

**SUBMISSION TO THE  
WORKING HOLIDAY  
MAKER VISA REVIEW**

SEPTEMBER 2016

IN COLLABORATION WITH:  
**THE CHAMBER OF COMMERCE AND  
INDUSTRY QUEENSLAND**



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THIS SUBMISSION HAS BEEN PREPARED BY

**THE QUEENSLAND TOURISM INDUSTRY COUNCIL**



IN COLLABORATION WITH

**THE CHAMBER OF COMMERCE AND INDUSTRY QUEENSLAND**



AND HAS THE ENDORSEMENT OF ALL 13 REGIONAL TOURISM ORGANISATIONS ACROSS QUEENSLAND:

**Brisbane Marketing**

**Bundaberg North Burnett Tourism**

**Capricorn Enterprise**

**Fraser Coast Opportunities**

**Gladstone Area Promotion and Development**

**Gold Coast Tourism**

**Mackay Tourism**

**Outback Queensland Tourism Association**

**Southern Queensland Country Tourism**

**Tourism Tropical North Queensland**

**Tourism Whitsundays**

**Townsville Enterprise**

**Visit Sunshine Coast**

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## 1. THE QUEENSLAND TOURISM INDUSTRY COUNCIL

The Queensland Tourism Industry Council (QTIC) is the state peak body for tourism in Queensland. QTIC is a private sector, membership-based tourism industry organisation.

All of Queensland's 13 Regional Tourism Organisations (RTOs) are members of QTIC, as are 20 industry sector associations and in excess of 3,000 regional members, operating in all sectors of the tourism industry.

QTIC works in partnership with government agencies and industry bodies at a local, state and national level and is a member of the Australian Tourism Industry Council (ATIC).

## 2. THE QUEENSLAND TOURISM SECTOR

### 2.1 Value of Tourism to the Queensland Economy

#### 2.1.1 Economic Contribution

The tourism industry in Queensland contributed \$22.8 billion to Queensland's Gross State Product (GSP), representing 7.1% of total GSP and generated \$6.62 billion in exports in the year ending June 2015, making it one of the state's largest export industries<sup>1</sup>.

In recent years, there has been widespread recognition by government and the business community that tourism is "propping up Queensland's economy". On the back of a slowdown in the resources industry, the tourism industry has experienced a resurgence and is flourishing against a relatively soft economic backdrop. In the recent August 2016 release of Deloitte's *Tourism and Hotel Market Outlook*<sup>2</sup>, it was reported that "tourism grew three times faster than the Australian economy over the year to June."

Income growth in China coupled with a favourable Australian dollar has seen visitor expenditure in Queensland grow to an all-time high of \$18.3 billion, a \$49 million daily spend in the local economy<sup>3</sup> for the year ending June 2015. The return of tourism expenditure is high, with every dollar tourism earns adding an additional 87 cents to other parts of the economy<sup>4</sup>.

#### 2.1.2 Employment

Tourism is a key economic driver in many Queensland regions, supporting regional employment and community growth, employing more than 233,000 people directly and indirectly, or 9.4% of all people employed in Queensland.<sup>5</sup> This is substantially more than the mining sector (79,000 direct jobs) or agriculture, forestry and fishing combined (56,900 direct jobs)<sup>3</sup>.

Despite the strong employment of Queensland residents, the Queensland tourism industry has a labour shortage<sup>5</sup>, discussed further below in Figure 1.

<sup>1</sup> Tourism Research Australia, *State Tourism Satellite Accounts 2014-2015*

<sup>2</sup> Deloitte, *Tourism and Hotel Market Outlook*, August 2016

<sup>3</sup> Tourism Queensland, *Tourism Economic Key Facts*, September 2015

<sup>4</sup> Tourism Australia, 2014

<sup>5</sup> Tourism Research Australia and Deloitte Access Economics, *Australian Tourism Labour Force Report: 2015-2020*, October 2015

### Figure 1: Queensland Tourism Labour Shortage

In the most recent *Australian Tourism Labour Force Report: 2015-2020* (October 2015)<sup>5</sup>, Tourism Research Australia and Deloitte Access Economics estimate an implied current **shortage of 10,388 employed persons in the Queensland tourism industry**. With strong projected growth for the tourism industry it is anticipated that there will be an accumulated demand for **23,481 new workers** by 2020.

Across Australia, businesses in the café and restaurant industries report greater labour market difficulties relative to those in the accommodation or attraction industries. However, in Queensland the top tourism-related occupations experiencing deficiencies in Queensland are **Cleaner, Guest Service, and Receptionist – suggesting deficiencies across all types of tourism businesses**.

## 2.2 Federal Tourism Initiative: Tourism 2020

**In December 2011, the Federal Government announced its national strategy *Tourism 2020*<sup>6</sup>, with a goal of doubling the value of tourism to \$140 billion by 2020.**

Ensuring the growth and stability of both the supply of the tourism labour market and the demand for tourism products are factors that will dictate the success or failure of Australia's tourism industry in achieving its global potential. Working holiday makers to Australia are significantly important to the national and Queensland tourism industry in this respect. The Queensland Government and the Queensland tourism industry have embraced the effort to reach the national tourism target.

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<sup>6</sup> *Tourism 2020: Whole of government working with industry to achieve Australia's tourism potential*, December 2011

### 3. WORKING HOLIDAY MAKER SCHEME

#### 3.1 Objectives and Benefits of Australia's Working Holiday Maker Scheme

The working holiday-maker program was introduced in Australia as a cultural exchange initiative for deepening international understanding, with reciprocal working holiday-maker opportunities afforded in return to Australians in source countries.

The working holiday-maker program also provides an important source of short term flexible workers for several key industries in Australia, in particular construction, tourism and hospitality and agriculture.

#### 3.2 Working Holiday Maker Visa Programme Report

The Australian Department of Immigration and Border Protection's most recent *Working Holiday Maker visa programme report* stated that 143,918 WHV holders were present in Australia (as at 30 June 2015), with a total of 231,390 WHVs (subclass 417 and 462) lodged and 226,812 WHVs (subclass 417 and 462) granted in the 2014-15 period<sup>7</sup>, as shown below in Table 1.

It is important to note that there is a lag-time between visas granted and arriving in Australia, therefore the ratio between visas granted and visa holders in Australia would not be indicative of a decision to arrive in Australia.

**Table 1: Working Holiday Maker Visas Lodged, Granted and Visa Holders in Australia, 2014-15<sup>7</sup>**

Visas Lodged (July 2014 – June 2015)		Visas Granted (July 2014 – June 2015)		Visa Holders in Australia (July 2014 – June 2015)	
WHV subsector 417	WHV subsector 462	WHV subsector 417	WHV subsector 462	WHV subsector 417	WHV subsector 462
<i>First visa</i>	175,740	<i>First visa</i>	173,491	<i>First visa</i>	101,458
<i>Second visa</i>	43,383	<i>Second visa</i>	41,339	<i>Second visa</i>	35,434
<b>Total</b>	<b>219,123</b>	<b>Total</b>	<b>214,830</b>	<b>Total</b>	<b>136,892</b>
<b>TOTAL LODGED</b>	<b>231,390</b>	<b>TOTAL GRANTED</b>	<b>226,812</b>	<b>TOTAL IN AUSTRALIA</b>	<b>143,918</b>

<sup>7</sup> Australian Department of Immigration and Border Protection, *Working Holiday Maker visa programme report*, 2015

### 3.3 Competitiveness of Australia's Working Holiday-Maker Visa

Australia's competing destinations for working holidays include Canada, New Zealand and the United Kingdom. Table 2, below, outlines the comparative eligibility criteria for obtaining working holiday-visas to Australia and Australia's key competing destinations.

