

SA GROWER

Tax to hinder labour force

POTATOES SA

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DESPITE the review of the decision to scrap the tax-free threshold for backpackers from July 1, the federal government has not made a move to change the controversial tax.

It was made clear to government by the horticultural industry that the plan, which will mean working holiday makers will pay 32.5 cents in the dollar, will have devastating consequences for labour supply to the horticulture industry.

As a result, their earnings will drop from \$21.62 an hour to \$14.59/hr.

Industry had put forward a workable compromise position of a 19 per cent tax rate for backpackers with no tax-free threshold and this has not been accepted.

As the most labour intensive of all agricultural industries, horticulture employs about one-third of all workers in the agricultural sector.

It will always have short-term labour issues, which only be exacerbated if key fruit and vegetable com-



Potatoes SA is the voice for seed producers, growers, fresh market, packers, processors, marketers, exporters, wholesalers and retailers.

modities are not available, or if there is an increase in price as a consequence of labour shortages.

Horticulture relies on backpackers on temporary work visas to provide a vitally important labour force during seasonal harvest periods.

But backpacker numbers have been dropping across the past two years, with more than 34,000 fewer visas granted in 2014-15 than in 2012-13.

There is no doubt that the federal government's backpacker tax is a significant factor, with word spreading among backpackers within Australia and internationally

on social media.

There is simply not enough local labour to satisfy demand during peak harvest

periods, and backpackers play a vital role on Australian farms by providing a workforce during these critical times.

It is crucial that Australia remains competitive with other international holiday destinations and continues to attract young backpackers to work in the horticulture industry.

If they are unable to earn sufficient income, why would they travel all the way to the Australian Antipodes? In fact they would make a

higher net rate by working in New Zealand, with Canada close behind.

These countries are Australia's major competitors for the working holiday tourist market.

Backpackers on temporary work visas (sub-class 417 Working Holiday Makers) comprise almost two-thirds of horticulture's casual workforce (about 40,000 people annually).

Incentivised by special visas which allow them to stay for a second year if they work for three months in rural areas, backpackers spend about \$4.3 billion every year nationally.

There are obvious concerns about the tax's long-term impact on tourism.

Primary producers are already struggling to find enough workers during harvest, and a further shortfall might result in fruit and vegetables ending up as waste, which already represents an annual loss of \$1.8b.

From July 1, Australia will lose market share in backpacker visitation and this will have economic and social consequences.



The horticulture sector, including the potato industry, will be affected by the federal government's plan to tax backpackers 32 per cent.