexities of all the hidden taxes and charges were the most common complaint of industry representatives.

The Committee was constrained from addressing many of the issues raised by the tourism industry. Due to the inquiry terms of reference, the Committee has had to consider the impact of taxes on the tourism industry relative to other industries.

The Committee could not seriously recommend a raft of changes which treated the tourism industry as a special case as many of the difficulties with the current system arise from the ad hoc nature of exemptions and special deals for various industries that have evolved over the last sixty years.

The Committee has, however, indicated in this report the effect of payroll taxes on labour inputs across all industries and made appropriate recommendations.

It is my view that tourism is being adversely affected by the current indirect taxation arrangements, and in view of the discriminatory nature of some of these taxes, but recognising that tourism should not be given preferential treatment, the only sensible solution is to have an objective review of the whole system.

Recommendation:

That a comprehensive review of the indirect taxation arrangements be undertaken to develop options for reform which address the need for simplicity, equity and efficiency.

R Braithwaite MP

9 March 1995

Appendix 1

Program of activities undertaken by the Committee

Public hearings

Darwin	11 July 1994
Brisbane	25 July 1994
Airlie Beach	26 July 1994
Cairns	27 July 1994
Sydney	16 August 1994
Canberra	1 September 1994
Canberra	19 September 1994
Canberra	22 September 1994
Canberra	10 October 1994
Canberra	13 October 1994
Canberra	20 October 1994
Adelaide	24 October 1994
Perth	25 October 1994
Canberra	7 November 1994
Canberra	10 November 1994
Canberra	14 November 1994
Canberra	17 November 1994
Canberra	5 December 1994

Inspections, Informal Discussions and Private Meetings

Sydney	14/15 June 1994
Darwin	11 July 1994
Kununurra/Lake Argyle	12 July 1994
Broome	13 July 1994
Uluru	14 July 1994
Alice Springs	15 July 1994
Mackay/Laguna Quays	26 July 1994
Airlie Beach	26 July 1994
Hamilton Island	27 July 1994
Cairns/Atherton Tablelands	28 July 1994
Sydney Airport	17 August 1994
Gold Coast	21/22 August 1994
Barossa Valley	24 October 1994
Perth	25 October 1994
Swan Valley	26 October 1994

Appendix 2

List of witnesses appearing at public hearings

Witness/organisation	Date(s) of appearance
Adelaide Casino	24 October 1994
Mr Andrew Hirst Managing Partner Price Waterhouse	
Mr Andrew MacDonald Senior Executive Casino Operations	
Mr Terence Shanahan Managing Director	
Adelaide Convention and Tourism Authority	24 October 1994
Mr William Spurr Executive Director	
Association of Marine Park Tourism Operators	26 July 1994
Mr David Hutchen Deputy Chairman	
Mr Keith Nielson Executive Director	
Australian Bureau of Statistics	17 November 1994
Mr Brian Donaghue Director Public Finance Section	
Mr Stan Fleetwood Assistant Director Transport and Tourism Statistics	

Mr John Joisee
Director
National Accounts Research

Mr David Lengyel
Director
Transport and Tourism Statistics Section

Mr George Sarossy
Principal Adviser
Industry Survey Development

Australian Casino Association

7 November 1994

Mr John Beagle
Executive Director

Mr William Sheppard
President

Australian Chamber of Shipping

16 August 1994

Mr Gregory Bondar
Executive Director

Mrs Sarina Bratton
Member
Passenger Ship Committee

Mr Ross McAlpine
Chairman
Passenger Ship Committee

Australian Customs Service

10 October 1994

Mr Derrick Andrews
Assistant Director
Tobacco and Warehousing Inland Revenue

Mr Peter English
National Manager
Inland Revenue

Mr Guy Harrison
Acting National Manager
Passenger Processing Branch

Mr Carl Ling
Assistant Director
Rebate and Subsidy (Eligibility)

The Australian Gem Industry Association

16 August 1994

Mr Maxwell Lane
Federal President

Australian Hotels Association

19 September 1994

Mr Paul Monagle
National Manager
Corporate and Industrial Relations

Mr Richard Mulcahy
National Executive Director

Australian Taxation Office

10 November 1994

Mr Barrie Russell
Deputy Commissioner
Upper Mount Gravatt Office

Mr Geoffrey Miller
Executive Officer
Business Tax Branch
Legislative Services Group

