



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



HOUSE OF REPRESENTATIVES

PROOF

BILLS

**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, Passenger
Movement Charge Amendment Bill 2016**

Second Reading

SPEECH

Monday, 17 October 2016

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

SPEECH

<p>Date Monday, 17 October 2016</p> <p>Page 30</p> <p>Questioner</p> <p>Speaker Hartsuyker, Luke, MP</p>	<p>Source House</p> <p>Proof Yes</p> <p>Responder</p> <p>Question No.</p>
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Mr HARTSUYKER (Cowper—Assistant Minister to the Deputy Prime Minister) (12:26): I welcome the opportunity to speak on these bills. The government recognises that working holiday makers provide an important source of seasonal labour for both the tourism industry and the agriculture industry. We are also fully aware of the importance of expenditure by backpackers when they come to this country—a very important source of tourism income. This package of measures addresses the significant concerns expressed by regional employers with seasonal labour demands and the concerns of many people in the tourism industry who have made representations to me.

We have heard a lot of bluster from Labor's spokesman on agriculture, but we are dealing with a problem that has come about largely because of changes Labor made to the tax free threshold. Under laws introduced by Labor, nonresident workers in Australia are taxed at 32.5 per cent from the first dollar earned. Recent Administrative Appeals Tribunal decisions have made it clear that, in many cases, working holiday makers are not residents for tax purposes, even though it seems to be standard practice for backpackers to claim residency on their tax forms.

Farmers and tourism operators with seasonal labour needs have expressed concerns that this tax situation will discourage working holiday makers from coming to Australia and will give an advantage to our competitors such as New Zealand and Canada. The government listened to these concerns and before the election gave a commitment to conduct a full review of this issue and the broader issues around seasonal labour supply. We also gave our commitment to the implementation of a resolution to this issue by the start of 2017. We intend to totally comply with these commitments.

I am grateful to the Deputy Prime Minister for asking me to lead the interdepartmental review in this matter. Representatives from several federal government departments were seconded to participate in the review. The public servants from my Department of Agriculture and Water Resources led the review with dedication and skill. I place on record my gratitude for their hard work in this project. The review received submissions from about 1,700 stakeholders, including working holiday makers, employers, representative organisations and state and local governments. Deloitte was contracted to hold face-to-face consultations, which were held in every capital city, with regional stakeholders being offered the opportunity to provide feedback by phone. The consultations were attended by dozens of key industry stakeholders in the agriculture and tourism sectors. I thank all parties who took the time to engage with the review.

I found it curious that the shadow Treasurer, in his speech earlier, accused us of failing to consult with industry. We did a significant amount of consultation—and then, on the other hand, they accuse us of consulting too much! The review confirmed that most Australians think it is appropriate for working holiday makers to pay some level of tax. It is also clear that the tax rate of 32.5 per cent is not competitive with New Zealand and Canada despite Australia's high wages. Stakeholders also made it clear that a solution is needed soon and that further delays will only create more uncertainty, which really does beg the question: why would members opposite refer this off to a Senate inquiry and delay the process?

The government has responded decisively. The measures contained in these bills address the concerns of the agriculture and tourism sectors. We recognised that the tax rate for working holiday makers is not the only factor affecting the supply of seasonal labour, so we have also made changes that will help improve the availability of seasonal workers in Australia. Importantly, we have fully offset the costs of these measures to ensure that there is no further erosion of the budget position—unlike Labor, who always act irresponsibly when it comes to budget measures.

At the centre of the package is a new tax rate for working holiday makers of 19 per cent per earnings up to \$37,000. Ordinary marginal tax rates apply thereafter. This new rate of 19 per cent is internationally competitive. After-tax income for working holiday makers will still be amongst the highest in the world. Importantly, this new tax rate will apply from 1 January 2017, just as we promised during the election campaign.

Employers will be required to register with the ATO if they want to offer the 19 per cent withholding rate to working holiday makers that they employ. There will be a register of employers that will be publicly available, so that working holiday makers will be able to quickly identify which employers are properly registered.

Employers that do not comply with their legal obligations may have their registration cancelled. This possibility will become an obvious disincentive for employers to flout their obligation to pay their staff properly. Working holiday makers employed by an unregistered employer will have tax withheld at the non-resident rate of 32.5 per cent, but they will be able to access the 19 per cent rate when they lodge a tax return.

To address concerns about the exploitation of workers, the package also includes \$10 million to support compliance activities by the Fair Work Ombudsman and the ATO. This investment in compliance is timely, given the Fair Work Ombudsman's report into the treatment of 417 visa holders, which was released on Saturday. Unfortunately, there are some employers who refuse to comply with their legal obligations, and these new arrangements will give the authorities another tool to discourage illegal behaviour.