**Table 2: Comparative Working Holiday-Maker Eligibility Criteria: Australia, Canada, UK, NZ**

	Eligibility Age	WHV Term	Cost of WHV	Available funds*	Taxation rate
<b>Australia (WHV 417)<sup>8</sup></b>	18 – 30 years	12months + 12 months	\$440AUD	\$5,000AUD	<i>Proposed: 32.5% from first dollar earned</i>
<b>Canada<sup>9</sup></b>	18 – 30 or 35 years, depending on citizenship	12months (+ 12 months, depending on citizenship)	\$250CAD (AUD252)	CAD2,500 - 4,000 depending on citizenship, plus a return ticket home or enough funds to buy one (AUD2,500 - 4,043 + ticket)	15% up to CAD45,282 (AUD45,780)
<b>United Kingdom<sup>10</sup></b>	18 – 30 years	24 months	GBP230 (AUD404)	GBP1,890 (AUD3,321)	Tax-free threshold to GBP11,000 (AUD19,331), then 20% up to GBP43,000 (AUD75,568)
<b>New Zealand<sup>11</sup></b>	18 – 30 or 35 years, depending on citizenship	12 months, or 23 months for UK citizens	NZD208 (AUD200)	NZD4,200 plus a return ticket home or enough funds to buy one (AUD4,049 + ticket)	10.5% up to NZD14,000 (AUD13,499), then 17.5% up to NZD48,000 (AUD46,283)

\*Personal funds required to obtain WHV

The United Kingdom, Canada and New Zealand offer working-holiday visas for 2 years (23 months in New Zealand) with no requirement for seasonal work to extend visas.

Two year working holiday visas are less expensive to apply for in New Zealand (equates to approximately 200AUD), Canada (equates to approximately AUD252) and the United Kingdom (equates to approximately AUD404), and allow travel for a longer period.

In addition to these factors, **the proposed taxation rate, by comparison, will make Australia uncompetitive as a working holiday-maker destination.**

<sup>8</sup> Australian Department of Immigration and Border Protection, 2016, [www.border.gov.au](http://www.border.gov.au)

<sup>9</sup> Canada Revenue Agency, 2016, [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca)

<sup>10</sup> Gov.uk, 2016

<sup>11</sup> New Zealand Inland Revenue, 2016, [www.ird.govt.nz](http://www.ird.govt.nz)

## 4. SUPPORTING RESEARCH TO THIS SUBMISSION

This section provides a summary of supporting research to this submission, including findings from:

- a survey of QTIC members about the Working Holiday Maker Visa Review conducted in August 2016, and
- academic research about the Australian Working Holiday Maker scheme, including three published articles and preliminary results from unpublished research into working holiday-maker visitors to Australia and the impact of the proposed tax changes to the Working Holiday-Maker Visa.

### 4.1 QTIC Member Survey on the Working Holiday Maker Review

To gauge operator views, QTIC surveyed members in August 2016 regarding the Working Holiday Maker Visa Review.

307 members of the Queensland Tourism Industry Council and industry representatives completed the survey (approximately 10% of QTIC's industry membership base, a strong result for a survey in field for only one week due to a tight consultation period), including tour operators, accommodation providers, regional and local tourism organisations, tourism sector associations, local governments, visitor information centres, transport companies, events venues and organisations, tourism service providers, and hospitality businesses.

A summary of findings of the 307 survey responses from the QTIC membership are shown in Table 3 below, with more detailed findings provided in Appendix 1: *QTIC Member Survey on the Working Holiday Maker Review – feedback from the tourism industry*.

**Table 3: QTIC Member Survey - Summary of Findings**

<b>Q1. What outcome should QTIC, as an industry advocacy body, seek?</b>	<p><u>79%</u> believe QTIC should advocate to <u>Retain holiday Maker tax-free threshold</u></p> <p>10% believe QTIC should advocate to <b>Accept the proposal</b> to remove the tax-free threshold</p> <p>11% of respondents chose Other</p>
<b>Q2. Would you expect the current proposal to affect visitor/backpacker arrivals and/or length of stay in Queensland?</b>	<p><u>88%</u> believe Yes, a <u>negative impact</u></p> <p>3% believe Yes, a positive impact</p> <p>7% believe No impact</p> <p>3% Don't know</p>
<p><b>Q3. How strongly do you feel about the following statement:</b>  <b>The number of working holiday-makers coming to Australia will decline if a 32.5 percent income tax rate is enforced.</b>  <i>(From the Working Holiday Maker Visa Review questionnaire).</i></p>	<p><u>72%</u> Strongly agree</p> <p><u>17%</u> Somewhat agree    [<u>89% strongly agree or somewhat agree</u>]</p> <p>4% Neutral</p> <p>4% Somewhat disagree</p> <p>3% Strongly disagree</p> <p>1% Don't know</p>
<b>Q4. Would you expect the proposal to affect your regional tourism economy?</b>	<p><u>86%</u> believe Yes, a <u>negative impact</u></p> <p>2% believe Yes, a positive impact</p> <p>9% believe No</p> <p>2% Don't know</p>
<b>Q5. Would you expect the proposal to affect your tourism business?</b>	<p><u>76%</u> believe Yes, a <u>negative impact</u> (→ Q.6)</p> <p>2%, believe Yes, a positive impact</p> <p>16% believe No</p> <p>6% Don't know</p> <p>9% of respondents chose Other</p>
<b>If Yes → Q6. What aspect of your tourism business would the proposal affect?</b>	<p><u>67%</u> believe it will affect the <u>Availability of labour</u></p> <p><u>76%</u> believe it will affect the <u>Demand/sales to backpacker market</u></p>
<b>Q7. Does your business (currently or in the past 12 months) employ visitors in Australia on a Working Holiday Maker Visa?</b>	<p><u>52%</u> responded <u>Yes</u></p> <p>48% responded No</p>
<p><b>Q8. How strongly do you feel about the following statement:</b>  <b>Working holiday-makers undertake work that Australians are unable or unwilling to perform.</b>  <i>(From the Working Holiday Maker Visa Review questionnaire).</i></p>	<p><u>52%</u> Strongly agree</p> <p><u>33%</u> Somewhat agree    [<u>85% strongly agree or somewhat agree</u>]</p> <p>10% Neutral</p> <p>3% Somewhat disagree</p> <p>3% Strongly disagree</p> <p>1% Don't know</p>
<b>Q9. Further comments (optional)</b>	<i>Detail provided in Appendix 1.</i>
<b>Q10. Contact details (optional)</b>	<i>Confidential.</i>

Sample: 307 members of the Queensland Tourism Industry Council, including tour operators, accommodation providers, regional and local tourism organisations, tourism sector associations, local governments, visitor information centres, transport companies, events venues and organisations, tourism service providers, and hospitality businesses.

## 4.2 Academic research into the Australian Working Holiday Maker Scheme

### 4.2.1 Article: *Economic and social consequences of changing taxation arrangements to working holiday makers*<sup>12</sup>

Steen and Peel (2015)<sup>12</sup> examine existing research into working-holiday makers in Australia. Studies they analyse identified the following:

Harding & Webster (2002)<sup>13</sup> (study discussed in more detail below in section 4.2.2):

- The economic contribution of this sector in 2009 was \$13,218 per person, equating to approximately \$1.8billion.
- 0.613 additional jobs are created through the spending of working holiday-makers whilst in Australia.
- With an Australian displacement rate of 0.511 this equates to approximately 8,000 full time jobs through the intake of 80,000 working holiday makers.
- Employers believe that working holiday makers are more motivated than local workers, and working holiday-makers are also hired due to their availability.

Tan and Lester (2008):

- There is a positive net impact to the Australian economy and employment from working holiday-makers with an estimated 5 full time jobs per 100 arrivals.
- More than half of the jobs taken by working holiday-makers are in accommodation and agriculture, and the majority of jobs are low skilled and low paid.
- Working holiday-makers are disadvantaged in job hunting when compared to Australian residents as they cannot work for an employer for more than 3 months (at time of writing, now 6 months). Therefore, working holiday makers are more suited to seasonal work.
- Working holiday-makers are strong purchasers of key goods and services and the average expenditure of a backpacker was 60% higher than the average expenditure of an international tourist over the period of their stay.

Australian Tourism Export Council (ATEC) (2008):

- The working holiday-makers are integral in assisting the filling of significant labour shortages.
- ATEC conclude that the number of source countries for the 417 visa should be extended, the visa fee be reduced and the allowance of multiple visa applications for persons up to 35 years old.

In response to the proposed changes to the working holiday-makers visa, Steen and Peel identify that there has been a 4.4% reduction in the number of applications in 2014-15 when compared to 2013-14 – the proposed changes are likely to exacerbate this trend. In particular, the authors indicate that proposed rises in visa costs and increased taxation combined with Australia's high cost of living has the potential to further reduce the number of working holiday makers in Australia.

