

Backpacker tax compromise means more discrimination for these workers

Written by The Conversation

The government has reached a [compromise with the Nationals](#) over the so called “backpacker tax”, a tax of 32.5% in every dollar earned by those holding a working holiday visa. This will now be reduced to 19% but in an effort to claw back revenue, the government is reducing the rights of this already vulnerable labour force.

The superannuation of these workers will now be taxed at 95% when they depart Australia. The [government claims the tax](#) “is consistent with the objective of superannuation, which is to support Australians in their retirement, not to provide additional funds for working holiday makers when they leave Australia”. So much for integrity and backpacker worker rights.

Now the effective tax rate is in fact 25.6%, although the cost of a working holiday visa will drop by \$50 to \$390. This means that the cost of the visa is still higher than it is for comparable destinations, and the competitive disadvantage in attracting backpackers to Australia remains.

The government claims the policy changes are designed to improve compliance and the integrity of the working holiday maker scheme. But it is apparent that these ambitions could well be overshadowed by the key priority of addressing labour supply challenges.

Not only are the changes to superannuation arrangements mean spirited, they will not make much of an impression on the government’s bottom line. They also single out backpackers for discriminatory treatment. Other workers engaged on temporary work visas are entitled to claim their superannuation benefit upon the expiry of their visa, subject to a portion being lost to taxation.

For example, Pacific Islanders employed under the Seasonal Worker Programme have the right to claim their employer superannuation contributions upon the completion of their contracts. They sacrifice just 15% of their employer contribution to the tax office. Those with a 457 visa and other workers’ superannuation [is taxed at 35% when they exit the country](#) .

Importantly, in a world where employment is increasingly framed by the global mobility of workers, the changes cut across the concerted efforts [to protect workers’ employment](#)

[rights](#)

and standards. What the

Australian government is doing is sanctioning the international portability of social security entitlements.

This attack on working holiday maker entitlements, while unlikely to be of substantial monetary significance has to be considered in the context of the frequency and persistence of reports of abusive and exploitative practices. These reports have prompted the Fair Work Ombudsman to establish [the Harvest Trail Inquiry](#) to investigate employment practices and to seek remedies for workers. Yet there appears to have been little improvement.

The government has committed to providing some A\$10 million in funding to assist in addressing these problems as part of this latest package of changes, proposing to establish an employer register in the Australian Taxation Office and to support the efforts of the Fair Work Ombudsman to address workplace exploitation. This is a positive development, but it remains to be seen how effective this support will be given the structure of backpacker employment relations.

Much of the employment is [organised through labour hire arrangements](#) and placement agents, some based on phoenix companies, and backpacker hostels that broaden [the range of exploitative practices](#)

. These include backpackers being charged to obtain work, excessive accommodation costs in substandard and overcrowded facilities, and being charged for transport between accommodation and work sites.

The Working Holiday Maker visa scheme was set up as a cultural exchange, allowing young international visitors the opportunity to work for up to six months or 12 months if they worked in regional and rural Australia.

However, it has become evident that the cultural dimension has become increasingly overshadowed [by the ever-growing reliance](#) employers are placing on backpackers to meet seasonal workforce needs, especially in agricultural, horticultural and tourism and hospitality industries.

Stuart Rosewarne receives funding from the Australian Research Council.

Backpacker tax compromise means more discrimination for these workers

Written by The Conversation

Read more <http://theconversation.com/backpacker-tax-compromise-means-more-discrimination-for-these-workers-66133>