

Ardrossan Batlow Apples

20th October 2016

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

Dear Sir/Madam

RE: Working Holiday Maker Reform Bill 2016

We are a vertically integrated business in Batlow NSW. Our business consists of a nursery, orchard, coolstore and packing operation with its own wholesale business in Sydney Markets. We sell to all supermarkets and independent retailers and are currently opening up new export markets. The backpackers that come to Australia are a vital part of the economic structure of our communities. As stated they are on working holiday visas and are therefore contributing in a twofold manner. They supplement our workforce during the required periods and they are spending their earned dollars as tourists.

I would like to highlight the misleading information that is being pedalled on the backpacker tax. The original proposal was 32% and it was not legislated. To say that 19% is a reduction is a fallacy. Currently, we deduct 13% tax from resident backpackers, and their annual tax is calculated at 19%, after taking into account the tax free threshold of \$18,200. There is an additional amount of 38% of accumulated superannuation balances taxed when leaving Australia.

The recent proposal is 19% from first dollar earned, on amounts up to \$38200, plus the additional tax of 95% on superannuation balances, when leaving Australia. Whilst superannuation was designed for retirement, it is important to bear in mind that the superannuation contributions originated with the employer, not the government and the extra "grab" from backpackers is actually an additional tax on the employer.

The following table highlights the differences caused by the proposed changes for a backpacker:

	Existing	Proposed	Existing	Proposed
Income	\$20,000	\$20,000	\$30,000	\$30,000
Tax	-\$342	-\$3,800	-\$2,242	-\$5,700
Net income	\$19,658	\$16,200	\$27,758	\$24,300
SGL Superannuation	\$1,900	\$1,900	\$2,850	\$2,850
less contributions tax	-\$285	-\$285	-\$428	-\$428
Superannuation balance	\$1,615	\$1,615	\$2,423	\$2,423
Exit tax	-\$614	-\$1,534	-\$921	-\$2,301
Superannuation a/c balance	\$1,001	\$81	\$1,502	\$122
Net cash	\$20,659	\$16,281	\$29,260	\$24,422

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The backpacker who earns \$20000 is \$4378 worse off and on \$30000 the difference is \$4838.

This highlights the difference between the existing system and the proposed system. Note that the difference between the Australian worker and the backpacker on the proposed system is \$4992 on \$20000 and \$5759 on \$30000.

Due to lack of sufficient numbers of employees in regional areas, we are dependent on backpackers especially at picking. Backpackers today are the majority of our workers at crucial times. To promote a taxation system that is discriminatory to backpacker employees puts at risk the industry as a whole.

Why is the Australian Government allowed to discriminate between employees doing the same job?

Recommendation: one tax

Yours faithfully

Ilan Cathels

Gocup Pastoral Pty Ltd