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August 30, 2016

To Whom It May Concern,

Re: Backpacker Tax Review

As local growers Bruce and write to express our concern with the Federal Government's proposal to introduce a 32.5% tax rate for working holiday makers from the first dollar that backpackers earn.

We believe the decision will significantly affect our access to labour for both passionfruit and strawberry planting and harvest, two highly labour intensive industries.

Horticulture is the second-largest and the fastest growing industry in agriculture with some 30 000 businesses nationally, and a farm gate value in excess of $7.1 billion (fruit, vegetable and nut production) annually.

As you are no doubt aware, horticulture is the most labour intensive of all agricultural industries and employs around one-third of all workers in the agricultural sector.

Each year some 40 000 workers come to regional areas to work on farm.

Surveys have shown that backpackers on temporary work visas - Visa sub-class 417 Working Holiday Makers - comprise almost two-thirds of this casual workforce. Much of their motivation for working on farms is the incentive of a second 12 month visa.

The federal government's new proposal means that these workers will in future be treated as non-residents for tax purposes, irrespective of how long they reside in Australia. This will require working holiday makers to pay 32.5 per cent tax on every dollar earned. As a result, their earnings will drop considerably.

Given the high general cost of living in Australia, this will reduce the amount of discretionary income these workers have to spend which will in turn impact on the economies of regional towns.

The contribution by the backpackers to our local economy is significant to not only keeping our horticulture industry viable but also to small industry in our town.

Backpackers who have heard about the government's proposal are already signaling their intention not to return to Australia this year.

The decision means they will make a higher net rate by working in New Zealand, with Canada close behind. Both these countries are Australia's major competitors for the working holiday maker tourist market.

It is vital that the review consider the position that working holiday makers are not taking local Australian jobs – the need to fill high volume, short term, transient harvest jobs is well documented, as is the lack of available local labour to fill those jobs - and the Government's tax changes will do nothing to improve local employment opportunities.

Already this winter harvest season, 2016, has seen a significant drop in the available pool of working holiday makers. After over ten years employing labour from this pool we can only attribute this scarcity in working holiday makers to a fear of the impact that the tax may have.

As a small horticulture business we employ approximately 100 working holiday makers over a calendar year, with numbers varying due to harvest demands. There is no doubt that the tax will reduce the number of people coming to the region on working holiday visas and therefore access to this labour source will be more competitive. Many horticulture businesses will simply not be able to compete for the available labour and will be unable to harvest their crops.

We trust the government will see sense and the outcome of the review will be positive for the horticulture industry.

Yours sincerely,

Bruce and Tina McPherson