

## **Working Holiday Maker Submission**

I am specifically targeting the terms of reference of (1) visa labour needs in agriculture, and (2) tax treatment for visa holders.

### **Background**

I am a farmer and directly employ international backpackers. In 2015/16 I employed approximately 40 backpackers, with this amount increasing each year.

### **The Backpacker Tax is a real threat to the success of my agricultural business**

When I call the local harvest labour office to request workers, around 95% of workers sent are backpackers. Quite simply, I prefer backpackers because they are keen to work, and are often intelligent people looking to gain a 2<sup>nd</sup> year working holiday visa or supplement their incomes whilst travelling. These backpackers are filling an important role in agriculture, particularly during fruit harvest when a solid labour supply is critical for my business to succeed. Direct discussions with my workers in early 2016 revealed that almost all of my workers planned to quickly earn money before the backpacker tax was to be introduced on 1 July 2016 and to then spend some time travelling in Australia before leaving to places like New Zealand for work. The Backpacker Tax will result in fewer workers choosing Australia and will have a severe negative impact on business revenues in agriculture where worker shortage is already a big issue in my region.

### **Backpackers should get a tax break like all Australians because of the type of work they do**

Backpackers are doing work that most Australians are unwilling to do. They should be assisted, not taxed from the first dollar they earn. Yes, if they earn above \$20K or so in a year, then start paying tax like all Australians do. But let them perform their valuable work without the disincentive earning even less than they already do.

It is difficult for both the backpacker and the employer to earn a good salary in agriculture. It is very clear to me as an employer that backpackers will simply not visit Australia to work in agriculture if being taxed from their first dollar. Currently, they are happy knowing that the 13% tax withheld will come back to them at tax time if they earn less than \$20K for the year (a reality for most working holiday holders). Having tax taken out from the first dollar earned will impact negatively on my business through reduced numbers of backpackers to harvest my fruit.

### **The Backpacker Tax will prove to be False Economy and come at a big price to farming enterprises**

Every dollar that I pay my workers is declared as a wage and has tax withheld. This would seem logical because I can then claim it as a legitimate tax deduction for my business and I am operating legally for the benefit of all Australians.

However, the reality is that my farm is likely not typical of many farms. Many farmers I know simply pay employees \$15 cash instead of the minimum wage of around \$22/h plus expenses. Why? Because it saves the farmer time and money. Whilst a farmer can no longer use that wage as a tax deduction, it is more than compensated for by the \$7 below minimum wage paid to the backpacker, the Work Cover and Superannuation that does not need to be paid, and the reduced effort required to manage the associated paperwork.

What will happen if a backpacker tax is introduced? The Federal Government will simply hand unscrupulous farmers and labour contractors further leverage to exploit backpackers. And we are all well aware of exploitation levels across the industry already. Why would an employer (or labour hire contractor) simply not offer their backpacker employees around \$12/h cash in hand? No tax taken out (“you were going to lose it anyway”), no Superannuation payments (“you only get 65% at the end anyway and most would have been lost through mandatory insurance policies by the time you claim it”), no time consuming paperwork (“phew”).

The result for the Federal Government is that its short-sightedness has (1) promoted further exploitation of backpackers and (2) REDUCED government revenue by creating a very real incentive for undeclared cash payments to backpackers.

### **Volunteering by backpackers is valuable and should count towards a second year visa**

Finally, as a WWOOFer host I believe that preventing backpackers from volunteering to earn a second year working holiday visa is a terrible decision from the government. Many backpackers are simply not cut out for agricultural work and would (1) never be employed on an hourly wage due to it being uneconomical for a farmer to do so and (2) could not earn a reasonable wage on piecemeal rates. I have met many people who fit this category who can still contribute other skills through volunteering their time in exchange for accommodation and food. These volunteers are thus afforded an opportunity to contribute to Australian society and cultural exchange. These volunteering backpackers (like the vast majority of all backpackers) continue to spend money in Australia (most of which was earned overseas) resulting in a positive cash flow into Australia.

- **Any new backpacker tax will result in both direct and indirect negative consequences to the Australian economy.**
- **The Backpacker Tax is quite simply a short-sighted measure that will not yield a net economic return to the Australian economy.**