Authors conclude by stating: *“there are clear indications that the tax will actively dissuade high yield working holiday maker tourists from visiting Australia resulting in significant negative impact on the nation's tourism industry”.*

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<sup>12</sup> Steen and Peel, *Economic and social consequences of changing taxation arrangements to working holiday makers*, 2015

<sup>13</sup> Harding and Webster, *The Working Holiday Maker Scheme and the Australian Labour Market*, University of Melbourne, 2002

#### 4.2.2 Article: *The Working Holiday Maker Scheme and the Australian Labour Market*<sup>13</sup>

A 2002 study by the Harding and Webster<sup>13</sup> at the University of Melbourne examines the employment net effect of the Working Holiday Maker Scheme and the Australian Labour Market. The study employed quantitative analysis of surveys conducted in departure lounges, with employers of working holiday makers and with employment agencies alongside analysis of secondary data to establish a profile of working holiday makers and identify the impact on the Australian economy and labour market.

Key findings of the study include:

- Working holiday makers tend to be English speaking and have a higher level of education than the average member of the Australian workforce but are prepared to undertake jobs that are disproportionately low skilled.
- Around 85% of working holiday makers engaged in paid employment during their stay. Some working holiday makers received pay in kind (board/lodging).
- Local unemployed youth often do not have an interest in the jobs taken by working holiday makers. In contrast, working holiday makers make themselves available for employment.
- If the working holiday maker scheme did not exist, only a fraction of the jobs would be taken by unemployed Australian youth.
- The net impact on employment indicates that with a 0.511 displacement and a 0.613 gain through spending there will be an additional 8,000 full year jobs created by 80,000 working holiday makers.

Harding and Webster conclude that if the scheme was opened to more countries there could be an additional 52,000 working holiday makers a year, creating 5,300 full year jobs adding strong economic benefits to Australia.

#### Figure 2: Net Increase in Jobs from Working Holiday-Maker Scheme (2014-15 estimate)

In 2014-15, there were 173,491 first subclass 417 visas granted<sup>7</sup> (see Table 1 in section 3.2, above). Assuming the ratios have remained relatively constant since the study was conducted (see section 4.2.2, above), approximately 88,688 full year jobs were occupied by working holiday-makers, with approximately 106,349 full year jobs created due to their expenditure.

Taking into account the displacement of resident Australians (ratio 0.511), it can be estimated a **net increase of 17,661 full year jobs created**.

The revenue raised by the proposed "Backpacker Tax" (average of \$135 million per year) is unlikely to create the same net increase in jobs.

#### **4.2.3 Article: *From Nations of Immigrants to States of Transience: Temporary Migration in Canada and Australia*<sup>14</sup>**

Research by Walsh (2014) examines temporary migration schemes in Canada and Australia and the impact on labour markets and social well-being. Walsh identifies the reliance of the working holiday-maker market particularly in times of economic crisis.

It is identified that working holiday-maker schemes assist countries in mobilising workers and assist in the attraction of foreign investment, importing skills and establishing international connections and exchanges.

Walsh considers that migration boosts economic development, output and profitability. Walsh also comments that governments utilise temporary migration to address labour shortages and labour market restructuring.

Specifically in an Australian context, Walsh identifies that the working holiday-maker program was introduced as a cultural initiative for deepening international understanding, and that the working holiday-maker program provides an important source of short term flexible workers for several industries – in particular construction, hospitality and agribusiness.

Walsh states that working holiday schemes are entrenched in Australian (and Canadian) culture. They deliver workers that can be regulated in ways that the domestic workforce cannot be and provide great opportunities to their host country. Walsh concludes by stating that ramifications of working holiday schemes “*reach far beyond the labour market, and impact the nature and durability of rights, justice and social and political community in this global era*”.

#### **4.2.4 Research in Progress: *Working Holiday Makers “Backpacker Tax” Research*<sup>15</sup>**

Preliminary results from a quantitative study conducted in North Queensland and Melbourne by Jarvis<sup>15</sup> at Monash University indicate that the proposed changes would have a strong, negative impact on working holiday-maker (WHM) visitors to Australia. The study questioned 335 WHM’s in North Queensland and Melbourne asking a range of questions reflecting WHM’s intention to recommend Australia to others, the likelihood that they would have travelled to a different destination and the impact such a tax would have on their expenditure in Australia.

Jarvis<sup>15</sup> concludes: “*It is clear that the proposed tax changes will have a significant impact on potential demand for Australia as a backpacker destination, with 60% of Working Holiday Makers surveyed indicating that they would not have come on such a visa if the tax rate was 32.5 percent. It will also erode the competitive position of Australia in comparison to both New Zealand and Canada. In addition only 22% of travellers in the sample would recommend to their friends to come to Australia on a Working Holiday Maker visa if the tax was to come in.*”

Further detail on this research is provided in Appendix 2.

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<sup>14</sup> Walsh, *From Nations of Immigrants to States of Transience: Temporary Migration in Canada and Australia*, 2014

<sup>15</sup> National Centre for Australian Studies, Jarvis, Monash University, *Working Holiday Makers “Backpacker Tax” Research (in progress)*, 2016

## 5. THE IMPACT OF THE BACKPACKER TAX ON TOURISM IN QUEENSLAND

The Federal Government's "Backpacker Tax", an initiative to remove the normal tax-free threshold on income for people on Working Holiday Visas (WHVs), now scheduled from January 1 2017, will have a significant adverse impact on the future growth prospects of the Queensland tourism economy.

**QTIC strongly urges the Federal Government not to impose unfair income tax rates on WHV holders' earnings, and by doing so damage Australia's hard-earned ability to remain competitive in this important tourism market. The WHV market generates significant export earnings and also contributes to addressing labour shortages in key regional industries.**

## 6. RECOMMENDATIONS

QTIC strongly urges the Federal Government to continue supporting Australia's effort to attract more visitors, increase visitor expenditure and not diminish the competitive strength of the WHV market, by:

- 1. Not proceeding with the proposal to remove the current and generally applicable tax-free threshold on earnings by WHV holders;**
- 2. Reforming WHV arrangements to expand the availability and qualifying requirements, including removing the qualifying age cap or at the very least increase to 35 years of age to bring in line with other countries, with the intent to increase the attractiveness of the visa category and bring more visitors to Australia; and**
- 3. Expand the program to additional countries and remove need for the program to be reciprocal, supporting the promotion of Australia as a welcoming destination for young travellers and to support positive international relations and engagement with regional communities.**

Furthermore, QTIC supports recommendations made by the Australian Chamber of Commerce and Industry in their submission to this review.

## 7. RESPONSE TO TERMS OF REFERENCE

### 7.1 AUSTRALIA'S COMPETITIVE POSITION IN ATTRACTING SEASONAL AND TEMPORARY FOREIGN LABOUR, INCLUDING COMPARATIVE WAGES, ENTITLEMENTS AND CONDITIONS

#### 7.1.1 COMPARATIVE TAXATION ON INCOME EARNED

The proposed taxation rate of 32.5 percent from the first dollar earned, by comparison, will further reduce Australia's competitiveness as a working holiday-maker destination.

Table 4, below, outlines the taxation rate on income for working holiday makers to Australia and competing destinations including Canada, the United Kingdom and New Zealand.

**Table 4: Comparative Taxation on Income Earned**

	WHV Term	Taxation rate
<b>Australia (WHV 417)<sup>8</sup></b>	12 months + 12 months	<i>Proposed: 32.5% from first dollar earned</i>
<b>Canada<sup>9</sup></b>	12 months (+ 12 months, depending on citizenship)	15% up to CAD45,282 (AUD45,780)
<b>United Kingdom<sup>10</sup></b>	24 months	Tax-free threshold to GBP11,000 (AUD19,331), then 20% up to GBP43,000 (AUD75,568)
<b>New Zealand<sup>11</sup></b>	12 months, or 23 months for UK citizens	10.5% up to NZD14,000 (AUD13,499), then 17.5% up to NZD48,000 (AUD46,283)

Findings from the QTIC Member Survey overwhelmingly show that the Queensland tourism industry expect the current proposal to negatively affect arrivals (88% strongly agree), and that the number of working holiday-makers coming to Australia will decline if a 32.5 percent income tax rate is enforced (89% strongly agree or somewhat agree), shown in Table 5, below.

