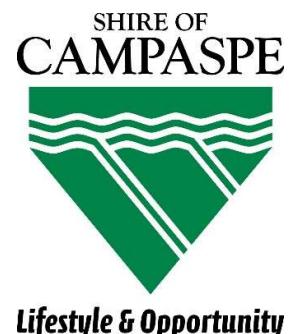


Campaspe Shire Council

Submission to *Working Holiday Maker Visa Review*

September 2016



INTRODUCTION

The Campaspe Shire Council welcomes the opportunity to have input into the *Working Holiday Maker Visa Review* being undertaken by the Department of Agriculture and Water Resources. Council provides this submission in its role as key representative of the communities comprising the Shire of Campaspe.

In regards to the themes of the Terms of Reference, Council's submission will seek to focus on the issues of *tax treatments for visa holders* and *visa labour needs of the agricultural and tourism sectors*. This emphasis arises from the importance of agricultural production, agricultural processing and tourism to the local and regional economy and the integral role that backpackers and temporary workers have in contributing to the effective operation of these industries.

Context

The Shire of Campaspe is located in north-central Victoria bordering the Murray River, with Council's headquarters based in Echuca. Other significant communities in Campaspe include Kyabram, Rochester, Rushworth and Tongala. The Shire has a growing population of approximately 38,000 people, with growth focussed on the larger townships.

Located in the heart of one of the richest and most diverse agriculture and food processing areas in Victoria, agricultural production and its associated processing and servicing industry remain the municipality's single largest area of economic output and source of local jobs. Key agricultural industries include dairy farming, cereal and grain production and sheep, alongside growth industries such as tomato production and viticulture. The region is also recognised for its concentration of fruit and vegetable production. **Figure 1** highlights vegetable production within the Shire and surrounds.

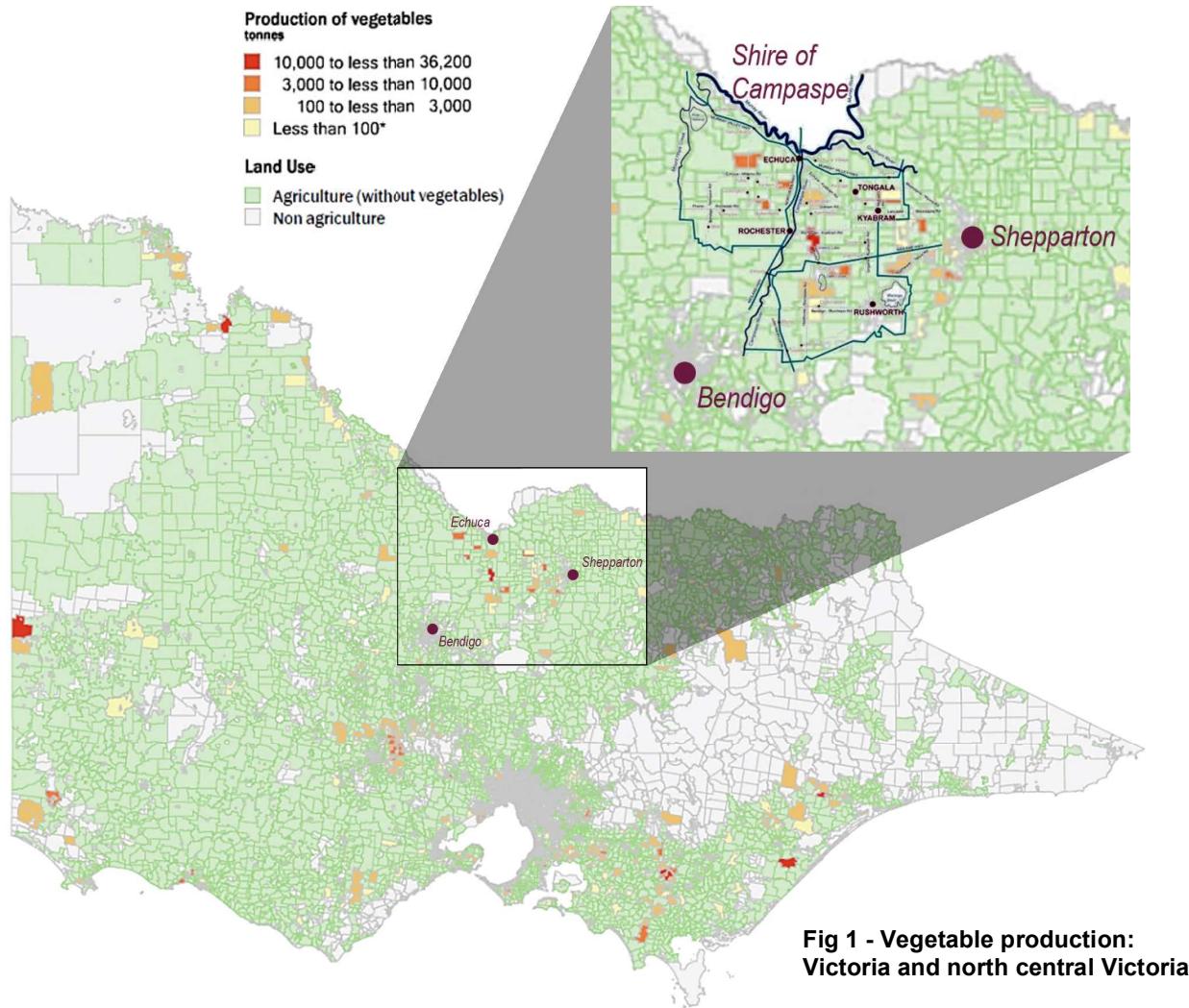
Importantly, Campaspe is host to a sizeable number of national and international food producers, including Murray Goulburn (Rochester), Nestle (Tongala), SPC Ardmona

