

Working Holiday Maker Consultation Submission

Mansell Farms Colignan - *Quality fresh fruit that anticipates market demands*

Mansell Farms is a 160 hectare family owned citrus enterprise located on the Murray River in north-west Victoria. Our business relies on working holiday makers to assist in the harvesting and packing of citrus fruit for both the domestic and export market.

Please accept the following submission in relation to the proposal by government to increase the taxation of working holiday makers to the non-resident taxation status of 32.5%. This would be detrimental to the operations of our business in terms of sourcing labour and would impact on meeting market demand for our produce.

1. The importance of 417 and 462 visa holders to your sector

- a. Mansell Farms is referred to as a grower/packer, having a packing facility on site for mandarins, navel and Valencia oranges. Our season commences in June and goes through to February – therefore we provide a great opportunity for work for a range of people, including working holiday makers, for 8 months each year.
- b. Mansell Farms Colignan is 60 kms from the nearest major centre of Mildura and 40 kms from the nearest town of Red Cliffs. Distance can be a challenge in engaging casual staff to assist with harvesting horticultural commodities, however working holiday makers are quite prepared to stay on farm in accommodation provided or to travel from either Red Cliffs or Mildura for the seasonal work on offer
- c. Our business employs up to 50 people during peak picking and packing season. Currently we are employing 44 staff and 27 of those are working holiday makers, which is 61% of employees.
- d. Roles of working holiday makers include picking and packing of fruit, as part of the production process
- e. Our working holiday makers are paid at the casual rate as defined in the Horticultural Award of \$22.13/hour and taxed as an Australian resident for taxation purposes
- f. Across the wage spectrum the earnings can be from \$4,900/month down to \$800/month depending on start dates and hours worked. The average gross earnings are \$816/week for approx. 36 hours worked. After \$119/week in tax the average net value /week is \$697.
- g. The average earnings for working holiday makers is estimated at \$9,000 pa to \$15,000 pa.

- h. Working holiday makers often seek work in our business owing to the reputation established through word of mouth and social media. Our farm enterprise values all our staff and we ensure that this is conveyed to those who are guests in our country.
- i. The Directors of Mansell Farms Colignan are concerned that the proposal for the change in taxation arrangements will prove detrimental to young people wanting to spend 1-2 years travelling and working in Australia. Competitive countries such as Canada and New Zealand offer a great alternative. This would create a difficult and challenging situation for our harvest period, particularly when timing is crucial in having fruit picked for the new and growing export markets of China and Korea.
- j. The working holiday makers that have come to our business spend their 6 months living and spending their earnings in the local community, providing economic benefits for the local region

2. The impact of tax on working holiday makers

- a. Working holiday makers are attracted to come to Australia for a number of reasons.
 - i. Australia is a friendly and welcoming country with liberal values
 - ii. Australia's natural environment, particularly in regional areas, is a great attraction
 - iii. Casual rates per hour are comparatively good
- b. Working holiday makers are very aware of the proposal to change the tax arrangements
 - i. Word of mouth and social media is very strong across this sector and these negative messages travel very quickly
 - ii. Feedback gained from working holiday makers in our enterprise is that it would prove more challenging to actually work and then travel in Australia if their income was taxed at a 32.5% rate
 - iii. While casual hourly rates in the horticultural sector are generous, the work is long, arduous and difficult and as it has been demonstrated above, the weekly earnings are on average quite limited.

3. The resulting impact of the tax on the horticultural sector

- a. For our business the introduction of this tax would create major difficulties

- i. The reduction of reliable and hard working staff to assist in peak periods of production as concerns over net income mean that working holiday makers find more favourable countries to travel to.
- ii. Sourcing labour from the local area is quite difficult particularly because of the distance of many farms, including ours, from the nearest town
- iii. While there is a higher than average unemployment rate in the region, it has proven quite challenging to source labour out of this sector

4. Measures or policies that may mitigate impacts

- a. Superannuation is an area that needs to be addressed in regard to working holiday makers
- b. Paying 9.5% each month for each working holiday maker employed in our business to Superannuation Industry Funds for people that will not be retiring in Australia is surely not part of the objective for superannuation. This is simply providing money that is often expended within the superannuation industry in fees and other charges, leaving the working holiday maker with very little left to claim when they depart the country.
- c. The working holiday maker can claim their super after they leave Australia however they are taxed on this at 38%. If there is an amount remaining this is spent in their own country or somewhere else overseas and not in Australia and is not used toward retirement
- d. Superannuation for working holiday makers is an area that needs to be immediately reviewed
 - i. Employers should be exempted from paying superannuation to those on 417 or 462 visa's
- e. Financial modelling needs to examine this area in great detail which would assist in guiding a more realistic taxation percentage.
- f. Reviewing 462 visa's to allow a 2 year working holiday programme for these countries, including the 88 day focus on employment in agriculture in regional areas. This would enable further working holiday makers to engage in employment across the horticultural sector.

Conclusion:

Our business is not adverse to paying a realistic taxation measure for those engaged under working holiday maker visa's. However 32.5% is not a realistic measure. This would create difficulties in sourcing labour and leave enterprises such as ours unable to meet increasing market demands, particularly as China, Korea and Japan continue to expand and require quality citrus.

Finding a more suitable taxation rate is possible through detailed modelling, including reviewing superannuation contributions and making a number of assumptions on numbers of working holiday makers and their earnings per annum. For instance, taxing at either 15% or 19%, the required amount of \$220 million per annum is close to possible depending on the numbers of working holiday makers that find employment and how much they earn over a 12 month period.

It is also important to understand that working holiday makers contribute to taxation revenue through paying GST on products they purchase within Australia. Working holiday makers in our region of north-west Victoria form a very important part of the workforce, the social fabric of the community and contribute significantly to efficiency of production and the local economy.

Directors Mansell Farms Colignan

Robert and Julie Mansell

Ken and Anne Mansell

www.mansellfarms.com.au