

Government gives Greens \$100 million for Landcare to get backpacker tax deal

Written by Michelle Grattan, Professorial Fellow, University of Canberra

The backpacker tax deadlock has been broken with a deal between the government and the Greens for a 15% rate that will be lower in effective terms because backpackers will keep extra superannuation.

The agreement was reached after a stand-off between the government, which refused to budge from a proposed 15%, and key crossbenchers, who wanted a 13% rate. Labor had also moved from its earlier support for a 10.5% rate to 13%.

As a sweetener, the Greens have secured A\$100 million for Landcare, a program that helps farmers with natural resources management, weeds and pest control.

The legislation needed to be rushed through before parliament rose for the year to prevent backpackers from having to pay a 32.5% tax rate.

The settlement follows days of confusion, with key players changing position, and months of uncertainty for farmers. At the weekend the government had insisted it would not compromise from its then-position of a 19% rate.

Under the agreement, instead of backpackers being taxed at 95% on their superannuation, as the government had proposed, they will now be taxed at 65%.

Greens leader Richard Di Natale said that with the 15% rate “this amounts to a revenue neutral solution which will be equivalent to the 13% tax rate offered by Labor and the crossbench”.

Treasurer Scott Morrison said the cost to revenue of the superannuation concession would be \$55 million over the forward estimates.

He flagged that the budget update would make good the total \$155 million that had been ceded

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in the deal.

Morrison said the final backpacker arrangements would contribute \$560 million net to the budget, almost 74% of the revenue the original budget measure would have raised over the current forward estimates.

He said the agreement was an example of the government being “able to get things done” in this parliament.

The government had always been looking to get an outcome “but not any outcome”, he said. It wanted to ensure there was a rate that was compatible with other areas of the tax system.

But Shadow Treasurer Chris Bowen told parliament Morrison was “so determined not to give in to this side of the House that he does a deal with the Greens, which is worse for the budget than the deal with us would have been”.

Opposition Leader Bill Shorten said: “This is a bigger tax at a bigger cost.” Malcolm Turnbull was “spending \$100 million more so he can have a higher rate of backpacker tax. It goes to show Malcolm Turnbull will pay any price to anyone.”

Di Natale described it as “a great day for farmers and for the environment ... We’ve ensured that backpackers will continue to come to this country and provide the really important workforce that this country needs.”

Asked about the Landcare money, Turnbull praised the program and said the government was extremely pleased to be able to provide the extra funding.

The Greens said they started negotiating with the government on Thursday when it became clear it would not accept a 13% rate. “The government made it very clear they weren’t going to budge,” Di Natale said.

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The National Farmers' Federation welcomed finality being reached.

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

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