Huon Resource Development Group Inc.

Supporting resource-based industries in the Huon region, and the residents who depend upon them

Submission to the Minister for Agriculture and Water Resources

Inquiry into a broad range of issues affecting the supply and taxation of working holiday maker 417 and 462 visas

The Huon Resource Development Group seeks to make a submission to this review. The Group submits that a lower rate of tax for backpackers will have multiple benefits to the tourism and primary industry sectors of the Huon region, the State of Tasmania and the Nation.

Our group has a focus on supporting developments in the Huon Valley based on the sound management of our natural resources.

Our Mission Statement seeks to support progressive development in the Huon Valley through the democratic representation at all levels of Government, ensuring a vibrant and sustainable community.

The Huon Valley has a proud tradition of sustainable management of our natural resources including agriculture, fishing and forestry.

Key industries in the region include forestry, agriculture, aquaculture and tourism. [redacted] operates a timber mill at Geeveston. Fruit and wine are key contributors to the agriculture industry. Aquaculture is a growing industry with Huon Aquaculture and Tassal both operating in the region. Major tourist attractions include the Tahune Airwalk and Hastings Caves.

The Huon Valley municipal area covers 5,497 sq kms. The township of Huonville is approximately 30 minutes south of Hobart. The population of 15,000 is spread across the five main townships of Huonville, Franklin, Cygnet, Geeveston and Dover.

With the destruction of jobs in the timber industry through the secondary boycott campaigns of green groups, Huon Valley workers have seen traditional industries such as agriculture and horticulture as well as the emerging Aquaculture industry as a source of employment. However we recognise that whilst there are many all year permanent jobs the sustainability of many operations rely on a seasonal workforce. Increasingly this workforce is being supplied by working holiday makers holding visas that allow work to be combined with a holiday.

However this source of seasonal labour is now at risk, and many local enterprises and permanent jobs they provide are also at risk. In turn, the downturn could destroy regional communities and shrink our towns resulting in loss of overall tax revenue and the provision of community services and infrastructure.

In the 2015–16 Budget the Government proposed to change the tax status of temporary working holiday makers from that of resident, to that of non-resident, from 1 July 2016.

Most individuals who will be affected by the proposed change will be participants in the ‘Working Holiday Maker Program’. This program allows young adults (aged 18 to 30) from eligible partner countries to work in Australia while having an extended holiday. Work in Australia must not be the main purpose of the visa holder’s visit. This is a cultural exchange programme which enables young travellers to have an extended holiday and earn money through short-term employment.

The measure was proposed to apply to those with a Working holiday makers (subclass 417) and Work and holiday makers (subclass 462). It proposed a change in the personal income tax rates applying to non-residents.

Let’s compare Resident and non-resident tax rates 2014–15

Resident tax rates

0 – $18,200	Nil
$18,201 – $37,000	19c for each $1 over $18,200
$37,001 – $80,000	$3,572 plus 32.5c for each $1 over $37,000

Non-resident tax rates

0 – $80,000	32.5c for each $1

Currently for a 417 visa holder there is an incentive to work by granting a second year visa, if at least 88 days work done in regional agriculture, forestry and fishing, mining or in construction. These workers are normally paid at low levels of the award wage or an equivalent piece meal rate, a simple calculation of the 88 days at 8 hours a day at the minimum casual hourly rate of $22.13 is less than the residential tax free threshold of $18,200.

Clearly, backpackers should pay some tax if it is cost effective to collect, but the 32.5 cents proposed makes it prohibitive for most holiday makers.

In seeking a fair figure it should be remembered that on 1 July 2012, the tax-free threshold was raised from $6,000 to $18,200 to compensate for the flawed Carbon tax that has since been removed. For 2012 the tax rate was $6,001 – $37,000 15c for each $1 over $6,000, e.g. for earning $18200 a taxpayer would pay $1800.00 or 10%. Using the current rate of 19c (above $18,200) still approximates to 10%.

With average of over 110,000 visa holders per annum this still equates to a sizeable tax revenue of $180 million, comparing to virtually nil if the higher rate is adopted and the majority of holiday makers choose other countries. As the visa holders are holiday makers they are also likely to spend the majority of their earnings within Australia, thus doubling their tax contribution by paying another 10% in GST.

Such a compromise will generate both revenue and make visiting and working in the Huon Valley attractive to most holiday makers.

A second issue that needs to be resolved is the commencement date of the tax scheme. Currently the Commonwealth will defer the commencement of the previously announced changes to treat all working holiday makers as non-residents for tax purposes from July 1 for six months, eg the height of the fruit picking season. It would be much more sensible and provide regional communities with certainty to align any change with the commencement of the Australian Financial and Tax year, e.g. 1 July 2017.

Adopting the tax rate and start date proposed in this submission, members of the Huon Resource Development Group are confident that there will be positive impacts on the following key issues:

•Increase Australia's competitive position in attracting seasonal and temporary foreign labour,

•Reduce opportunities for a cash economy leading to exploitation of vulnerable workers,

•Mitigate Australia's exposure to changes in exchange rates, economic growth and employment rates in source nations which may affect Australia attracting seasonal and temporary labour;

•Meet short-term and long-term agricultural and tourism labour needs;

•Having sustainable industries will provide opportunities to attract unemployed Australians, including young Australians, into work in agriculture and tourism; and

•Improve opportunities to expand supply of seasonal and temporary foreign workers for the agricultural sector.

In summary, we recommend both the proposed rate of tax of 32.5% for 417 and 462 Visas and the 6 month delay be abandoned, and instead a new tax rate of 10% be imposed from the tax year beginning 1 July 2017.

The Huon Resource Development Group invites members of the review to visit the Huon Valley and talk to agricultural and tourism operators and to expand on this brief submission to reduce the proposed back packer tax to 10% which will have long term impacts on our region.

Kind Regards

George Harris,
President
Huon Resource Development Group Inc.
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