



**Submission by
Primary Employers Tasmania**

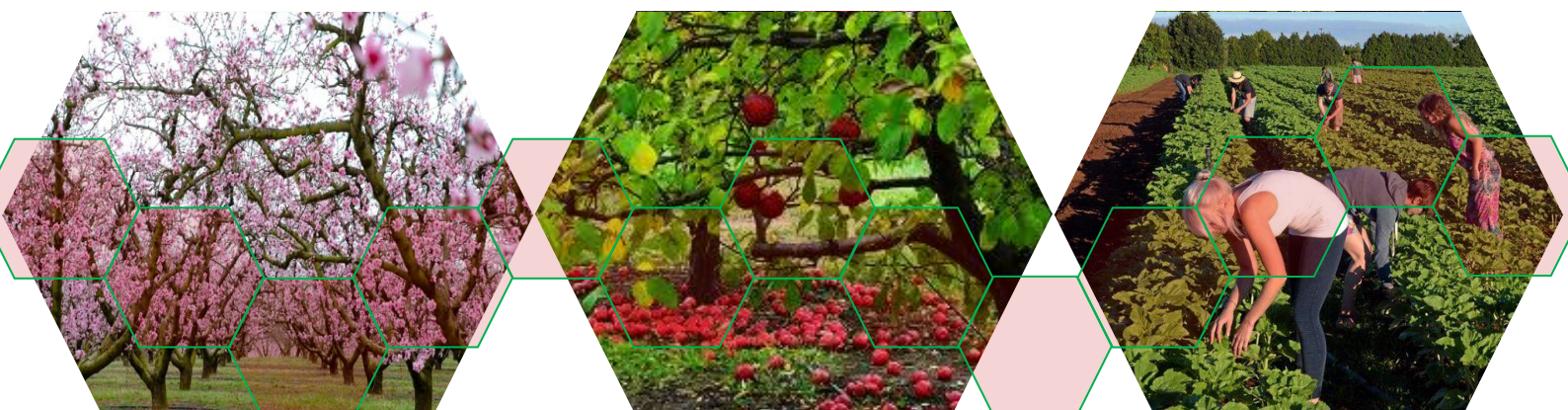
to the

Senate Economics Legislation Committee

in respect of

The Working Holiday Maker Reform Package

October 2016



About Us

Primary Employers Tasmania (PET) is a registered employer organisation under the provisions of the Fair Work (Registered Organisations) Act 2009.

It is the only such organisation in Tasmania with 65 years specialist experience in representing the workplace relations interests of employers engaged in the agricultural, horticultural and viticultural industries of the State.

PET is a not-for-profit organisation established exclusively for employers in the primary industry sector.

Our Committee of Management consists of hands-on farmer/employers with practical experience in workplace relations, which means your views are our views, needs and priorities.

PET does not receive financial support from nor is a part of any other organisation.

PET is an Associate Member of the National Farmers Federation (NFF).

Primary Employers Tasmania welcomes the opportunity to make a Submission in respect of The Working Holiday Maker Reform Package.

Primary Employers Tasmania supports and agrees with the National Farmers Federation submission dated 21st October 2016.

From a Tasmanian perspective, we do seek to add further information. We would ask to be heard on the 2nd November 2016.

Tax is paid by Backpackers

Backpackers do pay tax. They have tax deducted from their pay the same as anyone else does. They pay tax as if they were the resident they might like to be. Some might ask, so why is this generous? So there is a strong argument for a tax-free threshold continuing.

In New Zealand (NZ) as a backpacker, you are paying 10.5% tax from the first dollar you earn.

If earning money is the aim, a backpacker comparing the two countries would say Australia is generous. Very generous, because when the "Carbon Tax" was introduced Labor raised the tax-free threshold from \$6,000 p.a. after which tax was at 15%, to \$18,200 p.a. with tax then at 19%.

If a backpacker visits Australia and does not earn \$18,200 in a financial year, there is no tax just like any other low income earner; but when the Carbon Tax was axed, the threshold quietly stayed the same. To have done otherwise would have been a political suicide.

So the current government *axed the tax* but did not reverse the tax that had been paid prior to its introduction.

We need tax to run the country, and unlike NZ which has no stamp duty or payroll tax to fund state governments, there are many more hungry mouths to feed over here. So from the time of the carbon tax backpackers have earned a windfall that has kept on coming.

PET supported a 'backpacker tax' at 19% as a sensible compromise. The Government, after a lot of pressure by a PET-led delegation to Canberra came to accept 19% tax rate for backpackers. Where does it come from? This figure is already Australia's prevailing lowest tax rate! It was and is a compromise on tax and one that takes into account comparative wage rates. It also enables ongoing review of arrangements for backpacker workers.

Let's look at New Zealand again.

Employment New Zealand advises that the current minimum wage for an adult is \$15.25 (NZD) per week, i.e. \$14.30 in Australian terms (AUD). There are no casual rates as such, however an 8% levy is applied to account for non-accrual of annual leave. Thus the comparative NZ casual rate is \$15.40 per hour i.e. \$14.57 AUD compared to the Australian Horticulture Award rate of \$22.13 per hour. There are no awards, so no fixed 'penal' rates as the Kiwi's refer to them, unless the penalty rate is agreed between employer and employee. Take away 10.5% for tax then the worker ends up with about \$13.04 (NZD) per hour.

For backpackers working on farms in Australia the wages are much higher than in NZ even with a 19% tax.

Australia's Award system provides for a casual loading which is not recognized in NZ. Backpackers on Australian farms under the Horticulture Award will receive \$17.70 an hour with a 25% loading = \$22.13 per hour, plus super at 9.5%. There is no super paid by NZ employers.

After the 19% tax is deducted the Australian backpacker will receive \$17.93 per hour. An amount of \$4.89 per hour better off than their NZ counterpart. E.g. 8 hours x \$4.89 = \$39.12 per day x 5 days = \$195.60 per 5 day week.

This information is really easy to find and the calculations are not rocket science. So Labors' protestations and desire to inflict pain on the government is only adding to the fear for farmers regarding a severe lack of workers.

The point scoring on a muddling government, as delightful as that must be, is cruelly compounding the misinformation and confusion which is now worse than the tax rate itself. As always farmers and employers are left to deal with the problem on their own without enough politicians realising what they have done and who continue to do to miss the point.

A 10.5% tax, as in NZ, would be a great marketing opportunity and keep cash in workers pockets. They will be even better off coming here than going to NZ. But of course, they would still be much better off at 19%.

Tasmania needs workers

It is increasingly the case that the Tasmanian population is aging rapidly. Material that can be submitted at a hearing will demonstrate that the median age across rural and regional Tasmania is at levels that are demonstrating a real loss of workers in the age at which there is capacity for seasonal work.

As mass plantings of berries and horticulture in general expand in Tasmania it is leading to the case that we have a growing labour supply problem.

Conclusion

We urge the Senate to pass this Legislation without delay.

21st October 2016