Mr Kenneth Allen
Assistant Commissioner
International Tax Division

Mr Christopher Hood
Senior Tax Counsel
Business Tax Branch
Legislative Services Group

Mr Raymond McNicol
Assistant Commissioner
Parliamentary Business Unit

Mr Kevin Taylor
Assistant Commissioner
Audit Responsibilities

Australian Tourism Industry Association

13 October 1994

Mr Geoffrey Carmody
Director
Access Economics Pty Ltd

Sir Francis Moore
Chairman

Mr Peter O'Clery
Chief Executive

Mr Lindsay Somerville
Tax Partner
Ernst & Young

NSW Tourism Industry Association

16 August 1994

Ms Mary Lynne Koloff
Executive Director
Australian Tourism Industry Association Chapter

Mr Keith Sheppard
Consultant
Australian Tourism Industry Association

Australian Youth Hostels Association

16 August 1994

Mr Neil Grindal
National Executive Director

Board of Airline Representatives of Australia Inc.

16 August 1994

Mr Lucio Cardone
Executive Director

Mr Geoff Gartland
Consultant

Ms Genine Wallinga
Member

Mr Brian Westcott
Member

Building Owners and Managers Association

10 November 1994

Mr Scott Morrison
Manager
Policy and Research

Mr Bruce Porter
Head of Real Estate

Cape Hillsborough Tourist Park

26 July 1994

Mr Ralph Sach
Owner

Coopers and Lybrand (Brisbane)

25 July 1994

Mr Darryl Somerville
Partner

Mr John Garrard
Senior Manager

Coopers and Lybrand (Cairns)

27 July 1994

Mr Paul Moni
Senior Partner

Mr Christopher White
Partner
Business Services and Taxation

Mr Neal Grosskopf
Senior Tax Manager

Darwin Region Tourism Association

11 July 1994

Mr Roderick Plaister
General Manager

Department of Environment, Sport and Territories

1 September 1994

Mr Michael Hill
Deputy Chief Executive Officer
Australian Nature Conservation Agency

Professor Graeme Kelleher
Chairman and Chief Executive Officer
Great Barrier Reef Marine Park Authority

Mr Vivan Mawhinney
Director
Norfolk Island Section
Territories Office

Mr Paul Pollard
Director
Environmental Economics Unit

Ms Astrida Uptis
Adviser
Conservation Policy Coordination Unit
Australian Nature Conservation Agency

Federal Airports Corporation

20 October 1994

Mr Phillip Carleton
Consultant

Mr Ivo Favotto
Manager
Corporate Strategy

Mr Stephen Langford
Manager
Taxation

Mr Peter Snelling
General Manager
Operations and Regional Airports

Hilton Hotels of Australia

16 August 1994

Mr Daniel Edmonds
Area Director
Human Resources

Mrs De-Anne Kelly

26 July 1994

Masselos Grahame Masselos

16 August 1994

Mr Garry Grahame
Partner

Motor Inn, Motel and Accommodation Association

16 August 1994

Mr Graham Farrar
Executive Director

National Restaurant and Catering Association

22 September 1994

Miss Denise Hart
Chief Executive

Ms Gabrielle Morgan
Board Member

Northern Territory Tourist Commission

11 July 1994

Mr John Moore
Market Analyst

Mr Mark Sparrow
General Manager
Planning and Research

Northern Territory Hotels and Hospitality Association

11 July 1994

Mr Bernard Millman
Member

Mrs Sonia Frank
Executive Officer

Queensland Hotels Association

25 July 1994

Mr Grant Bowie
Vice President and Chairman
Residential Division

South Australian Tourism Commission

24 October 1994

Mr Roger Freeman
Chief Policy Officer
Tourism Development Group

Department of Tourism

13 October & 14 November 1994

Mr Keith Maxted
Acting Assistant Secretary
Economic Policy Branch

Mr Robert Oakley
Acting Director
Economic Policy Section

Mr Raymond Spurr
Acting First Assistant Secretary
Tourism Division

Tourism Task Force

16 August 1994

Mr Christopher Brown
Chief Executive

Mr Jeff Kuhne
Convenor
Investment and Taxation Working Group

Mr Shaun Levine
Convenor
Olympic Games Infrastructure Working Group

Mr Andrew Sneddon
Member Investment and Taxation Working Group
Tax Subcommittee

Department of the Treasury

17 November & 5 December 1994

Mr Robert Dalla-Costa
Assistant Director
Indirect Taxation Section
Taxation Policy Division