**Table 5: QTIC Member Survey Findings: Australia's competitive position**

<b>Q2. Would you expect the current proposal to affect visitor/backpacker arrivals and/or length of stay in Queensland?</b>	<b>88% believe Yes, a <u>negative impact</u></b> <b>3% believe Yes, a <u>positive impact</u></b> <b>7% believe <u>No impact</u></b> <b>3% <u>Don't know</u></b>
<b>Q3. How strongly do you feel about the following statement: The number of working holiday-makers coming to Australia will decline if a 32.5 percent income tax rate is enforced. (From the Working Holiday Maker Visa Review questionnaire).</b>	<b>72% <u>Strongly agree</u></b> <b>17% <u>Somewhat agree</u></b> <b>[89% <u>strongly agree or somewhat agree</u>]</b> 4% Neutral 4% Somewhat disagree 3% Strongly disagree 1% Don't know

### 7.1.2 PROMOTIONAL PROGRAMMES AND SCHEMES TO ASSIST WORKERS WHILE IN THE COUNTRY

International programs exist for working holiday makers, including by global travel agents which are packaged inbound travel products and assist with setting up bank accounts, tax file numbers, superannuation accounts and other requirements.

### 7.1.3 COSTS AND BARRIERS TO ENTRY

Australia’s competitiveness as a destination for working-holiday makers would be improved if a number of costs and barriers to entry were reconsidered to be in line with other countries; comparisons are shown below in Table 6.

The United Kingdom, Canada and New Zealand offer working-holiday visas for 2 years (23 months in New Zealand) with no requirement for seasonal work to extend visas.

Two year working holiday visas are less expensive to apply for in New Zealand (approximately 200AUD), Canada (approximately AUD252) and the United Kingdom (approximately AUD404), and allow a longer period of stay.

In addition to these factors, the eligibility age for an Australian working holiday visa is 18 to 30 years, compared to up to 35 years in Canada and New Zealand.

**Table 6: Comparative WHV Costs and Barriers to Entry**

	Eligibility age	Cost of WHV	Available funds*
<b>Australia (WHV 417)<sup>8</sup></b>	18 – 30 years	\$440AUD	\$5,000AUD
<b>Canada<sup>9</sup></b>	18 – 30 or 35 years, depending on citizenship	\$250CAD (AUD252)	CAD2,500 - 4,000 depending on citizenship, plus a return ticket home or enough funds to buy one (AUD2,500 - 4,043 + ticket)
<b>United Kingdom<sup>10</sup></b>	18 – 30 years	GBP230 (AUD404)	GBP1,890 (AUD3,321)
<b>New Zealand<sup>11</sup></b>	18 – 30 or 35 years, depending on citizenship	NZD208 (AUD200)	NZD4,200 plus a return ticket home or enough funds to buy one (AUD4,049 + ticket)

*\*Personal funds required to obtain visa*

## 7.2 EXPLOITATION OF AND PROTECTIONS FOR VULNERABLE WORKERS, INCLUDING EVALUATION OF ILLEGAL LABOUR HIRE PRACTICES AND NON-COMPLIANCE WITH LAWS AND REGULATIONS

Such a significant change to the net earnings for employees on WHVs creates a risk that this tax reform will drive employers and employees into the cash economy to avoid the disproportionate tax impost. This would create conditions that could encourage exploitation and poor working conditions for visitors to Australia by placing them out-of-sight of any regulatory framework. Aside from the issues created for individuals this would also lead to long-term damage of Australia’s reputation.

### 7.3 AUSTRALIA'S EXPOSURE TO CHANGES IN EXCHANGE RATES, ECONOMIC GROWTH AND EMPLOYMENT RATES IN SOURCE NATIONS WHICH MAY AFFECT AUSTRALIA ATTRACTING SEASONAL AND TEMPORARY LABOUR

International visitation to Australia, as a long-haul destination for many of our key source markets, is affected by global exchange rates. The decision to come to Australia on a WHV is supported by the ability to obtain a visa and obtain work that will fund travel expenses.

WHV holders stimulate regional economic growth through their expenditure on tourism products and day-to-day items. The tourism expenditure from this market is vital to the success of the regional tourism economies in Queensland. Many regional communities in Queensland and across Australia have a proportionately high reliance on working holiday-makers for the availability of labour and source for tourism receipts. The dispersal and length-of-stay of WHV holders will be significantly affected if their net earnings while working are diminished. All evidence suggests that WHV holders spend all their local earnings while travelling in Australia. The loss in local spending by these visitors will have a significant impact on the local, state and Australian economies. Essentially it can be assumed that the potential tax revenue remitted to the Federal Government leads to a proportional reduction in revenue for regional businesses across a wide range of business types.

The Federal Government has stated that the removal of the tax-free threshold will raise \$540 million over the next four years (averaged out to \$135 million a year). However, if the number of WHV holders declines as a consequence, or the length-of-stay and amount of work declines, this estimate is in doubt. This proposal will cost the national economy much more in reduced spending, reduced competitiveness in the tourism sector, as well as other dependent sectors. This will also affect business earnings and tax generated in those communities with a high reliance on working holiday-makers. The detrimental impact on the agriculture due to the loss of available labour will be equally serious with many regional producers signalling a threat to their business.

### 7.4 SHORT-TERM AND LONG-TERM AGRICULTURAL AND TOURISM LABOUR NEEDS

Tourism businesses, especially in regional and remote areas, depend on the seasonal, travelling workforce to address the regional labour shortage. WHV holders provide significant numbers of short-term workers across Australia, particularly in regional Queensland. The objective of the 417 working holiday visa was designed as a cultural exchange program for young people to come to Australia to travel and work (as unskilled labour, distinct from the skilled 457 temporary work visa).

The Australian Department of Immigration and Border Protection's most recent WHV programme report stated as at 30 June 2015 143,918 WHV holders were present in Australia, with a total of 226,812 WHV were granted in the 2014-15 period<sup>7</sup>.

The Australian Tourism Labour Force Report 2015-2020<sup>5</sup> anticipated that the Australian tourism industry will require 123,000 new workers by 2020, including 23,500 in Queensland<sup>5</sup>. This labour shortage will not be met, and may increase, if the WHV package for Australia is not competitive compared with other popular backpacker destinations such as Canada and New Zealand.

Findings from the QTIC Member Survey support this, shown in Table 7, below.

**Table 7: QTIC Member Survey Findings: Impact on Tourism and Tourism Labour Needs**

<b>Q4. Would you expect the proposal to affect your regional tourism economy?</b>	<b>86% believe Yes, a <u>negative impact</u></b> 2% believe Yes, a positive impact 9% believe No 2% Don't know
<b>Q7. Does your business (currently or in the past 12 months) employ visitors in Australia on a Working Holiday Maker Visa?</b>	<b>52% responded Yes</b> 48% responded No
<b>Q5. Would you expect the proposal to affect your tourism business?</b>	<b>76% believe Yes, a <u>negative impact</u></b> (→ Q.6) 2%, believe Yes, a positive impact 16% believe No 6% Don't know 9% of respondents chose Other
<b>If Yes → Q6. What aspect of your tourism business would the proposal affect?</b>	<b>67% believe it will affect the <u>Availability of labour</u></b> 76% believe it will affect the Demand/sales to backpacker market

WHV holders meet labour shortages where it is most needed. Undermining this labour market is not in the national interest, instead the opportunity to grow the market must be encouraged and WHV must be made more attractive.

### 7.5 POLICIES TO ATTRACT UNEMPLOYED AUSTRALIANS, INCLUDING YOUNG AUSTRALIANS, INTO WORK IN AGRICULTURE AND TOURISM

QTIC actively supports initiatives to encourage Australians to establish careers in the tourism industry. QTIC works in partnership with employers, government agencies and industry bodies at a local, state and national level to strengthen policies and assist in implementing these workforce attraction and development initiatives.

Queensland is a large state with many non-urban and rural destinations and the nature of the tourism industry is seasonal for many areas and activities. These factors create significant challenges for the tourism industry to attract and retain labour. Seasonal labour shortages cannot readily be filled by permanent Australian residents.

Rather than replacing Australian jobs, it is evident from industry feedback that WHV holders help to meet labour shortages in tourism businesses where and when it is most needed, particularly in seasonal occupations and remote regional locations.

