



Australian Government



Australian
**Small Business and
Family Enterprise**
Ombudsman

2 September 2016

Mr Andrew McDonald
Assistant Secretary
Working Holiday Maker Visa Review
Department of Agriculture and Water Resources
GPO Box 858
Canberra City ACT 2601

Dear Mr McDonald,

WORKING HOLIDAY MAKER VISA REVIEW

Thank you for the opportunity to comment on the Department of Agriculture and Water Resources Working Holiday Maker Visa Review.

Working holiday makers provide a significant contribution to small businesses in Australia especially in rural and regional locations. Working holiday makers provide small business with access to an important temporary workforce particularly in the agricultural and tourism industries. These temporary workers are fulfilling a gap that is presently not filled completely by the existing Australian labour force. Small businesses have expressed concern over the removal of the tax-free threshold for subclass 417 and 462 visa holders. Concerns were also expressed surrounding the changes to the consideration of unpaid and volunteer labour in applications for extensions to 417 visas.

Removal of the tax free threshold for subclass 417 and 462 Visa holders and regulatory impost on employers

It is important for all Australian taxpayers pay a fair level of tax, including temporary workers. The removal of the tax free threshold for subclass 417 and 462 visa holders and imposition of a flat rate of 32.5% on earnings up to \$80,000 acts as a disincentive for working holiday makers to come to Australia and work temporarily. It removes access to marginal rates of tax which ensure temporary workers pay a fair level of tax similar to other Australian taxpayers and workers. Furthermore it creates yet another impost on small business to manage and collect a different income tax rate for a specific cohort of workers. For many small business and family enterprises which are already time poor under a significant existing regulatory burden this presents yet another challenge.

In addition, the confusion and media interest surrounding the announcement of this budget measure has created uncertainty for small business and working holder

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makers alike. This has already had an impact on small business in agricultural industries that have to plan for seasonal workloads, such as harvesting or planting, in advance and cannot be certain of the availability of this workforce for the coming season. Overseas media interest in the issue has promoted the tax change to prospective working holiday makers which would clearly act as a disincentive for working holiday makers to come to Australia to holiday and work temporarily knowing 32.5% of every dollar they work for is taken as tax.

Changes to the use of volunteer and unpaid labour

We are aware of a small business that was affected by the changes to the use of volunteer and unpaid labour in applications for extensions to 417 visas. In this instance, his agricultural small business relied on these volunteer workers during his peak seasonal work periods. He had been contacted by many working holiday makers wanting to work for their second year visas but needing proof of full remuneration to do so. These temporary workers were unable to find full time work in agriculture and consequently were not able to consider staying for a second year. He noted this was a lost opportunity for the economy given their contribution while volunteering. In addition, it affected his small business as the volunteer help previously given by such people was no longer available.

At the time, the change in consideration of volunteer and unpaid labour were related to concerns regarding the potential for not paying working holiday makers the minimum wage and pressuring them to accept voluntary or unpaid work instead. We note that organisations such as the Willing Workers in Organic Farms (WWOF) do provide an alternative form of temporary labour and properly regulated unpaid labour of this form should be considered in applications for extensions to 417 visas.

In summary, working holiday makers provide small businesses an important temporary workforce and fill a shortfall not presently met by the existing labour force. Measures such as the removal of the tax free threshold and the changes to the use of volunteer or unpaid labour for visa applications create a disincentive for working holiday makers to come to Australia to holiday and work. This also creates an additional regulatory impost and reduces an important labour force for small business.

Yours sincerely,

Kate Carnell AO
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