



Submission to the Review of Working Holiday Maker Visas

September 2016

I am pleased to have the opportunity on behalf of the Murray River Group of Councils (MRGC), to make this submission to the Review of the Federal Government's Working Holiday Maker Visa program and in particular the impact that the slated taxation changes will have on the labour market in our region.

The Murray River Group of Councils

The MRGC comprises six northern Victorian LGAs: Mildura Rural City Council, Swan Hill Rural City Council, Gannawarra Shire Council, Loddon Shire, Shire of Campaspe and Moira Shire. Since 2006 the group has been advocating collectively on behalf of our communities on areas of shared interest. Each council is represented on the group by its Mayor and CEO.

Stretching from the South Australian border in the north-west to Lake Mulwala our member councils cover 21 per cent of the State and has 1,100kms of Murray River frontage which is over 60% of the Victorian frontage. Our region is home to more than 157,000 people, 17,000 businesses and over 63,000 jobs and its economy generates over \$7 billion in Gross Regional Product.

Agriculture and food manufacturing are key parts of our economy as is tourism. These industries have the capacity and opportunity for significant long-term growth, supporting a prosperous region in the years to come.

Submission

Our region is home to nationally significant agriculture and horticultural industries worth hundreds of millions of dollars to the economy and employing thousands of people.

Many growers in our region rely heavily on non-resident workers who have come to Australia on working holiday maker visas.

There is very real concern among our member councils and our communities that the changes the Government has made to the taxation arrangements for these workers will act as a strong disincentive to working holiday makers in future. Some estimates are that the current workforce would be cut by as much as one third.

The MRGC is of the view that there will be serious consequences for our regional economy if these taxation changes proceed. The agricultural labour force will be significantly reduced as working holiday makers choose alternative countries such as New Zealand where the taxation levels are not as high.

This will have a significant impact on the agriculture industry, particularly around the labour intensive times in the horticultural sector. This will lead to loss of production in the short term and will likely lead to reduced production in the longer term.

Working holiday makers tend to spend their earnings here in Australia. They add significantly to the regional economy while employed and often spend much of their remaining earnings on tourism in other parts of Victoria and Australia.

Working holiday makers make a positive impact on our communities not only through added economic activity but also through increasing tourism in the immediate and longer term. Many of these workers would not otherwise travel to regional Victoria. Often after leaving they maintain their interest in the region meaning they return as tourists. Their contribution to Australian society should not solely be measured by the amount of tax they pay.

The MRGC is supportive of efforts to engage with resident Australians to encourage greater participation in the seasonal workforce and it is noted that residents are given first access to available jobs in these industries. However, it is a common experience across our region that Australian workers are not available in sufficient numbers to meet the demand of the seasonal labour requirements.

Uncertainty around access to labour is of great concern to growers in our region. Growers are faced with making investment decisions now, in an environment where they cannot be sure of securing sufficient workforce to harvest crops.

Earnings for working holiday makers are currently taxed in the same way as for Australian residents. This makes it simple for employers to administer. MRGC member councils would be concerned at any measure that increases the administrative burden for businesses.

I would also note concerns within our member councils that the higher rate of tax may lead to an increase in tax evasion and less transparency in the agricultural labour market.

The MRGC recognises that workers who earn money in Australia should make a fair contribution through taxation. The current arrangement whereby income isn't taxed if working holiday makers earn less than \$18,200 which is the same as permanent Australian residents, with every dollar over that being taxed at 19 cents, and then for every dollar over \$37,001 being taxed at 32.5 cents and so on, seems to be a fair contribution.

MRGC urges the Government to consider lowering the proposed marginal rate of tax on declarable earnings up to A\$80,000 from 32.5% to 15% or 13%, to coincide with other overseas worker rates. This would likely reduce the negative impact on the numbers of Working Holiday Makers seeking to come to Australia.

MRGC also supports consideration by Government of the following proposals for improving the Working Holiday Maker visa program that stem from work undertaken by the Murray Regional Tourism Board.

Consider implementing a freeze any further increases in visa fees and charges associated with this visa class given the already high level compared to major competitors (eg: Australia \$440, NZ \$187).

Also consider revising the qualifying age range from 18-30 to 35 years in line with other countries and allowing multiple visa applications, one between 18-25 years of age and a second from 26-35 years of age.

The MRGC urges the Federal Government to resolve this issue quickly to provide certainty to employers and to prospective working holiday makers. We would be supportive of a reduced level of taxation for those on working holiday visas. 32.5% is, we feel, too high and will act as a disincentive with numerous negative consequences discussed above.

Once again thank you for undertaking this review and for the opportunity to participate.

Should you wish to discuss the contents of this letter or if you require further information please contact our Executive Officer, [REDACTED] on [REDACTED] or email [REDACTED]

CR GARY CLEVELAND

CHAIRMAN