Findings from the QTIC Member Survey support this, shown in Table 8, below.

**Table 8: QTIC Member Survey Findings – Working holiday-makers undertake work that Australians are unable or unwilling to perform**

<b>Q8. How strongly do you feel about the following statement: <i>Working holiday-makers undertake work that Australians are unable or unwilling to perform. (From the Working Holiday Maker Visa Review questionnaire).</i></b>	<b>52% <u>Strongly agree</u></b> <b>33% <u>Somewhat agree</u></b> [85% strongly agree or somewhat agree] 10% Neutral 3% Somewhat disagree 3% Strongly disagree 1% Don't know
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Any threat to the availability of WHV employees in the tourism sector would be a significant threat to the future growth potential of the Queensland tourism industry. Removing the ability for WHV holders to work and accumulate disposable income during their visit in Australia would very likely threaten the viability of many regional tourism businesses and destinations.

### **Increased opportunities for young and unemployed Australians**

Many regional areas of Queensland are experiencing relatively high rates of unemployment, particularly among youth. Any policies and legislative changes therefore need to encourage job creation and provide economic stimulus.

Many have argued there should accordingly be a reduction in the number of working visas, despite evidence showing the economic and social benefits of immigration. However, evidence shows that in the case of working holiday visas, local employment opportunities grow proportionally with increases in the number of working holiday-makers.

Research by Harding and Webster<sup>13</sup> (2002) at the University of Melbourne (see section 3.4 of this submission) examined the employment net effect of the Working Holiday Maker Scheme and the Australian Labour Market, and found a net increase ratio of 0.102 full year jobs. In other words, the number of available jobs for local residents increases.

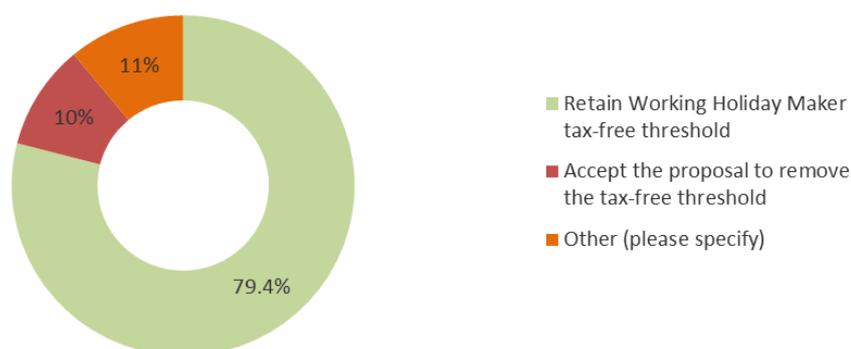
## **8. FURTHER ENQUIRIES**

We welcome the opportunity for further discussion regarding the points raised in this submission. For all enquiries, please contact QTIC Policy Team on (07) 3236 1445 or email [policy@qtic.com.au](mailto:policy@qtic.com.au).

**APPENDIX 1: QTIC MEMBER SURVEY ON THE WORKING HOLIDAY MAKER REVIEW – FEEDBACK FROM THE TOURISM INDUSTRY.**

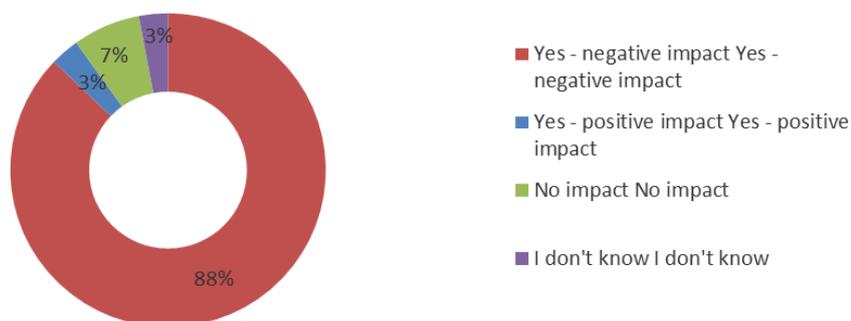
**Q1. WHAT OUTCOME SHOULD QTIC, AS AN INDUSTRY ADVOCACY BODY, SEEK?**

- 79% believe QTIC should advocate to Retain holiday Maker tax-free threshold
- 10% believe QTIC should advocate to Accept the proposal to remove the tax-free threshold
- 11% of respondents chose Other



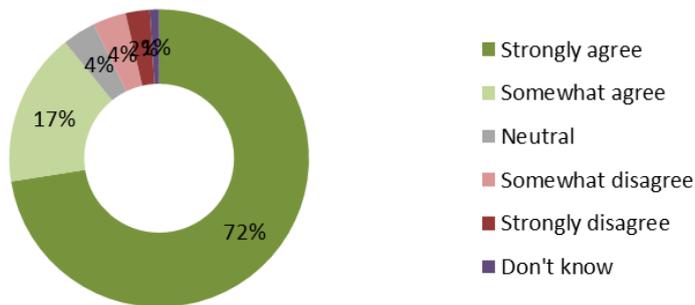
**Q2. WOULD YOU EXPECT THE CURRENT PROPOSAL TO AFFECT VISITOR/BACKPACKER ARRIVALS AND/OR LENGTH OF STAY IN QUEENSLAND?**

- 88% believe Yes, a negative impact
- 3% believe Yes, a positive impact
- 7% believe No impact
- 3% Don't know



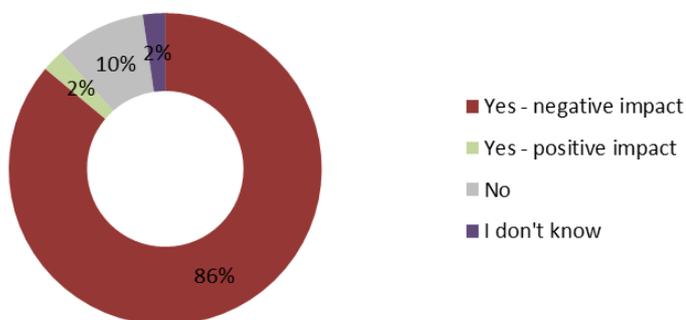
Q3. HOW STRONGLY DO YOU FEEL ABOUT THE FOLLOWING STATEMENT: *THE NUMBER OF WORKING HOLIDAY-MAKERS COMING TO AUSTRALIA WILL DECLINE IF A 32.5 PERCENT INCOME TAX RATE IS ENFORCED.* (From the Working Holiday Maker Visa Review questionnaire).

- 72% Strongly agree
- 17% Somewhat agree [89% strongly agree or somewhat agree]
- 4% Neutral
- 4% Somewhat disagree
- 3% Strongly disagree
- 1% Don't know



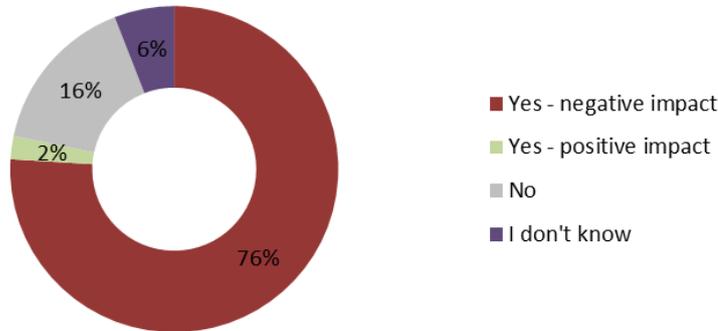
Q4. WOULD YOU EXPECT THE PROPOSAL TO AFFECT YOUR REGIONAL TOURISM ECONOMY?

