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Submission to the Senate Standing Committees on Economics

Inquiry into the Income Tax Rates Amendment (Working Holiday Maker Reform) Bill 2016, the Treasury Laws Amendment (Working Holiday Maker Reform) Bill 2016, the Superannuation (Departing Australia Superannuation Payments Tax) Amendment Bill 2016

Summary

This submission from Reid Fruits is seeking support from the Senate Standing Committee on Economics to place a moratorium on the introduction of the above legislation until a full economic impact study can be conducted.

Reid Fruits is of the opinion that the proposed new Tax Rates are being introduced without adequate consultation with key stakeholders in Australia's $9 billion Horticultural Industry.

The proposed new Tax Rates are **not** internationally competitive and will undoubtedly discourage young Working Holiday Makers from coming to Australia. Under the proposed new tax regime backpackers earning up to $18K will be almost $4k worse off compared to the previous tax rates.

The proposed legislation has the potential to create extreme economic hardship for labour intensive horticultural enterprises across rural and regional Australia and flies in the face of the Australian Government's ambition to grow horticultural exports to global markets.

Background

Based in Tasmania, Reid Fruits is a major grower and exporter of premium cherries. The company is responsible of approximately 15% of Australia's total cherry exports by volume, equal to approximately 23% by value. Reid Fruits exports cherries to 20 countries. Major markets include China, South Korea, Middle East, Taiwan, Japan, Malaysia, Thailand and Indonesia.

Over the past two decades Reid Fruits has worked in close cooperation with State and Commonwealth Governments and Industry Representative Organisations to achieve international market access for Australian cherries into several countries. Reid Fruits has also pioneered increased cherry exports to markets such as the Republic of Korea following the successful conclusion of Free Trade Agreements over recent years. Gaining access to international markets has cost the Australian Government many millions of dollars and the investment is ongoing.

Following the success of international market access negotiations over the past two decades, Reid Fruits has invested approximately $30 million in new orchard development and packing facilities in Tasmania. This investment has been made in the confidence of having sufficient labour available through the Working Holiday Maker visa system.

Reid Fruits has a policy of employing local labour before overseas workers. In the 2015/16 cherry harvest season Reid Fruits employed almost 900 casual employees in its cherry orchard and export packing facility. Of these, approximately 65% were Working Holiday Visa Holders. There is simply not enough local labour available to meet peak harvest requirements.

Without Backpackers the benefits that will flow from investment in gaining international market access for Australian horticultural produce is at risk and businesses such as ours would be destroyed!

For our company, it is disappointing that the Australian Government is seeking to change the taxation rules for Backpackers, putting labour supply at risk, after Reid Fruits has invested heavily in a labour intensive industry in the confidence of backpacker labour availability. There are hundreds of horticultural businesses across Australia in a similar situation to Reid Fruits.

Conclusion

Reid Fruits is of the opinion that even Members of Government in the House of Representatives do not fully understand the complexity and potential economic consequences of the proposed changes to Tax Rates for Working Holiday Makers. The combined new rates include the total removal of the General Rebate on earnings up to $18,000; an increase of in Departing Australia Superannuation Payments Tax from approximately 40% to 95%; and an increase in the harvest tax rate from 13% to 19%.

The total proposed new tax impost on Backpacker earnings up to $18K (including Superannuation Refund Tax) is approximately 24.7% compared to the current rate of approximately 4%. This is simply too much of a disincentive for a young person to select Australia when contemplating which country to travel too for their once-in-a-lifetime overseas cultural and work experience.

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