



National Farmers' Federation

Submission to the Senate Standing Committee on Economics Inquiry into the Working Holiday Maker Reform Package

21 October 2016

NFF Member Organisations





The National Farmers' Federation (NFF) is the voice of Australian farmers.

The NFF was established in 1979 as the national peak body representing farmers and more broadly, agriculture across Australia. The NFF's membership comprises all of Australia's major agricultural commodities across the breadth and the length of the supply chain.

Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF.

The NFF represents Australian agriculture on national and foreign policy issues including workplace relations, trade and natural resource management. Our members complement this work through the delivery of direct 'grass roots' member services as well as state-based policy and commodity-specific interests.

Statistics on Australian Agriculture

Australian agriculture makes an important contribution to Australia's social, economic and environmental fabric.

Social >

There are approximately 132,000 farm businesses in Australia, 99 per cent of which are Australian family owned and operated.

Each Australian farmer produces enough food to feed 600 people, 150 at home and 450 overseas. Australian farms produce around 93 per cent of the total volume of food consumed in Australia.

Economic >

The agricultural sector, at farm-gate, contributes 2.4 per cent to Australia's total Gross Domestic Product (GDP). The gross value of Australian farm production in 2016-17 is forecast at 58.5 billion – a 12 per cent increase from the previous financial year.

Together with vital value-adding processes for food and fibre after it leaves the farm, along with the value of farm input activities, agriculture's contribution to GDP averages out at around 12 per cent (over \$155 billion).

Workplace >

The agriculture, forestry and fishing sector employs approximately 323,000 employees, including owner managers (174,800) and non-managerial employees (148,300).

Seasonal conditions affect the sector's capacity to employ. Permanent employment is the main form of employment in the sector, but more than 40 per cent of the employed workforce is casual.

Approximately 60 per cent of farm businesses are small businesses. More than 50 per cent of farm businesses have no employees at all.

Environmental >

Australian farmers are environmental stewards, owning, managing and caring for 52 per cent of Australia's land mass. Farmers are at the frontline of delivering environmental outcomes on behalf of the Australian community, with 94 per cent of Australian farmers actively undertaking natural resource management.

The NFF was a founding partner of the Landcare movement, which recently celebrated its 20th anniversary.

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Executive Summary

The 2015 Federal Budget announced that from 1 July 2016, all working holiday makers would be taxed as non-residents – that is, at 32.5 per cent on all income.

On 27 September 2016, after months of concerted campaigning and two separate reviews, the Government finally announced that the tax rate would be reduced to a lower 19 per cent rate. A range of other measures were announced at the same time, some designed to entice working holiday makers to Australia and others seeking to offset the effect of the lower tax rate on forecasts in the 2015 Budget.

The compromise package is not perfect, but it is a significantly better outcome for working holiday makers than the alternative of 32.5 per cent. On average, it delivers an extra \$2000 into the pockets of working holiday makers.

On 11 October 2016, the Government introduced four bills into the House of Representatives that would give effect to the announcement of 27 September 2016. The bills are:

- *Income Tax Rates Amendment (Working Holiday Maker Reform) Bill 2016,*
- *Treasury Laws Amendment (Working Holiday Maker Reform) Bill 2016,*
- *Superannuation (Departing Australia Superannuation Payments Tax) Amendment Bill 2016; and*
- *Passenger Movement Charge Amendment Bill 2016.*

On 13 October 2016, the bills were referred to the Senate Economics Legislation Committee for inquiry and report by 7 November 2016. There is no way of knowing when, or even if, the bills will be passed by the Parliament.

Put simply, farmers are worried about the issue, and frustrated with the lengthy delay in achieving a resolution. The farm sector wears the economic cost of ongoing uncertainty and delay, as more seasons pass and the number of working holiday makers in rural and regional Australia continues to decline.

The NFF supports the bills. We urge the Parliament to do the same, and to support Australian farmers by expediting passage of the bills in the Senate.

1. Introduction

Our vision for Australian agriculture is to become a \$100 billion industry by 2030.

The sector is a source of strength in the Australian economy, positioned to capitalise on growing global demand for safe, high quality food and fibre over coming decades. To achieve this vision, however, the sector needs the right regulatory and public policy settings. This includes securing access to labour throughout the year and particularly at peak harvest times.

The agriculture sector is unique in its reliance on overseas workers: they represent a quarter of our national employed workforce. In a survey of 535 horticultural growers in February 2016, 65 per cent of respondents indicated difficulty finding workers in their local area. The overwhelming majority (93 per cent) of working holiday makers who undertake regional agricultural work do so because it gives them access to a second year visa – without this critical incentive, many will choose other forms of work and miss out on the unique experience of living and working on farms and contributing to local rural and regional economies.