We recognise that the number of working holiday makers visiting Australia has been in decline since 2012, but this is due to a range of factors. Even the shadow Treasurer admitted earlier today that the number of working holiday makers has been declining due to that range of factors. This admission is another demonstration that Labor's scare campaign on this issue should be put in the same category as the old Mediscare campaign. Labor know the facts, but they would prefer to play political games. That is just same old Labor.

Mr Fitzgibbon: You have a riveting speech there.

Mr HARTSUYKER: Mate, I know you love it! I know you love it! The package encourages working holiday makers to visit Australia by reducing the application charge for working holiday maker visas by \$50, and \$10 million will also be made available for Tourism Australia to market Australia to potential backpackers in key overseas markets. We are also increasing the eligibility age for 417 and 462 visas from 30 to 35.

Mr Fitzgibbon interjecting—

Mr HARTSUYKER: Hang on! There's more, Joel. This increases the pool of possible working holiday makers and brings us into line with our competitors. We have also responded to industry feedback by introducing more flexible working arrangements.

Working holiday makers are currently permitted to work for one employer for a maximum of six months. Some employers, particularly in the hospitality and meat processing industries, have argued that working holiday makers should be able to work for the same employer in different locations over a longer period of time. The government has listened to those concerns and will allow working holiday makers to work for one employer for up to twelve months, with six months in a single location. This will provide more opportunities for working holiday makers to put newly-learned skills to good use.

I mentioned earlier the issue of lack of budget responsibility by our friends, the Australian Labor Party. These measures will, importantly, be budget neutral. It is important that the costs of the measures that we put in place are balanced with additional revenue to cover them. These measures have a cost to budget of around \$350 million over the forward estimates. These costs must be fully offset. Offsets are not easy to find, and they are not always popular, but we are up to the task of repairing the budget. We do not shirk our budgetary responsibility, as those opposite do. Labor spent six years avoiding the hard decisions. We cannot repeat their mistakes.

To offset the costs of these measures, the government will be modestly increasing the passenger movement charge by \$5 from 1 July. This is broadly in line with inflation and will be the first increase in that charge since 2012. The government will also increase the departing Australia superannuation payments tax for working holiday makers to 95 per cent. Working holiday makers can withdraw the balance of their superannuation when they depart Australia and their visa expires or is cancelled.

These funds are typically spent offshore and not to the benefit of the Australian economy. Superannuation is intended to support Australian workers in their retirement—not foreigners. So, using the working holiday makers' superannuation to fund their lower tax rate is, I believe, good policy. It puts money in their hands while they are in Australia, so that they can stay longer and see more of this great country. Importantly, this measure does not place any additional burden or red tape on employers. Foreigners also remain equivalent to locals with regard to

employment, and the superannuation is preserved for those working holiday makers who may go on to become permanent residents.

The peak tourism season and the main harvest period is just around the corner. The coalition gave a commitment to have a resolution to this matter in place by 1 January. Prolonging the uncertainty about this issue would let farmers down, and that is why Labor's decision to refer this to the Senate Economics Legislation Committee is utterly reckless.

This is yet another example of Labor playing politics with a serious issue. They have done it with same-sex marriage; they have done it with Medicare; they have done it with renewable energy—and now they are using our farmers as political pawns. If these bills are not passed, the ATO will tax many working holiday makers as non-residents. That is the law as it stands. Continuing with the status quo is not an option.

The National Farmers Federation made the position of the agriculture sector quite clear when they said:

Farmers can't wait until the end of the year, or even next year, for a resolution of the issue...

After refusing to declare its hand on the backpacker tax all year, Labor decides to intervene at the eleventh hour to block a solution that would see an extra \$2000 in every backpacker's pocket.

This is unacceptable and we call on Labor to respect all the decent hard working Australian farmers who feed and clothe us every day by passing the 'backpacker tax' bills in the Parliament.

There is no justification for any further delay.

These bills need to be passed as a matter of priority. The shadow Treasurer confirmed that Labor is trying to walk both sides of the street on this issue. They want to keep the \$540 million from the 2015 budget measure in their costings, but they do not want to make the hard decisions to offset the cost of the reform package. Despite talking a big game on budget repair, Labor refuses to make the difficult decisions.

Labor's recklessness will have real consequences in my electorate. We have a vibrant and growing horticulture industry on the North Coast of New South Wales, with the blueberry industry growing rapidly. Blueberries are a particularly labour-intensive crop, as they must be picked entirely by hand. With the rapid growth of the industry, the demand for seasonal labour has been increasing to a dramatic extent. Of course, our tourism sector is also heavily dependent on seasonal labour and the influx of backpackers during the blueberry harvest. Labor's plans to delay this package of reforms will just create uncertainty for farmers, processors and tourism operators throughout the Cowper electorate. I call on Labor and the crossbench members and senators to pass these bills for the sake of our farmers, our tourism industry and the national economy.