

Deputy Premier  
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The Hon Luke Hartsuyker MP  
Assistant Minister to the Deputy Prime Minister

Dear Minister *Luke*

Thank you for the opportunity to make a submission as part of the Australian Government's Working Holiday Maker Visa Review. Tasmania is concerned at the potential impacts of this proposed tax on the competitiveness of our state's agriculture, horticulture and tourism sectors; which are vital to the Tasmanian economy.

Due to the short deadline for comments, I am making this submission in my capacity as Minister for Primary Industries and Water, although the review will have important implications for the Tasmanian agriculture and tourism sectors. The comments in this submission are limited to the following key themes of the review:

- visa labour needs of the agricultural and tourism sectors;
- tax treatments for visa holders; and
- relative international competitiveness.

I welcome the Australian Government's recent decision to include Tasmania in the national consultations being conducted as part of the review.

#### Visa labour needs of the agricultural and tourism sectors

Agriculture, forestry and fisheries contribute approximately nine per cent of Tasmania's gross state product and the Tasmanian economy has the highest exposure to the agricultural sector of any Australian state or territory. The labour provided by international backpackers is vital to Tasmanian agriculture, especially the horticulture sector which relies heavily on backpackers during peak harvest times.

In 2014-15, the gross value of horticultural production in Tasmania was over \$345 million or around 24 per cent of the gross value of Tasmania's agricultural production for that year. Fruit production, including apples, cherries and berries, is growing rapidly. Tasmanian cherry exports to all destinations in 2015-16 were estimated at \$50 million, or nearly double the value of cherry exports in 2014-15, and at least one of Tasmania's largest berry producers is planning to double its area of production in the state within the next five years.

The Tasmanian wine industry also continues to grow strongly. The state is leading the country's wine regions in terms of positioning, value and reputation, and global interest in Tasmanian wines is continuing

to increase. Over the five years from 2010-11 to 2014-15 vineyard plantings in Tasmania grew by more than 25 per cent.

International backpackers are a vital source of seasonal labour for Tasmania's fruit and wine sectors. For example, one of Tasmania's largest cherry producers employs a permanent workforce of 20 staff which increases to around 600 from December to February during the cherry harvest. Due to the difficulty in attracting sufficient local workers during that time, which is also the peak period for Tasmania's tourism industry, the business relies on international backpackers to provide approximately 70 per cent of harvest and packing labour. Similarly, another of Tasmania's largest berry producers currently relies on workers from overseas to provide around 60 per cent of its labour requirements and anticipates increasing its seasonal workforce from 200 to 350 over the next two years.

With the number of Working Holiday Maker visas granted in recent years plateauing, and the demand for seasonal labour in Tasmania increasing, the supply of international backpackers to Australia risks becoming a constraint on the continued growth of Tasmanian agriculture. Although Tasmania's tourism industry has performed strongly in attracting backpackers to our state, the tourism and agricultural industries (and hence the broader Tasmanian economy) are vulnerable to a reduction in backpacker numbers that could result from the Australian Government's 'backpacker tax'.

Worryingly, there is a growing body of evidence indicating that the proposed tax is already deterring international backpackers from visiting Australia. In light of this evidence, I urge the Australian Government to urgently resolve this matter, in order to minimise the potential for any further adverse impact on the coming harvest season and Tasmanian tourism.

#### Tax treatments for visa holders & relative international competitiveness

Tasmania is very concerned about the potential negative impacts of the Australian Government's proposal to change to taxation regime for Working Holiday Maker (417 and 462) visa holders by removing the tax free threshold and imposing a tax rate of 32.5% on every dollar earned up to an income of \$80,000. It is vital that any taxation regime does not disadvantage Australia relative to its key competitors, such as New Zealand and Canada, in attracting working holiday makers to visit and work in rural and regional areas. As such, it seems that in designing a model for Australia, consideration should be given to the taxation regimes operating in other jurisdictions, which target working holiday makers, to ensure that Australia remains a competitive destination for those choosing a working holiday experience.

In the interests of all Tasmanians, I urge the Australian Government to take all necessary steps to promptly resolve the current controversy and uncertainty surrounding the 'backpacker tax'.

Yours sincerely



Jeremy Rockliff MP  
Deputy Premier  
Minister for Primary Industries and Water