



21 October 2016

Committee Secretary
Senate Economics Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600

To whom it may concern

Senate inquiry into the Working Holiday Makers Reform package

Growcom, as the peak industry body representing Queensland horticulture, would like to raise our ongoing concern in relation to the continued uncertainty surrounding taxation requirements for working holiday makers (WHM). As articulated in our submission (attached) to the recent review into this issue, working holiday makers are an absolutely essential part of our seasonal workforce. Any policy determination that reduces the number of working holiday makers available to work on our farms will have a detrimental impact on our industry and the availability of reasonably priced fruit and vegetables for Australian consumers.

A number of commodities are about to commence picking and the level of anxiety associated with the possibility of a 32.5% tax rate for working holiday makers is enormous. We urge this inquiry to prioritise the removal of the 32.5% tax rate and confirm with industry a more reasonable and internationally competitive rate as a matter of urgency. That said, we are concerned that once again industry is expected to determine the appropriate tax rate without having access to the treasury modelling or the assumptions upon which it was developed. We contend that the impact on industry, regional Australia and the broader community has been well documented and it is up to the government to act in good faith to deliver a package that will not have serious long term negative consequences.

Our specific responses to the individual Bills are as follows:

Income Tax Rates Amendment (Working Holiday Maker Reform) Bill 2016

This bill will deliver a 19 per cent tax rate for working holiday makers immediately upon Royal Assent. Growcom supports this Bill on the assumption that the modelling clearly shows that there will not be a significant drop-off in backpacker numbers. We also support this Bill on the basis that it will be implemented by 01 January 2017.

Treasury Laws Amendment (Working Holiday Maker Reform) Bill 2016

Growcom supports this bill. It reduces the application fee for working holiday makers from 1 July 2017; a measure that will help promote Australia as a working holiday destination of choice.

We are concerned that registration is compulsory for all employers who employ working holiday makers as it is not yet clear what form the registration will take. We accept that

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ensuring WHMs are treated fairly is an important issue but request that the Australian Taxation Office (ATO) consults with industry in the development of the registration process to ensure that it is straightforward and easy to comply with.

In relation to Schedule 3 of the bill, we also request that the Commissioner consults with industry in relation to the nature of the information provided publically in the report on working holiday makers each year, particularly in relation to privacy concerns, We would also ask that figures be provided to industry to keep track of the engagement of WHMs in the horticulture industry and if there is a significant decline, we would ask that the taxation rate be revisited.

Passenger Movement Charge Amendment Bill 2016

Growcom notes the concerns of the airline industry regarding the impact of this Bill. We also note that that if passed the Bill not come into effect until July 2017. We do not consider that it is appropriate for us to comment on the impact on another sector, however we would consider that the delayed start to the application of these measures means there is no reason to delay passing of the *Income Tax Rates Amendment (Working Holiday Maker Reform) Bill 2016*.

Superannuation (Departing Australia Superannuation Payments Tax) Amendment Bill 2016

This bill will increase the amount of tax payable when working holiday makers withdraw their superannuation on departure from Australia, from 38 per cent to 95 per cent. We note that the higher tax rate will take effect from 1 July 2017.

Growcom has consistently held the position that there is a need to review the current superannuation system for working holiday makers. On a reading of the Superannuation Industry (Supervision) Act 1993, Sect 62, it would appear that these workers do not meet the “sole purpose test” of the Act as their working visa prohibits more than 12 months work in Australia and it is highly unlikely that any worker under this visa would meet any of the tests set out by Sect 62 (a) and (b) which would allow them to access superannuation as part of their “retirement”¹. There is also the concern that as visa holders, working holiday makers are able to claim their superannuation contributions only on departing the country which effectively removes those funds from the Australian economy

We also continue to support the position put forward earlier this year that superannuation payments be redirected to regional employment programs to reduce our reliance on WHMs and build domestic workforce participation.

That said, we are concerned that the approach put forward in this Bill whereby WHMs are taxed at 95% when they withdraw their super will reduce the attractiveness of Australia as a working holiday destination. The huge publicity around the backpacker tax resulting from the multiple reviews and drawn out decision making process has made backpackers much more aware of what their current benefits are and much more sensitive to any perceived reduction

¹ SUPERANNUATION INDUSTRY (SUPERVISION) ACT 1993 - SECT 62 Sole Purpose Test:
http://www.austlii.edu.au/au/legis/cth/consol_act/sia1993473/s62.html

in those benefits. There seems to be no consistent data on how many WHMs actually access their super on leaving Australia but information from a Superfund indicates that around 80% of account holders do access their funds on leaving Australia.

Growers have also raised concerns that not only does the administrative burden of paying super remain, but that it is no longer a carrot to attract WHMs to Australia. Some growers have described this measure as 'Federal Payroll Tax'.

We would contend that to reduce the impact of this measure on the sector, the minimum threshold for receiving superannuation (\$450) under the superannuation guarantee charge (SCG) needs to be lifted as the red-tape burden on growers for providing very short term workers with superannuation is significant. This threshold has not changed for many years and requires growers to provide superannuation and do the associated paperwork for employees who stay less than three days. The sheer volume of workers processed by an individual horticulture enterprise means that any measure to cut paperwork in this area would have a huge cost saving across industry and be in line with a red-tape reduction agenda. Another innovative option would be to have a single visa number, tax file number and superannuation number which would significantly cut down on administration costs.

Without being privy to data relating to how many WHMs actually claim their super or indeed their level of knowledge around their super entitlements, it is difficult to know whether this measure will impact negatively on WHMs willingness to work on Australian farms. We would request that in light of the delayed commencement of this Bill, that the *Income Tax Rates Amendment (Working Holiday Maker Reform) Bill 2016* be passed without delay and further consideration be given to the Superannuation (Departing Australia Superannuation Payments Tax) Amendment Bill 2016. Growcom is still broadly supportive of reforms to the current superannuation arrangements.

In conclusion, we urge the Senate to pass the Income Tax Rates Amendment (Working Holiday Maker Reform) Bill 2016 as a matter of urgency. It is not acceptable for the 32.5% to remain on the table as an option for 01 January 2017.

Yours sincerely,

Pat Hannan
Chief Executive Officer