Campaspe Agriculture

- In 2012/13 the agriculture, forestry and fishing sector (AFFS) represented almost **20%** of local Gross Value Add (or **\$327.5 million**)
- The AFFS has expanded by **4.2%** in its contribution to total local Gross Value Add since 2007/08
- Food manufacturing comprises over **two thirds** of local manufacturing
- The combined AFFS and manufacturing sector employ **28.1%** of locals
- Dairy production and processing accounts for **43%** of agricultural jobs and **10%** of all jobs

(Coca-Cola Amatil) (Kyabram), Kagome (Echuca), Fonterra (Stanhope), Kraft Heinz (Echuca), Simplot Australia (Echuca) and Parmalat (Echuca).

Tourism is also an important contributor to the local and regional economy, with the iconic Murray River and the historic regional centre of Echuca being among Victoria's key tourist destinations.



DISCUSSION

Concerns from the business community

The proposed 'backpacker tax' is generating considerable conversation within the Shire of Campaspe given the labour role served by working holiday makers across a broad range of local businesses, particularly in agriculture. The key concerns being heard within the community can be summarised as follows:

- Increasing the rate of taxation would reduce the average income of working holiday makers by one third

- Increasing the rate of taxation will act as a disincentive to working in Australia, substantially reducing the pool of available labour
- A lack of labour supply would have substantial impact on the agriculture sector, in particular for the harvest of ‘time critical’ crops including tomato, fruit, and other horticulture
- A decrease in the number of working holiday makers and their spending capacity would impact on local economies through reduced essential and discretionary spending, including:
 - accommodation
 - food
 - transportation and fuel
 - entertainment

Council has reviewed the background information on the matter and has undertaken a number of direct discussions with affected stakeholders. By way of example, **Appendix 1** contains a case study from a local business that provides an accommodation and labour matching service for working holiday makers. Given the feedback from stakeholders and the concerns heard within the broader community, Council wishes to make the following comments and observations regarding the proposal to increase the tax rates for working holiday makers.

Labour supply

Council agrees that increasing the rate of taxation to 32.5% will act as a disincentive to undertaking a working holiday in Australia, and in doing so will substantially reduce the pool of available labour.

This would have a negative impact in this region through limiting the supply of labour to the agriculture sector, directly affecting local industries including tomatoes, fruit, vegetables and viticulture.

Labour shortages

Council observes that working holiday makers assist in supplying labour to industries that have traditionally found it difficult to fill positions, particularly seasonal agricultural work.

Actively creating disincentives for working holiday makers through taxation is unlikely to increase the likelihood of the long-term unemployed in Australia taking up employment in these industries, given the historical labour shortage observed for this type of work.

Competition for workers

Council notes that Australia is just one country in a competitive marketplace for international backpackers and workers, with direct competition from countries like New Zealand and Canada. For comparison, it is noted that the taxation rate in New Zealand on earnings of NZ\$0 to NZ\$14,000 is only 11.95%.

Local and regional spending

The income earned by working holiday-makers in Australia is typically intended for spending within Australia, including for living expenses while working or for undertaking further travel within Australia. Many businesses in Campaspe currently benefit from the increased spending of working holiday makers in the region, including in smaller towns and communities.

Regional promotion

Council notes that the ability to readily work in the regions brings international tourists to locations that they would not normally go. This helps foster ongoing international friendships and relationships, and assists in the further promotion of travel to regional Australia.

Administration and compliance

Earnings for working holiday makers are currently taxed at the normal rate, making it simple for employers to administer. Council would be concerned at any measure that increased the administrative burden for businesses.

It is also observed that higher tax rates could increase the likelihood of tax evasion and create a ‘black market’ in agricultural labour.

