



31 August 2016

Hon Barnaby Joyce MP
Deputy Prime Minister
Minister for Agriculture and Water Resources
Department of Agriculture and Water Resources
GPO Box 858
Canberra City ACT 2601

Dear Deputy Prime Minister

Submission to the Working Holiday Maker Visa Review

The Chamber of Commerce and Industry Western Australia (CCI) welcomes the opportunity to contribute to the Working Holiday Maker Visa Review. CCI is the peak business association in Western Australia, and with over 9,000 members is one of the largest organisations of its kind in Australia. Our members represent every industry and region of our State and between them employ over 300,000 employees. CCI shares the view of the Australian Chamber of Commerce and Industry's (ACCI) that the proposed new tax on backpackers is concerning to Australian businesses particularly in the agricultural and tourism sectors.

CCI and our members believe that the proposed backpacker tax will weaken Australia's international competitiveness. As a result of backpacker workers no longer being able to claim the tax-free threshold of \$18,200, the effective tax rate for backpackers will increase to a flat rate of 32.5 per cent – a tax rate twice as high as other major competitors of Australia for backpacker workers such as Canada and New Zealand. As set out in ACCI's submission, New Zealand presently applies a tax rate of 11.95 per cent on a working holiday maker's earnings up to \$NZ14,000 and 18.95 per cent on earnings up to \$NZ48,000. As a result, a working holiday maker to New Zealand earning \$500 per week (gross) will have \$NZ100 per week more disposable income than a working holiday maker on the same income in Australia. It is therefore concerning that the uneven playing field created by the introduction of these tax arrangements could impact on a backpackers' decision to visit Australia, and actually see the numbers of backpacker workers (part of the Working Holiday visa, subclass 417) in Australia diminish.

CCI's members continue to tell us that backpackers are an essential component of the State's regional labour force and that any policy determination that reduces access to backpacker labour will have serious consequences for industries that rely on those workers. This is a view shared by the National Farmers Federation who state that backpackers contribute around \$3.5 billion to the Australian economy each year and fill approximately 40,000 essential jobs on Australian farms. As seasonal labour availability for agribusinesses

in regional Western Australia is already fragmented, CCI believes that the backpacker tax could introduce even greater degrees of fragmentation and further reduce labour availability especially during harvest times.

Further to the above, the “Australian Tourism Labour Force Report 2015-2020” by Deloitte Access Economics, has highlighted that for tourism to continue to meet the needs of a growing industry, Australia’s tourism and hospitality sector will require an additional 123,000 workers by 2020. As such, and to address current and future shortages in the sector, rather than increasing the aggregate level of tax that a backpacker worker is required to pay while in Australia, CCI believes that the Commonwealth Government should consider alternative measures to removing the tax-free threshold.

One alternative would be to lower the effective tax rate and pay backpackers’ superannuation contributions up front. Currently, the balance of a backpackers’ superannuation fund is paid out when they leave the country. Essentially, this means that backpackers’ superannuation contributions are being spent offshore and may therefore be considered a ‘leakage’ from the local economy. A reduction in the effective tax rate and an upfront payment of the superannuation contribution would likely see more income remain in Australia and spent within the regional location that the work is being undertaken

I trust that the above information is of use to you in understanding CCI’s policy position and rationale concerning the impact of the proposed backpacker tax on the Western Australian economy and Australia’s long-term competitiveness. If CCI can be of any further assistance to you with regard to this topic, please do not hesitate to contact Dale Leggett, Director of Policy, [REDACTED]

Yours sincerely



Deidre Willmott
Chief Executive Officer