

September 1, 2016

Dear Sir/Madam

RE: Submission on Proposed Tax Changes for Working Holiday Visa Holders

We wish to make a submission voicing our strong opposition to the proposed 32.5% tax on working holiday visa holders.

Abbotsleigh Citrus is a large vertically integrated horticulture enterprise based at Wallaville, Queensland (West of Bundaberg). We grow over 160ha of citrus and 20ha of blueberries. We also pack our citrus on site and ship it to customers across Australia and around the world. We typically pack, market and ship in excess of 10,000 tonne of citrus and this year expect to harvest in excess of 400 tonne of blueberries growing to 1,000 tonne in 2017. In 2016 over 4,000 tonne of our citrus has been exported. In the 2016 financial year we spent over \$7m on wages and typically have around 150 staff employed during our peak season from March to October and around 70 staff in the other months. We are one of the largest employers in our region.

Whilst we employ many locals and workers from the Pacific Islands as part of the Seasonal Worker Programme, over half of our workforce during the harvest season is made up of backpackers on working holiday visas. They are an integral part of our workforce. Without them our crop would not get picked or packed, our business would lose money and we would be forced to downsize.

We have serious and real concerns about the impact of the proposed backpacker tax being set at 32.5% on every dollar earned and believe it is a flawed policy for the following reasons:

- 1) Discussions with our existing backpacker workforce tell us that an alarming majority of backpackers would reconsider their plans to come to Australia if the tax were implemented in its proposed form. These are clearly not isolated viewpoints as we have learned that new quantitative research undertaken by Monash University demonstrates that Australia will become a less attractive destination if the proposed backpacker tax goes ahead. Research by Dr Jeff Jarvis (Monash University's National Centre of Australian studies) into the motivations of working holiday makers clearly show that 60% of the sample would not have come to Australia if the tax was 32.5 percent.
- 2) We don't have a viable alternative labour source. Horticulture is a unique industry that demands significant flexibility of labour. Peak harvest times are typically relatively short and often only last a few weeks. As such many Australian workers are not interested in seasonal work and the Seasonal Worker Programme requires employers to commit to a minimum amount of work for months at a time. Working Holiday Visa holders are the only labour force option that enables us to ramp up and down employee numbers for short periods.

- 3) Our experience tells us that the vast majority of backpackers spend the money in Australia that they earn here. The majority of backpackers that work for us save up their money whilst working at our farm and then travel North to the Whitsundays and North Queensland or South to Sydney and Melbourne. They spend that money in the tourism industry thereby creating jobs and growth in that industry. Whilst they are in our region they spend their money in our local community.
- 4) Further to points 2 & 3 above - we understand the governments attraction to this policy was the apparent income that would assist in improving the budget bottom line but we firmly believe modelling will show that the proposed tax will be counterproductive. It will stifle growth or even see a reduction of our agricultural industries and reduce earnings in our tourism industries and regional communities thereby leading to a net decrease in tax income for government and significant flow on effects for our regional towns.
- 5) Governments at all levels have preached for years to Australia's farmers about the Asian food boom and indeed the worlds' increasing demand for fresh, safe food. In the past 12 months we are finally starting to see this dream coming to fruition and yielding increased demand for Australia's agricultural produce, not only in horticulture but in meat and grains too. For our businesses to grow and for us to invest to meet this demand we need certainty of access to a reliable labour source. Particularly in horticulture which is so reliant on manual labour. Without the workers, we simply cannot maintain, let alone grow our businesses. Already the government has created a great deal of uncertainty amongst our backpacker workforce by suggesting such a significant change in the tax policy for working holiday visa holders. Our understanding is that working holiday visas have reduced from 240,000 to 200,000 in the past 2 years.
- 6) Our tax on working holiday visa holders must be competitive with other nations like Canada and New Zealand otherwise we will lose a significant percentage of our workforce to those countries that offer real alternatives to Australia.

We believe there is a middle ground and understand the Government's budgetary position demands change. We propose a flat 15% tax on every dollar earned as a reasonable and workable outcome for all stakeholders. This would be in line with the tax rate for Seasonal Workers from the Pacific Islands.

Further to this we also suggest changes around superannuation for working holiday visa holders. Superannuation payments to working holiday visa holders are a large administrative burden for all concerned for no benefit to our economy. These funds are claimed by backpackers upon leaving Australia and as such our economy misses out. We would suggest that the superannuation entitlements be paid direct to backpackers with the benefits as follows:

- 1) less administration for the employer;
- 2) increased tax revenue for the Government based on the increased weekly income;
- 3) a major reduction in administration for superannuation funds, reducing their overheads and increasing returns for Australians; and
- 4) increased income for backpackers whilst they are in Australia that is available for them to spend in Australia thereby boosting our economy.

In summary, The Australian horticulture industry is labour intensive and a large employer of permanent and casual/seasonal Australian and foreign workers. Despite the increasing use of

the Seasonal Worker Programme, working holiday visa holders make up the majority of our workforce. Abbotsleigh Citrus wish to register our strong opposition to the proposed 32.5% tax on working holiday visa holders and urge you to consider a 15% tax instead. It is critical that the proposed tax be scrapped urgently to ensure it does not impact negatively on backpackers' decisions to travel to Australia next year.

Thank you for the opportunity to make this submission. Please contact me on the number below should you require further information.

Sincerely

A handwritten signature in black ink, appearing to read 'Michael McMahon', with a long horizontal flourish extending to the right.

Michael McMahon

