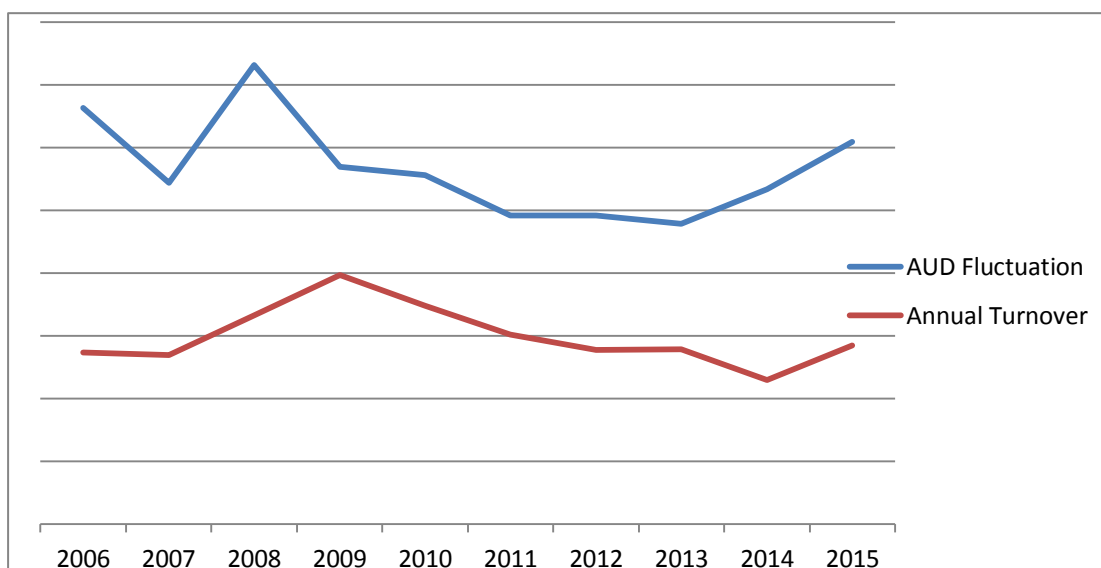


Backpacker Tax Submission

The Woolshed Char Grill and Saloon Bar relies heavily on Backpackers for labour. Of our part time and casual workforce, 75% are backpackers. Whilst we advertise online and with signage, we still receive only minimal applications from the local workforce, and the majority of applications that are successful are from Backpackers.

Sales to Backpackers account for 70 – 75% of our sales across the entire venue.

This chart shows how our turnover is affected as a result of currency change of the Australian Dollar to the US Dollar since 2006. You can see that a drop in the AUD is closely followed by a drop in our annual turnover. This is a direct result of the disposable income of travellers decreasing. What the Backpacker Tax will in effect do is decrease the disposable income of our travellers – our core market.



On average at present our Backpackers are paid \$400 - \$450 per week, with tax taken of around \$15 per week. Under the proposed changes Backpackers would be paying 32.5% tax from the first dollar, decreasing their income by over \$120 per week.

If 70 - 75% of our turnover comes from backpackers, and their income drops by 25 - 30%, our business faces a decrease in turnover of approximately 18%, which places our business and the industry in a precarious position. Our overheads are high, as with most businesses, and you can understand that a drop of 18% makes the business unprofitable and therefore unfeasible.

An alternative - Backpacker Superannuation

- Unlike tax, superannuation accumulates from the first dollar earned.
- Employers pay Backpackers Superannuation with no benefit to the Australian Community - nor to the Backpackers retirement.
- The Super must continue to be paid; otherwise a distortion of the labour market in favour of backpackers will occur.
- Backpackers generally claim the Super, with assistance from an agency on the way out of the country. This is generally a significant sum, say \$2k up to \$15k.

- Now here's where it hurts the Australian tourism market - they then go and spend this money on the next leg of their journey, generally in NZ or SE Asia! Australia is effectively supporting and subsidising our competitors in Tourism.
- The super should go into a fund and be accessible to BP's, if they return to Australia anywhere between 2 and 10 years.
- Why:
 - BP's leave Australia, with a euphoric feeling, great memories and the intention to return with family and friends to share this beautiful country/experience.
 - They get home, reality hits, mortgage, kids, etc etc. They never get back to Oz.
 - However if they have a stake of money, put aside for a future holiday as a gift from their ex employers, they are far more likely to return with others, spend more money, create jobs and grow word of mouth.
- It is that simple, let them return and spent Super in Australia, or gift it to them to spend with our competitors.
- After 10 years, if they do not return to claim Super, it reverts to Govt.
- The Govt is desperate for funds now. The Super the Govt holds in trust could be invested in Aus Govt bonds, so Govt has use of money now. Therefore giving the Govt the boost it is seeking with BP tax.

It would be interesting if treasury crunched the numbers on it. Regardless of whether above is a feasible or not, as an industry we should be asking treasury to disclose how much the Feds are getting in unclaimed Backpacker super each year. It is probably greater than the tax they claim they are missing out on now anyway. Therefore their grab for cash is unjustified in the first place.

Observations:

The welfare system is broken and presents far greater savings to Govt Budget, if they can get people to get off the dole and do the dirty jobs the backpackers do. Cairns and the surrounding regions is a great example of this, high unemployment and plenty of farm work that is filled almost exclusively by backpackers. Pacific Islanders come over for the picking season and support their families on this income, yet Cairns locals are better off sitting on the dole.

Tourism has been struggling in Cairns since 2011, basically on the back of high \$AUD. 2016 has been the year of recovery, we need to string a few good years together to consolidate and re invest. Given tourism is one of the few sectors forecast to do well over the next few years, the BP tax may well kill the Golden Goose and the ATO may well end up with reduced overall income from Backpackers.

The British are a key segment of the BP market, note since Brexit the \$AUD has steadily climbed against the pound. Therefore this market will become fragile, and the Backpacker tax will compound this.