

Working Holiday Maker Reform package
Submission to Senate Standing Committee on Economics

Fruit Growers Tasmania

Fruit Growers Tasmania is a grower owned incorporated non-profit organisation with a strong proven track record in delivering outcomes for the Tasmanian (and national) industries for over a decade.

The Tasmanian fruit industry is well established with most pome and cherry growers being generational producers. However, these generational links are changing with the influx of national and international investment in established or new operations over the past two years.

With a strong membership base across the pome, cherry, summer-fruit and berry sectors, including foreign investors/owners, Fruit Growers Tasmania has developed strong working relationships with peak industry bodies, state industry organisations, commercial stakeholders, associated institutions (i.e Tasmanian Institute of Agriculture), national committees and all tiers of government.

Request for moratorium:

Without doubt the path of this tax has been a debacle from May 2015. The announcement in the 2105 budget took many by surprise and the ongoing debate since that time demonstrated the Government was focused on the \$540m and little else in the wider political context.

As the Government was seeking to retain the superannuation of backpackers as well, the overall tax rate proposed is equivalent of 28% not 19%.

Therefore, based on the Government's ongoing mis-management of this matter and the need to have a deep review into not just the taxation but also the systemic labour issues within the broader agricultural (and tourism) sectors, Fruit Growers Tasmania is calling for a 6 – 12 month moratorium on any taxes or changes being implemented.

This matter in its entirety needs a full review – not a quick 2 – 4 week roadshow as was seen under the Deloitte engagement. The failure of the Government to adequately and fairly manage this matter continues to draw the anger of the Tasmanian growing community.

A moratorium should be the lead recommendation of the Senate Standing Committee due to the damage the mis-management of this matter and the inability to bring this to a conclusion.

Budget Restoration:

Using the proposed \$540m over four years as part of budget restoration is a matter simply for the Government. Our growers pay taxes and they pay levies in addition to taxes. They employ people who pay taxes and as regional businesses and they contribute strongly to regional economies. At no stage did the Government adopt this process to assist agriculture – it has been purely defined as a tax grab.

To be subjected to the Canberra centric mantra of budget restoration is insulting to these growers. Outside Canberra, very few care how Governments have used money and no one has control on respective governments creating budget deficits. If Government has to make offsets due to changes in the backpacker tax – then this is not the affair of the industry and nor should this be imposed upon agriculture in this manner.

What this does is demonstrates clearly the silo thinking and decision making in Canberra where around budget planning the implications across regional Australia weren't considered. This clearly indicates a failure within the bureaucracy to have a broader strategic application in decision making which has led to 15 months of uncertainty for the agricultural and tourism sectors. Time and money has been wasted in the bureaucracy, Government and industry because the decision making and consultation wasn't collaborative or sound in May 2015.

Superannuation:

Seeking to retain the superannuation was the wrong approach by Government. It is the proposal of Fruit Growers Tasmania the superannuation is paid as normal, with the worker collecting it on leaving the country.

An alternative may be if the superannuation is collected by Government who can take a share of no more than 10% and returning 40% to the respective State to support regional projects, grants and industry work. The final 50% should be returned to the itinerant worker on departure from Australia.

Unclaimed superannuation is to be managed the same way with the Government recovering 60% and 40% back to the respective State.

The Government effort to take 95% of the superannuation which are both worker and employer contributions is wrong as combined with the 19% tax rate proposed brings the real rate up to 28% - well away from a competitive rate with New Zealand as Government proposed.

Exploitation of itinerant workers:

The exploitation of foreign workers continues to remain an issue with the general cause being foreign managed labour hire companies. All labour hire (employment services) companies should be registered and assessed by Government and employers.

There should be an onus on producers to ensure the workers are being paid correctly by the labour hire company. Penalties should be sufficient enough, especially around bonded employment, to deter offenders.

Additionally, there is the issue of European backpackers pressuring small – medium growers to sign off on more days than were worked or otherwise they would complain to Fair Work that they had been underpaid. This scam arose in Tasmania with Belgian and French backpackers and any undertaking this scam should have their visa cancelled for making false reports. It is uncertain whether this has been an issue elsewhere in Australia.

Getting Australia working again:

Australia has an issue when the harder one works, the less the reward whether this is through increased taxation for additional hours or second job or penalties for moving between unemployment and seasonal casual work.

This is an opportunity to rectify the pathways for people on unemployment benefits to move easily between benefits and causal seasonal work.

So what tax rate?

There is much discussion on the appropriate tax rate and we know modelling indicates 19% (and superannuation) will continue to affect the backpacker numbers. However, if the Government insists on maintaining access to the superannuation component, then the tax rate should be 10 – 11%. If the Government relinquishes the superannuation component, the tax rate should be considered between 13% - 16%.

Budget restoration should not be the primary consideration in this process.

Recommendations:

- A moratorium of 6 – 12 months (certainly nothing before 01 Jul 17) is immediately installed;
- There is a separation from the Canberra centric view of budget restoration to a realistic long-term review on the backpacker issue;
- Superannuation is paid as normal or alternatively collected in part by Government with elements returned to the respective State for regional projects, grants and industry work;
- Adjustments are made to assist the move between unemployment and seasonal casual work to allow locals to work; and
- A realistic rate of taxation to be applied to backpackers outside the views of Government on budget restoration or offsets.

Prepared by Phil Pyke, Business Development Manager, Fruit Growers Tasmania.