The problem with the ‘backpacker tax’ is that it will do just that. Working holiday makers will no longer see value in working in Australia, and particularly in regional Australia – and they won’t come.

We need to encourage, not deter, working holiday makers into regional agricultural work, and we need to do it as soon as possible.

The urgency of this issue is more comprehensively outlined in our submission to the Working Holiday Maker Review overseen by Assistant Minister Hartsuyker MP, which is provided with this submission.

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

The NFF supports this bill. It will deliver a 19 per cent tax rate for working holiday makers immediately upon Royal Assent.

3. Treasury Laws Amendment (Working Holiday Maker Reform) Bill 2016

The NFF 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.

In relation to the register of employers, we note that registration will be compulsory for all employers who employ working holiday makers from Royal Assent.

The media release issued by Treasurer Scott Morrison on 27 September 2016 referred to a “simple and easy registration process”. It is not yet clear what form the registration will take, although the bill indicates that a genuine business need to employ working holiday makers, as well as an agreement to comply with workplace and migration laws, will be a condition of registration.

Red tape is a significant burden on the agriculture sector, as the recent draft report into Regulation of Australian Agriculture by the Productivity Commission highlighted. We urge the Australian Taxation Office (ATO) to consult with industry in the development of the registration form to ensure that it is as simple and easy as possible.

Schedule 3 of the bill requires the Commissioner to report on working holiday makers each year, including statistics and information derived by the Commission from the registration process. It is not clear what information will be provided in these reports. Except where it is in the public interest to identify individuals in particular cases, we encourage the Commissioner to adopt an approach where reported information is displayed only in aggregate form.

4. Passenger Movement Charge Amendment Bill 2016

We note concern among the airline industry about an increase in the Passenger Movement Charge from \$55 to \$60.

If passed, this bill will take effect from 1 July 2017 (unless Royal Assent to the related *Income Tax Rates Amendment (Working Holiday Maker Reform) Act 2016* occurs after that time).

The delayed commencement date allows time for further examination of this measure and its effect on the tourism sector in the first half of 2017.

In the meantime, opposition to this bill should not prevent passage of the other related bills through the Senate.

5. 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, and that accordingly, no revenue is forecast from this measure in the 2016-17 financial year.

In our submission to the initial ‘backpacker tax’ review, the NFF proposed redirecting superannuation paid to working holiday makers into regional employment programs, in order to:

- to boost domestic workforce participation; and
- reduce the red tape burden on Australian farmers.

Administering superannuation payments for individuals who have no intention of retiring in Australia has long been a frustration for the farm sector.

The alternative approach in this bill, which retains the red tape burden while effectively diverting superannuation away from working holiday makers, is not ideal.

We encourage government to consider how it can reduce the red tape burden of superannuation administration on the farm sector. One way of achieving this outcome would be to increasing the threshold for superannuation payments to align with the tax free threshold for working holiday makers, in line with the original intent of superannuation policy.

6. Other measures

Other measures announced by the Government on 27 September 2016 were:

- \$10 million for Tourism Australia “to conduct a global youth-targeted advertising campaign”;
- \$10 million for the Fair Work Ombudsman and the ATO “to establish the employer register and assist with ongoing compliance initiatives and to address workplace exploitation of working holiday makers”;
- Allowing working holiday makers to stay with one employer for up to 12 months, as long as the second six months is worked in a different location.

Many working holiday makers looking for work attempt to do so through the NFF. We encourage Tourism Australia to partner with us in developing and promoting the global advertising campaign, including through NFF communication channels and via farmers.org.au.

We also encourage the Fair Work Ombudsman and the ATO to engage and work collaboratively with industry in their efforts to improve compliance and address exploitation, which is a complex issue that requires a comprehensive but considered response.

The extension of work with one employer from 6 to 12 months with one employer is not addressed in bills currently before the Senate. We infer that the measure will be introduced administratively by the Department of Immigration and Border Protection or by later regulation.

Due to the different demographic of the tourism and agriculture sectors, the flexibility of this measure is unlikely to benefit the agriculture sector unless it is administered in a way that recognises the nature of the sector. While some large corporate farm businesses operate across multiple locations, the overwhelming majority of agricultural businesses in Australia are small family farms. Some of these operate in a single location and will derive no benefit from the measure. Others have more than one farm, and for them, the measure potentially has significant value.

This makes it critical to ensure that the phrase “different location” is meaningful for both the tourism and agriculture sectors, and applies so that work on different farms owned by the same employer allows a working holiday maker to remain with the employer for more than 6 months.

7. Conclusion

The Senate should pass the bills without delay.