Dr Kenneth Henry
First Assistant Secretary
Taxation Policy Division

Mr Geoffrey Painton
Section Head
Personal Income Section

United Distillers Australia

7 November 1994

Mr Norman Beavon
Chief Executive Officer
Australian Duty Free Operators Association

Mr John Halmarick
Member

Mr Steven Hollë
Policy and Research Manager
Australian Tourism Industry Association

Mr Warwick Ryan
Senior Associate
Mallesons Stephen Jaques

Mr John Scutt
Finance Director
Allders International Pty Ltd

Wait-A-While Rainforest Tours

27 July 1994

Mr Robert Morrison

Mrs Margery Morrison

Western Australian Tourism Commission

25 October 1994

Mr Robert Johnson
Business Development Manager

Mr Terence McVeigh
Director
Policy Planning and Development

Whitsunday Bareboat Operators Association

26 July 1994

Mr Victor Trimble
Chairman
Taxation Committee

Whitsunday Chamber of Commerce

26 July 1994

Councillor John Powell
President

Appendix 3

List of submissions

No.	Name of person/organisation
1	Hilton Hotels of Australia Pty Limited
2	Northern Territory Tourist Commission
3	Whitsunday Bareboat Operators Association
4	Centre for Applied Economic Research & Analysis
5	The Australian Gem Industry Association Limited
6	Mallesons Stephen Jaques
7	Australian Youth Hostels Association Inc.
8	Darwin Region Tourism Association
9	Australian Tourism Industry Association
10	National Restaurant & Catering Association of Australia
11	Coopers & Lybrand
12	Christmas Island Chamber of Commerce & Industry (Inc)
13	Motor Inn, Motel and Accommodation Association
14	Masselos Grahame Masselos Pty Limited
15	The Tourism Task Force
16	Australian Casino Association
17	Wait-A-While Rainforest Tours
18	Association of Marine Park Tourism Operators
19	Australian Hotels Association

20	Northern Territory Hotels & Hospitality Association
21	Snedden Hall & Gallop
22	Cable Beach Club
23	Association of Australian Convention Bureaux Inc.
24	Tourism Victoria
25	Motor Inn, Motel and Accommodation Association
26	Ms De-Anne Kelly
27	Western Australian Tourism Commission
28	Uluru Experience
29	Australian Chamber of Shipping Ltd
30	Coopers & Lybrand
31	The Treasury
32	Cape Hillsborough Holiday Resort
33	Hamilton Island Water Sport P/L
34	Board of Airline Representatives of Australia Inc.
35	Department of the Environment, Sport and Territories
36	Building Owners & Managers Association of Australia Ltd
37	Southern Pacific Hotels
38	Australian Bureau of Statistics
39	Australian Customs Service
40	Commonwealth Department of Tourism
41	Australian Taxation Office
42	Australia Post
43	Adelaide Casino

44	Australian Tourism Industry Association
45	Federal Airports Corporation
46	South Australian Government
47	Sneddon Hall and Gallop
48	Coles Myer Ltd
49	Shire of Broome
50	Masselos Grahame Masselos
51	Inbound Tourism Organisation of Australian Ltd
52	Department of the Environment, Sport and Territories
53	Australian Customs Service
54	Motor Inn and Accommodation Association
55	Australian Casino Association
56	Masselos Grahame Masselos
57	The Registered and Licensed Clubs Association of Australia
58	Hilton Hotels of Australia Pty Limited
59	Northern Territory Tourist Commission
60	Australian Hotels Association
61	Australian Taxation Office
62	Ansett Australia
63	Mallesons Stephen Jaques
64	Crown Casino
65	Tourism Council of Australia (formerly ATIA)
66	Australian Customs Service
67	Commonwealth Department of Tourism

- 68 Board of Airline Representatives
- 69 Association of Marine Park Tourism Operators
- 70 The Treasury
- 71 Department of Communications and the Arts
- 72 Australian Customs Service
- 73 Inbound Tourism Organisation of Australia
- 74 Australian Casino Association
- 75 Mallesons Stephen Jaques