Specific consultation questions

The feedback portal for the Working Holiday Maker Visa Review seeks responses to a number of specific questions. Council provides its responses below in full so as to provide further clarity to its position on these questions.

1. *Working holiday makers undertake work that Australians are unable or unwilling to perform.*

→ **Somewhat Agree.** Council is aware that there has historically been a lack of labour supply across the local agricultural sector, in particular for seasonal work during harvest.

However, Council does not necessarily agree with the use of the language *unable or unwilling* as posed by the question, although acknowledges that there is clearly an impediment to local take-up of employment in certain fields that should be further explored as part of the review.

2. *Backpackers should pay at least some tax while in Australia.*

→ **Somewhat Agree:** Council notes that backpackers are currently subject to the same rates of taxation as an Australian resident and in this regard backpackers do pay tax once they reach the threshold. As to whether a separate rate of taxation should apply, Council has not formed a view on this except to reiterate that 32.5% is too high and will detrimentally impact the supply of labour.

3. *Working holiday makers should be able to access their superannuation when they depart Australia.*

→ **Don't know:** Council does not have adequate information to form a view on this question.

4. *The number of working holiday makers coming to Australia will decline if a 32.5 per cent income tax rate is enforced.*

→ **Strongly Agree:** Given the international competitiveness for working holiday makers, the imposition of a 32.5% tax rate will act as a strong disincentive to come to Australia.

5. *Working holiday makers contribute to regional Australia.*

→ **Strongly Agree:** Council's submission has discussed not only the valuable work that is undertaken by working holiday makers locally - in particular in the area of agricultural - but also the value of bringing international visitors to areas of regional Australia that are not typically part of the Australian travel experience.

6. *It is important that working holiday makers spend time outside major cities.*

→ **Strongly Agree:** Regional Australia offers a rewarding and different experience for travelers to that offered by urban Australia. Regional Australia also offers a unique and genuine 'rural' experience synonymous with Australia's identity and international reputation.

7. *Australian workers should be given the opportunity to work, before the role is offered to a working holiday maker.*

→ **Somewhat Agree:** Council agrees that opportunities should be made available to Australian workers, in particular those experiencing long-term unemployment. However the premise of this question appears to suggest that this practice does not currently take place, which is not necessarily the case. As indicated in this submission, working holiday makers are almost invariably taking on labour roles that have historically been very difficult to fill.

8. *The labour hire industry is sufficiently regulated with respect to working holiday makers.*

→ **Don't know:** Council does not have adequate information to form a view on this question.

9. *The amount of red tape involved in employing workers is about right.*

→ **Don't know:** Council does not have adequate information to form a view on this question.

10. *I am aware of government programmes to help people in seasonal and temporary jobs.*

→ **Yes:** Council is broadly aware of the government programmes in question.

Attached: Appendix 1 - Case Study

APPENDIX 1



CASE STUDY:

ECHUCA BACKPACKERS

Background:

Simon Maddox has owned Echuca Backpackers for 8 years. The business provides accommodation and a labour-matching service for backpackers seeking to work in regional Australia. The business has an annual throughput of 350-400 workers, some of whom stay in Echuca for periods up to six months.

Guests work predominantly in agriculture and horticultural businesses, undertaking work such as planting, picking, pruning and weeding across a range of crop types including tomatoes, grapes, garlic and fruit. Clients include a number of sizeable local and regional businesses.

Some guests undertake additional local work in hospitality.

The backpackers come from a wide range of countries including UK, Ireland, France, Germany, Taiwan, Hong Kong, Japan and Korea.

Simon Maddox:

"There are probably several thousand workers used across the Shire each year, with a lot being on the orchards over Kyabram way.

Without the influx of seasonal workers, growers wouldn't be able to operate and would be left with crops unharvested as they cannot find sufficient local labour to meet the seasonal highs.

Although many backpackers are currently able to claim back their tax, being below the low income concession level, they spend all they earn while they are here (and more!) and contribute significantly to the local economy.

Having asked my guests about the proposed change, I predict that the numbers visiting here for working holidays will significantly decline, with adverse consequences for growers and regional economies. They will simply choose other countries to visit and work in. Word of mouth is extremely strong, and Australia's reputation as an attractive destination will be quickly lost and difficult to regain if the tax is introduced.

The system currently works in a very efficient way. It copes well with seasonal fluctuations on a simple supply-and-demand basis without too much bureaucracy involved.

Australian workers are given first preference for jobs but are simply not available in sufficient numbers to cater for seasonal needs, and to be honest are sometimes unwilling to do the jobs at all.

It isn't clear to me why itinerant low-income workers should be subject to a harsher tax regime than resident low-income workers when they don't actually use as broad a range of government services as residents do, such as education or aged care."