

## **Backpacker tax deal finally – at One Nation's 15% rate**

Written by Michelle Grattan, Professorial Fellow, University of Canberra

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The government has made another retreat on its backpacker tax, dropping its proposed rate from 19% to 15% in a deal that will get through the Senate crossbench.

The backdown comes a day after Finance Minister Mathias Cormann ruled out any further revision, saying the government had compromised enough and the budget could not afford more.

The proposed new rate will cost the budget A\$120 million over the forward estimates, compared with the earlier proposed 19% rate. The 19% was a compromise on the original plan in the 2015 budget for a 32.5% rate. This was to have raised \$540 million over three years.

The deal comes after a deadlock between the government's 19% and an amendment put up by Tasmanian crossbencher Jacqui Lambie and passed by the Senate last week – but rejected by the government – for a 10.5% rate. A 15% rate was proposed by One Nation.

Under strong pressure to end uncertainty for the agricultural and tourism industries, the government leadership group ticked off on the compromise on Monday morning. The government was also anxious to clear other issues so it could concentrate on the negotiations to get the Australian Building and Construction Commission legislation through.

Treasurer Scott Morrison said he had made the phone call to One Nation leader Pauline Hanson on Monday morning.

He said the government would still honour an earlier arrangement with Nick Xenophon for a \$30 million incentive program to encourage unemployed people into seasonal work without affecting their income support payments. Xenophon had been willing to support the 19% rate in exchange.

Labor is sticking to its position that the rate should be 10.5%.

Asked how the financial shortfall caused by the compromise would be covered, Morrison said that would be worked through in the budget update released in December.

He attacked Labor's stand on the issue, calling the opposition "the villain in this". He said Bill Shorten and Labor were "quite happy just to blow up the show, blow up the budget on every single occasion, without any regard to the impact that has on hard-working Australians every single day".

Hanson said this was a win for farmers, small business and tourism. "This is also a win for One Nation and a win for common sense." She urged politicians to follow her lead and visit and listen to regional communities. "That's how Pauline Hanson's One Nation achieved this result."

"Instead of letting lobbyists and special interests groups dictate policy, politicians should be visiting their voters and listening," she said.

Asked how his discussion with Hanson on Sunday went, Morrison said: "It was a convivial and friendly and warm conversation, as my conversations with Pauline Hanson are. I wished her a Merry Christmas, as she did me."

Shadow Treasurer Chris Bowen said what Morrison had not revealed or announced was whether 15% was competitive internationally with New Zealand at 10.5% – "and of course it is not. So the Labor Party will maintain its position on the 10.5%. If the government had come to us to try to reach the settlement, we would have been happy to hear their arguments."

Greens Treasury spokesman Peter Whish-Wilson said the combined new rate of 15% from the first dollar earned plus a new 95% tax on all superannuation paid by backpackers would leave Australia at a competitive disadvantage.

"With the 95% clawback on superannuation of backpackers then the effective tax rate is closer to 24%, which is no longer competitive with our neighbours," he said. "This is roughly double the effective rate of tax paid by working-holiday-makers in New Zealand."

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*Michelle Grattan does not work for, consult, own shares in or receive funding from any company or organisation that would benefit from this article, and has disclosed no relevant affiliations beyond the academic appointment above.*

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