

Media Release: 10 November 2016

YHA disappointed with Senate report on ‘backpacker tax’

YHA is disappointed that the Senate Economics Legislation Committee report (released on 9 November 2016) reviewing the Working Holiday Maker Reform package proposed by the Federal Government is not one report but three, with recommendations divided on party lines.

After receiving fifty-five submissions, and holding three public hearings (in Canberra, Cairns and Launceston – at which YHA Australia CEO, Julian Ledger, appeared), the Committee has recommended that the tax rate for Working Holiday Makers in Australia be set at 19%, being the same as the Government’s proposal. However, the Labor Senators’ Dissenting Report recommends 10.5% whilst the Greens’ Dissenting Report opposes change to the status quo.

Julian Ledger, CEO of YHA Australia said:

“The legislation needs to be passed urgently and YHA urges the parties to keep talking and reach a sensible compromise. Consistent with its submission, YHA proposes that compromise be 15%. This rate already applies to the Seasonal Worker Programme. YHA believes that this is a better option than the proposal before the House of Representatives to apply a rate of 19% to the earnings of Working Holiday Makers (on visa types 417 and 462) up to \$37,000.”

By way of comparison, a single adult in Australia on the minimum wage of \$35,000 who works for a full tax year pays \$3,447 tax; they benefit from the tax-free threshold and pay an effective overall tax rate of approximately **10%** on the whole of their income. A person earning \$45,000 pays \$6,747 tax (an effective overall rate of approximately **15%**), and a person earning \$55,000 pays \$10,347 tax (approximately **19%**). Working Holiday Makers are almost all low-income earners and will, if the measures go through, gain no benefit from superannuation (as the government will apply a 95% tax rate for them on super). YHA believes therefore that they should not be taxed on income earned in Australia at the rate of someone earning \$55,000 per annum.

The tourism industry is of the opinion that an equitable tax rate for Working Holiday Makers, combined with proactive promotion by tourism bodies, should lead to growth in the numbers of these young international visitors. Another avenue to growth that should be pursued is increasing the cap on Work & Holiday visas (class 462) as some countries are allocated as few as 100 visas each year.

Mr Ledger said:

“The prime purpose of the Working Holiday Maker scheme remains one of cultural and educational exchange, with work secondary to the holiday, to fund it. Young Working Holiday Makers are mobile and willing to do seasonal agricultural work in regional areas, and are good ambassadors for their countries, helping to strengthen relations between Australia and other countries. We need to treat them fairly and remove barriers to participating in this vitally important reciprocal scheme.”

YHA is part of the world's largest budget accommodation network, Hostelling International, with 4,000 youth hostels in 90 countries. - ENDS -