- 86% believe Yes, a negative impact
- 2% believe Yes, a positive impact
- 9% believe No
- 2% Don't know



**Q5. WOULD YOU EXPECT THE PROPOSAL TO AFFECT YOUR TOURISM BUSINESS?**

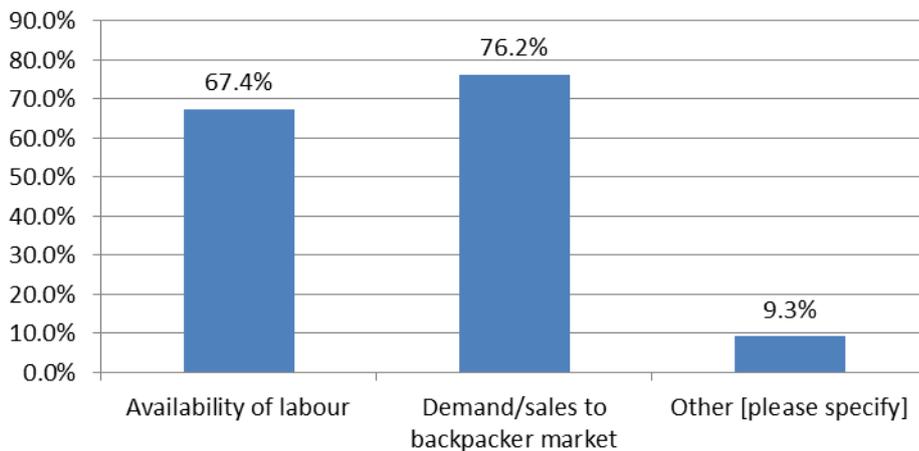
- 76% believe Yes, a negative impact (→ Q.6)
- 2%, believe Yes, a positive impact
- 16% believe No
- 6% Don't know
- 9% of respondents chose Other



(If Yes to Q5) →

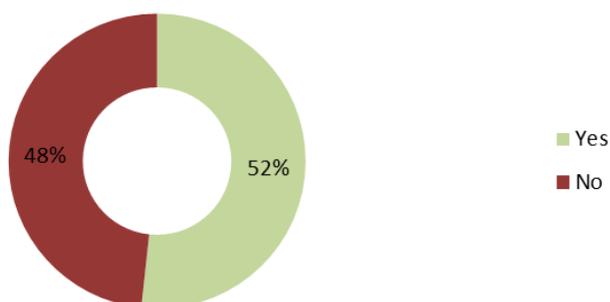
**Q6. WHAT ASPECT OF YOUR TOURISM BUSINESS WOULD THE PROPOSAL AFFECT?**

- 67% believe it will affect the Availability of labour
- 76% believe it will affect the Demand/sales to backpacker market



**Q7. DOES YOUR BUSINESS (CURRENTLY OR IN THE PAST 12 MONTHS) EMPLOY VISITORS IN AUSTRALIA ON A WORKING HOLIDAY MAKER VISA?**

- 52% responded Yes
- 48% responded No

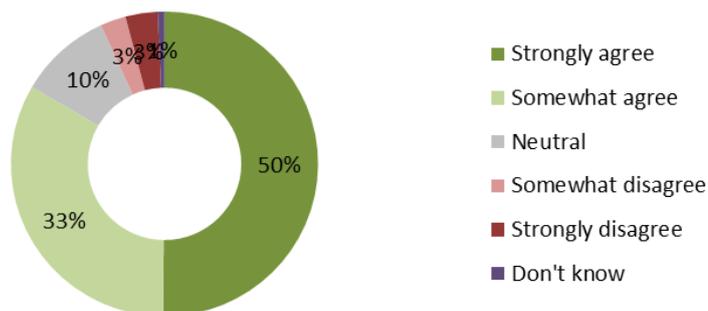


Q8. How strongly do you feel about the following statement:

**WORKING HOLIDAY-MAKERS UNDERTAKE WORK THAT AUSTRALIANS ARE UNABLE OR UNWILLING TO PERFORM.**

(From the Working Holiday Maker Visa Review questionnaire).

- 50% Strongly agree
- 33% Somewhat agree [85% strongly agree or somewhat agree]
- 10% Neutral
- 3% Somewhat disagree
- 3% Strongly disagree
- 1% Don't know



Q9. FURTHER COMMENTS (OPTIONAL):

*“Australians can certainly pick strawberries, however will not work for the same rate of pay, hence **much more affordable for the growers to hire backpackers on working visas.** A win-win though for everyone.”*

*“We have **already had backpackers leave as they decided due to the tax coming** they were not going to do their regional requirements as they would not be staying and working in Australia. **Moved to NZ and Canada instead.** The tax has the potential to **devastate our business.**”*

*“The Gold Coast tourism industry is heavily reliant on this sector to fill employment during peak visitation.”*

*“The broader community needs to be aware that the Working Holiday Maker Visas are reciprocal, so there is every chance that as many young Aussies will be overseas working as there are inbound, so the perception that these workers take jobs away from Aussies is incorrect. Further, the WHV program builds a more confident and independent workforce because the young Aussies return after working gap years with new skills and abilities to make mature decisions regarding work.”*

*“We are already losing out to NZ, with the cost of their WH Visas less than 50% of the cost that it is in Australia, attracting young travellers away from Australia.”*

*“There is no doubt this will have an **extremely negative impact** on both available labour and tourism bookings especially in regional areas, **the backpackers themselves have already confirmed this!**”*

*“The basis of this tax is flawed. More importantly it will do great damage to the industry and related industries.”*

*“The money earned, particularly by the travellers from western markets is injected back into the local economy via adventure touring, meals, drinks, accommodation, incidentals and spins around in the economy generating GST revenues and supporting regional communities. We have had a particularly slow winter, sales from the youth market down 15% on 2015.”*

***“It [is] already expensive to travel to Australia let alone to travel around Australia.”***

***“The vast majority of money made by WHV visitors is spent back in the Australian economy. They earn enough to do their next tour, buy their next beer and get to the next town. This money needs to go to the suppliers of good and services as it is currently, supporting Australian industry, not to government coffers. The ludicrous proposal will bring in more tax revenue but overall the amount of money in the economy will be greatly reduced. The proposal is a very short sighted cash grab that will backfire and damage the industry.”***

***“It is simply wonderful to go to the west and be served by bright, intelligent young people from other countries. The cultural exchange is immeasurable. It would be a travesty to bring about its demise as I believe this tax change most certainly would.”***

*“Australian workers are overpaid, mostly **refuse to travel for work** and have it way too easy. Overseas holiday makers do not complain, work hard and grateful for the opportunities.”*

***“Scrap the tax and in fact to help get our vets back into the workforce **offer a tax free incentive for vets to travel and work.** I would employ them.”***

***“It is essential for rural and regional Australia that the tax on backpackers is not passed in law.”***

*“We have employed backpackers in the past but with drought conditions have been unable to do so for the past 12 months.”*

***“It seems impossible to get Australian citizens out here to work in our isolated area.”***

***“This tax (if implemented) will negatively impact the Outback - an area that is already struggling with negative impacts from the extended drought.”***

*“Asians and Tongans are seemingly being preferred over backpackers in our region. Agree, backpackers spend their earnings during their working holiday which is good for our economies. Over-crowding rental houses and dwelling by scrupulous contractors will eventually cost lives. ...Perhaps out of work Australians should be further enticed by government to seek employment in regions and on farms that need the labour resources?”*

***“If the proposed taxation on backpackers were to be implemented, we as a business would be negatively impacted in a huge way, the greater backpacker tourism market would be negatively impacted; and Australian tourism as a whole would be negatively impacted. **Decreased sales, decrease in tourists (choosing to apply for WHM Visas), decrease in applications/applicants we would need to fill vital role(s) to remain operationally viable.”*****

*“Farm Labour will be greatly affected.”*

*“Regional bar staff work time should go towards second visa.”*

***“Please change the 2nd Year Visa Specified Work Categories. Not a lot of pearl farming as opposed to rural pubs and cafes that need workers!”***

*“Also believe employers should not have to contribute to SGL if backpackers are over the threshold monthly earnings. They will not claim any benefits under any retirement scheme in Australia.”*

***“The loss to rural communities will be serious.”***

*“We have had many international backpackers work for us over the past 9 years. **At times our motel would not have been able to function at the highest level without their help.** It is too easy to go on welfare at the beach rather than have to work in a regional town.”*

*“Australia already is utilising its working holiday visa holders to perform agriculture work that most people do not want to do. There are already instances of these agriculture jobs having poor working conditions and unfair pay. **It would not be right to further impose on these visa holders by eliminating the tax threshold.** I think the government is going to do anything with the working holiday visa holders it should be to **investigate scenarios or unsafe and unfair work environments not tax them more harshly.**”*

*“The Government need to listen to the Producers, it's time they listened to the people instead of making mistakes and then saying we have made mistakes but we will listen to the voters in the future.”*

