

Backpacker tax under review: implications for the Seasonal Worker Program



by Richard Curtain and Stephen Howes

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Tourism Minister Senator Richard Colbeck yesterday **indicated** that the plan to introduce a 32.5% tax on backpacker earnings and to scrap the \$18,200 tax-free threshold for backpackers will be placed under review. This arises out of concerns that backpackers are being scared away, resulting in employment gaps in the tourism and, **especially**, agricultural sectors. Never mind that the new tax arrangements haven't actually come into place yet: they are meant to **start** on 1 July 2016. Backpackers will then be moved from residential to non-residential tax arrangements. Given that they are meant to be primarily tourists, this seems reasonable. And yet employers are up in arms.

According to the official website, the backpacker visa exists to “**encourage cultural exchange**”. In other words, the backpacker visa is primarily for tourism, not employment. As indeed its proper name, the working holiday visa, suggests. How far things have diverged from the cultural exchange objective is suggested by how little one hears about it, though Senator Michaelia Cash, Minister for Employment, was **brave enough** to remind people of it recently when defending the decision to shift backpackers to non-residential status.

The outcry from employers is a sad commentary on how we have in effect reserved some of the least skilled jobs in the economy (picking fruit and vegetables) for rich kids from the richest countries. Almost all backpackers come from OECD countries, and they need to show they have access to at least \$5,000 to get a visa under the working holiday scheme.

What the government and industry should be doing is getting the **Pacific Seasonal Worker Program** (SWP) more widely known and better used. It *is* an employment visa, it comes with safeguards, and it is intended to give unskilled jobs to the poor in our region rather than the rich from developed countries.

From the start, the SWP has **suffered from competition** with backpackers: unfair

competition because backpacker supply is completely unregulated. For example, you don't have to prove that no Australian wants a particular job in order to hire a backpacker to do it instead; you do to hire a seasonal worker. Backpackers come with no accommodation requirements, and no special reporting requirements; seasonal workers come with both. Exploitation of backpackers on farms appears to be commonplace, making them even cheaper: see these two recent studies ([here](#) [paywall] and [here](#)). No wonder, given all this, that there are only a few thousand seasonal workers, but tens of thousands of backpackers, working on Australian farms.

The change in backpacker tax status from residential to non-residential should be seen as an opportunity to clean up employment practices in the horticulture sector by growing the Seasonal Worker Program, and thereby giving more employment opportunities to poor Pacific islanders. Foreign Minister Julie Bishop has [been a strong supporter](#) of the SWP. We hope she pays close attention to the backpacker tax review.

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