

From:
To:
Subject: Submission regarding changes to Passenger Movement Charge
Date: Tuesday, 18 October 2016 11:34:35 PM

Economic Legislative Committee,

In the proposed changes to the Tax reform for 417/462 Visa holders, I've recently heard the Government intends to increase the PMC from \$55 to \$60. The premise for this increase was to recover costs from a reduction in the income tax for the 417/462 Visa holders, however the number of 417/462 Visa holders departing Australia that will contribute to revenue raised by the increased PMC does not support this increase.

Whilst I do not have access to all statistics, what I have found is that in the 12 months leading up to 31 Dec 2015, the number of 417/462 Visas approved was only 260,486. It is not unreasonable to assume that each of these visa holders only depart Australia once. Projecting a similar number of Visa holders per annum, with the increase in the PMC, the 417/462 Visa holders will only be contributing an additional \$1.3m from the \$5 increase in PMC.

However the number of passengers leaving Australia each year is a significantly different. In the 12 months leading up to Jun 2016, I understand that approximately 20,000,000 seats of outbound international flights were occupied. This implies that the increase in revenue from the increased PMC from all departures will be in excess of \$100m. Even ignoring departures by boat, which also is subject to the PMC, the number of 417/462 Visa holders account for less than 1.3% of outbound passenger movements (and associated increase in revenue from the PMC increase).

It is inequitable that more than 98.7% of passengers leaving Australia should have an additional charge imposed upon them, just so that 417/462 Visa holders have a further incentive to seek temporary employment in Australia whilst on Holiday.

A significant number of passengers departing Australia include small to large Australian Business operators, whom are flying overseas to increase overseas opportunities. With the global economy promoted by the current Government, an increase of the PMC on these travel requirements is only creating greater difficulty for Australian Businesses compete in the Global Market.

It is clear that the reduction in income taxed for 417/462 Visa holders is intended to provide an incentive for more 417/462 Visas to be applied for, and a consequent increase temporary workers available for employment by Australian businesses. Industries that will most benefit from the decrease in income tax for 417/462 Visa Holders will therefore be those that employ the 417/462 Visa Holders.

Contrary to the Honorable Scott Morrison's assertion, the Tourist industry will not benefit significantly from the income tax reduction. The majority of foreigners travelling to Australia for holidays do not hold 417/462 Visas, and by increasing the PMC, travel to Australia will become more expensive and less competitive in the Global Market. In addition, Cruise Ship operators departing from Australian ports for overseas cruises to our Pacific and Asian neighbors will also suffer, with an expected downturn in passenger numbers.

Traditionally, temporary workers are predominantly employed by the agricultural industry, that need temporary workers to cover seasonal requirements depending upon the success of crops, and the hospitality industry, that use temporary workers to bolster staffing levels in peak periods. Temporary employment of Australian workers in these industries for these variable times is generally low. For Australians, this type of employment too haphazard and is not considered secure, which most Australians trying to make a living require. However 417/462 Visa holders are not trying to make a living, they are trying to subsidize/recover the costs a holiday, so these temporary employment opportunities are desirable for holiday workers.

Using the Honorable Scott Morrison's own verse, 'to wash its face', it is clear that the industries that will benefit the most from the increase in 417/462 Visa holders should also pay for the additional costs associated with the reduction in 417/462 Visa holder tax rates.

One option would be a scheme that requires the employers to register with the Government to enable them to employ 417/462 Visa holders, registration being at no cost to the employer. These registered employers, no matter what industry, but benefiting from the increase in 417/462 Visa holders, could then be required to pay an 'employment fee' per 417/462 Visa holder employed. This 'employment fee' could be recovered by the employer against the 417/462 Visa holder, so the business is not out of pocket. This 'employment fee' could be recovered in each business quarterly BAS. A modest 'employment fee' of \$30.00 per 417/462 Visa holder employed would raise additional revenue to offset the loss from reducing the income tax. A \$30.00 fee is considered 'modest' considering a 417/462 Visa holder working for only 2x 7.5 hr shifts would earn at least \$265.50 gross, which compares to an expected reduction in tax revenue of \$35.84. So the worker is at least \$5.84 better off, more if the 417/462 Visa holder works more shifts. If each 417/462 Visa holder is employed only once, then that would raise \$7.8m revenue (based upon 2015 Visa approvals data). With each time that the 417/462 Visa holder is employed, an additional 'employment fee' is paid by each successive employer, which would significantly increase the revenue raised, whilst spreading the 'costs' between each employer.

In addition, the DASP paid by 417/462 Visa holders should be 100% fully recovered upon departure. The Australian Superannuation Scheme, and the associated SGC, is intended to fund Australians in retirement as a replacement/co-payment of the Aged Pension. The SGC should not be used to fund/supplement retirement entitlements of overseas visitors.

I understand that the maximum rate of tax for DASP is currently only 47%, which is only for the taxable components, and it is 0% for tax-free components. Instead of SGC payments being made to Superannuation Funds, the SGC payments made to 417/462 Visa holders could be paid to an ATO Account, with the Account details distributed to employers during the aforementioned registration process. The payments to the ATO Account would then be consolidated and distributed as per all other government revenue. Even if the DASP rate was 47%, this would recover 5.0% of the decrease in revenue from the 417/462 Visa holder tax reduction, leaving only 8.5% of the tax reduction to be recovered by the proposed registration and 'employment' fee and other possible measures.

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