*“The introduction of this tax would be a huge mistake. Queensland and the tourism industry rely heavily on these workers and this would deter them to go elsewhere which would costs Australia a lot of money.”*

*“The farmer wants the cheapest labour, the new laws concerning gaining 88 days for the backpackers 2nd year visa is already pushing farmers away from them as they are now as expensive to employ as an Australian resident. The only difference is that for the most part a backpacker will work weekends without question. The new laws for the 2nd year visa means more paperwork and therefore the farmers put more contractors in-between that employ peoples from outside of Australia. **Raising the tax will deter backpackers from coming but the new laws have already impacted how many can actually get work.....a lot of the work is not relevant to their visa,** ie not paid correctly or not given payslips, this has made the work pool smaller for them. This tax move will not bring more tax to the government or more revenue to the farmers, as always it just means finding another way.”*

***“This segment offers not only a source of labour but a source of revenue for many small regional areas that they visit.”***

*“For the businesses associated with the backpackers ie hostels , caravan parks etc to accommodate them, they are also being abused as contractors rent houses with no licences for accommodation , fire etc in place and charge their people to stay, the only gainers are the contractors who in turn send their money overseas.”*

*“Why do backpackers, if they are not residents, have to be paid super if they work full time hours? This is also a revenue for the government as a lot of backpackers leave without taking their super or it gets eaten in fees before they get it. This is also a waste for the farmers and an expense, as should they really be getting super?! It is a retirement issue for residents and backpackers are not future retirees.”*

*“Queensland is the only decentralised regional state in Australia. It is Queensland that will be disadvantaged. We have had enough natural disasters, and adversity from financial institutions*

attacking our fundamental and rudimentary agricultural economy. **A great way to assist natural disaster relief is via tax free thresholds, incentives to encourage Australians & tourists to travel, experience more and work for the community.**"

*"Queensland as a state has the most to lose in regards to the current proposal as it is the biggest destination for working holiday makers in Australia and also the biggest regional working location."*

*"Removing the tax free threshold would be a disaster for the tourism and agriculture sectors. What seems to have been ignored is that **very little of the tax-back received by those on a working holiday visa take the money out of Australia. It is used to go to Fraser, the Whitsundays, The Reef, Uluru to name but a few. The vast majority of the money is spent here Australia and provides employment for literally thousands of people. I can't stress enough how much of a disaster it would be if this is implemented.**"*

*"Visitors or locals, anyone who works and earns should pay the same tax rate. It is only fair for all."*

*"As a small family owned business providing transport [from Queensland] to Byron bay, our business would be SEVERELY affected by a drop in Backpacker visitors who are the largest visitor population to Byron Bay."*

*"This will drive even more employers and employees into the cash economy."*

*"Stop the super payments they take out of the country, set up a new wage rate that they are on one scale and they have to pay some tax for working and not claim it when they leave Australia."*

*"I am responding on behalf of the **International Education sector which will be negatively impacted by this tax.** In Cairns backpackers **reinvest the income earned working in Australia** in short and long term study at English Language Schools, Vocational Education and Training Colleges and Universities in Cairns. **The IE sector is very concerned on the impact that this tax will have as they will lose a pathway to enrolment.**"*

*"I house approx. 30-50 417 visa holders most weeks. My business will be greatly affected if this goes through as is, just look at the NZ stats since this was announced."*

*"They should pay a smaller amount like 15%."*

*"The Feds, are looking for an alternative to BP tax. Employers pay Backpackers superannuation with no benefit to the Australian Community, nor to the Backpackers retirement. ...BP's generally claim the Super, with assistance from an agency on the way out of the country. This is generally a significant sum, say \$2k up to \$15k. They then go and spend this money on the next leg of their journey, generally in NZ or SE Asia! Australia is effectively supporting and subsidising our competitors in Tourism."*

*"There are a lot of other international/Asian options for backpackers to travel to that are closer to home and cheaper than visiting Australia. **Australia has the single advantage of being able to provide some work for travel money and experience.** If we take away that incentive we will have less backpackers visiting Australia, and business/my tax contributions will suffer. The money backpackers earn in Australia remains in Australia as tax revenues such as GST and Australian citizen income tax from wages and profits - what a silly and regressive way to make the same/less tax revenue."*

***“The majority of the money earned by them is re-spent in Australia on tourism and travel experiences. By reducing their income it will impact heavily on what they can spend where they travel and how long they stay in Australia. These are all significant negatives for the Tourism Industry.”***

*“Why change what isn't broken.”*

*“Already seeing the impacts of lower backpacker numbers - getting really hard to find staff - and local Aussies just don't even bother applying - it's going to get ugly!”*

***“For the amount of revenue it makes will probably be negated by amount of money the backpackers would spend.”***

*“Backpacker labour appears to cover a shortfall from our own labourers who are in a different frame of mind.”*

*“As a former holder of a Working Holiday Visa in New Zealand I know for a fact that my **decision making process to visit a country was strongly dependent on the country's taxation policy.** Hence why I picked NZ or another destination to visit over Australia. Needless to say that it will impact greatly the national tourism industry.”*

*“Just get serious with our beloved Backpackers, please just scrap the tax so NZ and Canada stop laughing at us. I have been involved in the Backpacking Industry in Australia for nearly 30 years, reliance is a key attribute to their habits, however this proposed tax will indeed be a questionable manoeuvre, and perhaps have a negative affect where GFC, SARS, terrorism and other things have not over the years.”*

*“Leave the current tax arrangements in place and do not allow Backpackers to have super paid into concessional account. **We should pay them the super directly and this should be taxed at normal levels therefore giving the Government same or similar revenues with less administration.** Super is for Australian residents saving for retirement.”*

***“This tax is one of the biggest risks to the Australian economy, not only affecting tourism and agriculture but also the livelihood of value added business in regional Australia.”***

*“The Federal Govt (and all State Govts) need to take a long hard look at this legislation and the overall negative effects it's going to have if implemented January 1. The financial return is not and will not be \$540m (that is erroneous) and the financial cost throughout the farming and tourism communities will far exceed that figure.”*

*“Our Tourism business relies on Working Holiday Makers with foreign language skills to supplement our existing workforce. In addition, our business is in a regional location, and is very seasonal. **We need seasonal workers to fill the positions that locals are not prepared to take due to not being able to have a full time position.**”*

*“We need to be fair to Australian tax payers as well as embrace the backpacker market. It is not only the work, but cultural economic, and long term tourism markets of backpackers returning when they are older with families and in retirement that we need to consider preserving.”*

*“The bottom line is that **we regularly place job ads for positions and in many cases despite a high level of unemployment, very few locals apply.** It is too easy for them to claim social security and do nothing.*

Some only apply just to put this down on their Centrelink form and have no interest in the job when we contact them. **Without backpackers the North would be in serious trouble and the local young people will not do the jobs that they do.**

**"I have anecdotes from backpackers who said Cairns will become a dead zone for backpacker tourism if these laws come in. They said they'll immediately go to New Zealand where the tax laws are more generous, and that once word gets around in backpacker circles, no one will come to Australia."**

"When are Government polices going to look at the real issue. Australians don't want to work they want to be an entitled population. Our social welfare is far too accessible and there is a skill shortage of Australian workers in the areas of hospitality, tourism and in regional areas. This will only change when we acknowledge customer service and product reliability is one of the most important skill sets that all employees should have."

**"Queensland tourism has the most of any State or Territory to lose or gain from the outcome. [We have] recently invested in land in the centre of Surfers Paradise for future development and this project is at risk unless there is a reasonable outcome for the review and a commitment to growth not disincentive to working holiday makers through excessive taxation. Thanks to QTIC for the survey initiative."**

"We employ a lot of backpackers/working holiday staff during our peak season and find them great employees. It would be difficult to manage without them."

**"We employ an average of 120 working holiday makers on an ongoing basis, they fill roles such as Cleaners, Housekeepers and Stewards that are otherwise extremely difficult to fill. A reduction in the number of available WHM visa holders will definitely impact our ability to fill these roles, and as a result the service we provide to guests of the island will be impacted."**

"I believe that anyone working in Australia should be paying taxes however, it should be reduced for backpackers as they are in the country for only a short period of time, they normally earn low wages and are not entitled to all the benefits and services that Australian citizen or permanent residents do."

"Working Holiday Makers in Australia should expect to pay a minimum of tax."

"From a personal perspective, as an ex-working holiday maker myself back in 2004-05, I was considered an 'Australian Resident for taxes purposes'. My salary was low and I still needed to pay taxes (same as a permanent resident) but it didn't deter me from working in this country."

**"Those on a working holiday are still using the facilities that we pay tax for so some tax should be applicable. The suggested tax has not taking into account the sectors that rely on this workforce to survive. This tax will crush industries and push holiday goers to countries who charge cheaper tax rates. Clearly, this has not been considered by the group of people making this decision."**

**"If we want to be a food bowl, we need working holiday makers. If we want to be a must visit tourism destination, we need working holiday makers."**

**"In most cases we have found that backpackers travel to Australia due to high wages and consistent work. Tax rates is something many of them only consider once in the country. In addition, many of the travellers originate from socialist countries with very high tax rates."**

*“The working holiday market was strong and supporting both tourism and agriculture until the government changed the policy. It has had a very negative impact and will take time to be rectified.”*

*“There should be some degree of tax paid but very strongly advocate that working visa 'backpacker' should not be entitled to employer superannuation contributions.”*

*“**Most income earned by backpackers is spent in the Australian economy** anyway so instead of income going straight to Australian businesses, it will go to the government.”*

*“As an ex-backpacker and expat myself from the UK, I would certainly think twice about coming to Australia if I knew I would be hit with a 33% tax fee for working. I believe a lower tax rate of approx. 15% would be acceptable for both parties as **most backpackers do expect to pay some form of tax but a third of what you earn is too extreme and this will then affect the spending levels of Backpackers on our tourism products.**”*

*“**Most [of] the money they earn is pumped right back into that same community, great for small towns.**”*

*“This proposal flies in the face of good management. Just when the tourism industry and International Education are getting back on their feet this is a very negative reform to try to implement. **Seasonal labour throughout FNQ will also be impacted in a negative way and the farming industry will suffer as a result.** I see no positives with this reform.”*

*“The government will destroy the backpackers industry.”*

*“As an ex-backpacker come citizen I believe that any refunded tax monies is spent overseas on the journey home and Australia does not benefit from it. I don't believe the rate of tax is a factor considered by young working holiday visa applicants when choosing their gap year destination. The destination is chosen by popularity, ease/cost of entry and flights and the "cool" factor which is where we rely on destination marketing.”*

*“Our supply to the backpacker hostels would be affected if backpacker numbers declined.”*

*“I have spoken to many backpackers that come to Australia doing regional farm work - Australia is already very expensive for them, and this backpacker tax would have a negative impact - I am sure that there would be a massive decline in tourism in Queensland.”*

*“Some VET students on a working holiday visa later follow on the further courses, such a tax may encourage a decline in these enrolments.”*

*“We do not employ working holiday workers in general as it takes too long for them to be able to do the job to a high standard and they do not always stay for the full 6 months.”*

*“**This proposal will make it financially harder for backpackers to maintain a lifestyle in Australia, which allows them to support their travelling around the country. This would mean a large number of businesses would lose income, which would lead to less employment and available jobs.**”*

*“The reduced number of working holiday markers would also impact cost of goods for average Australians as agriculture workforce costs would increase.”*

*“Try and find the number of fruit pickers needed in peak season to harvest our crops with our backpackers and see how we fair. Also every dollar these guys earn they spend on accommodation, food, tours, night clubbing etc around the country. You want regional dispersal of tourists into remote regional areas; this is not how you do it. This is a killer.”*

***“Backpacker labour is the lifeblood of regional communities in both the agricultural and tourism sector.”***

Q10. CONTACT DETAILS.

Confidential.

## Working Holiday Makers “Backpacker Tax” Research

### Fact Sheet: *(Research in Progress)* August 2016

*Dr Jeff Jarvis*

*Graduate Tourism Program*

*National Centre for Australian Studies (Monash University)*

#### Background

Given the current debate surrounding proposed implementation of ‘the backpacker tax’, during May and June 2016 nine additional tax specific questions were included as part of an ongoing long term research study into the behaviour of working holiday makers (WHMs) in Australia.

The research project is entitled “*Long term tourists - short term migrants*” and is coordinated by Dr Jeff Jarvis of the National Centre for Australian Studies at Monash University. This is the first ever national long term study that looks at the motivation and behaviour of WHMs and their impact on local tourism economies in three contrasting geographic locations around Australia.

- (1) *An inland regional ‘work dominated’ destination (Mildura)*
- (2) *An urban capital city environment (Melbourne)*
- (3) *A coastal ‘leisure dominated’ destination (North Queensland: Cairns/Port Douglas)*

It is proposed that further data collection on the overall project occur from November 2016 and during the first half of 2017\* (*subject to funding*). The report for stage 2 of the study on WHM behaviour in an urban capital city environment (Melbourne) is expected to be released in late 2016. A further analysis of the ‘backpacker tax’ data will be available then.

Note that the ‘backpacker tax’ sample is only 335, so the results should be seen as indicative. The WHM data collection in North Queensland was supported by YHA.

#### The “Backpacker Tax” research sample

The “backpacker tax” quantitative research data was collected face to face with WHMs staying in hostels either working or looking for work in Melbourne, Cairns and Port Douglas during May and June 2016. Overall 335 surveys were collected, with a gender split of Male: 50.7 and Female 49.3. The average age of respondents was just under 24 years old. As for age groups, 60% were 18-24 with 40% aged 25 - 31. Significantly 48% of the sample had completed a university degree, with a further 10% currently studying.

#### Nationalities

The sample was dominated by UK travellers, 45%. The other major nationalities included; Germany 15%, France 10%, Canada 7%, Netherlands/Belgium 7%, Scandinavia/Nordic 7%. Note that Asian WHM travellers (South Korea, Japan, Taiwan, Hong Kong, (4%) were under represented in the hostel environment. Other nationalities included Italy, Ireland, Malta (5%).

#### Work and travel motivation

The WHM visa and the ability to work to fund travel is clearly an important motivator to select Australia as a destination with 71% of the sample agreeing with the following statement.

*I wanted to travel and Australia was a country where I had the opportunity to work to earn money while I traveled so I could afford to leave home.*

## Specific 'Backpacker Tax' Results (May - June 2016)

The following questions were included in the latest phase of data gathering in Melbourne and in the first research phase in Cairns/Port Douglas. Respondents were asked to rate their agreement on a 1-5 scale for the following comments. (Note 4 & 5 on the scale equated to agreed/strongly agreed and are combined to give the figures below)

a: I would not have come to Australia on the WHM visa if I was to be taxed 32.5c in every dollar I earn.

**RESULTS:**

60% Agreed

b: I would not have come to Australia on the WHM visa if I was to be taxed 18c in every dollar I earn.

**RESULTS:**

31% Agreed

c: I would advise my friends to apply for a WHM visa for Australia if they will be charged 32.5c in every dollar earned.

**RESULTS:**

22% Agreed

d: I would advise my friends to apply for a WHM visa for Australia if they will be charged 18c in every dollar earned.

**RESULTS:**

47% Agreed

e: I would have considered New Zealand for a WHM experience instead of Australia if I was to be taxed 32.5c in every dollar I earn.

**RESULTS:**

62% Agreed

f: I would have considered Canada for a WHM experience instead of Australia if I was to be taxed 32.5c in every dollar I earn.

**RESULTS:**

53% Agreed

g: I would spend less time travelling around Australia if the tax changes come in

**RESULTS:**

57% Agreed

h: I would look for "cash in hand" jobs to avoid paying tax if the tax changes come in

**RESULTS:**

70% Agreed

i: I would spend less money on tours and activities while in Australia if I was to be taxed 32.5c in every dollar I earn

**RESULTS:**

69% Agreed

### Comments

*"It is clear that the proposed tax changes will have a significant impact on potential demand for Australia as a backpacker destination, with 60% of Working Holiday Makers surveyed indicating that they would not have come on such a visa if the tax rate was 32.5 percent. It will also erode the competitive position of Australia in comparison to both New Zealand and Canada. In addition only 22% of travellers in the sample would recommend to their friends to come to Australia on a Working Holiday Maker visa if the tax was to come in."*

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