

Plucking the Foreign Goose: Australia's Tax on Backpackers

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"The old ladies at the bingo club wouldn't carry on as much as the politicians have about this whole backpacker tax."— Fiona Hall, ABC News, Dec 2, 2016

The morning news on the ABC network featured blondes, and more blondes, riding a derelict van along a non-descript street in sunny Australia. It did not matter who they were, or even where they were. They were simply "backpackers", the sort of culturally designated code for all that is money, and all that is budget.

Accustomed to the politics of plunder, the Australian budget minders have been wondering how best to cut hands that feed them over the years. There is the infamous wine equalisation tax, which largely accounts for the dear nature of wine in the country. (The wine industries in some countries tend to follow a tax on volume, not alcohol.)

Of late, the only story that this Parliament seems to be interested in is the issue of the backpacker tax. Obsessively, deals have been made, trading taking place behind party rooms and the not so very closed doors about what rate would be most suitable.

The nature of the ploy is traditionally extortionate, a classic initiative of plunder. It involves changing the status of the short term, working holiday maker, truly the great bread and butter provider for the Australian farmer. From July 1, 2016, the government, as the Budget Review Index notes, involves changing "the tax status of temporary working holiday makers from that of resident, to that of non-resident".[1]

This change of residency status had the consequence of reducing the threshold of taxable income. The difference between \$0 and \$18,200 is considerable, and suddenly, it seemed that the backpacker would receive a tax rate of 32.5c for each dollar made. Hardly the greatest incentive to pack your bags and go onto the mango farms of north Queensland, but few in Canberra seemed to care.

The effect over the months was already telling. Backpackers were simply not that interested in seeing such levels of income vanish for their short stay. The NSW Cherry Growers president, Fiona Hall, claimed that the industry's workforce, largely supported by the backpackers, had been drained.[2]

When the proposal first saw the light last year, it prompted a comparison with the 17th century remark of Jean-Baptiste Colbert on what the art of taxation consists of, namely, "plucking the goose as to obtain the largest possible amount of feathers with the smallest amount of hissing."[3]

In this particular case, the Australian government was wishing to not so much "upset the

domestic geese” as pluck the foreign ones with opportunistic anticipation. “The logic,” as Patrick Carvahlo explained in effectively crude terms, “is simple: foreigners don’t vote.”[4] Except, of course, with their feet, many of whom have been making their way to other alternative industries in, say, New Zealand.

Various racial themes have also coloured this plucking process. The Prime Minister, Malcolm Turnbull, felt one interpretation in the impasse mattered above all else: “[Labor’s] Bill Shorten thinks rich kids from Europe should pay less tax than Pacific Islanders working here to send money back to their villages.”

Turnbull’s flailing effort to combine anthropology, economy and a curiously anaemic paternalism came up rather short, with his insistence that “a rich kid on holidays here from Germany or Norway, backpacking around” should not pay less tax than the “Pacific Islander who comes here to pick fruit during the season and is sending money back to his village – some of the poorest countries in the world.”[5] Who best to pinch from?

Failing repeatedly to have cross bench members of Parliament accept the arrangement of such a high tax rate, the Turnbull government has been desperately insistent on finding the right temperature. Repeatedly, it has failed to find, not only the temperature, but the pulse.

Now, it seems that, from January, backpackers will be taxed at 15 per cent, a deal struck overnight with the Australian Greens in the Senate. Other totals, including tax rates of 13 per cent and 10.5 percent, favoured by the opposition Labor party, were bypassed in this yo-yoing effort.

Feeling weak at the knees for one its own policies, the Australian Greens decided that plucking backpackers while receiving an additional \$100 million for Landcare was an acceptable arrangement.

The Treasurer, Scott Morrison, was pleased to announce on radio that he would “be able to write to S&P – the rating agency – and update them on the significant progress the Government has made in having our budget measures pass through the Parliament.”[6]

The consequence of such arrangements, despite the murmurs of contentment from the industry happy that certainty has been restored, hardly get away from the approach that will be practiced: that of tax evasion. This, in turn, will have an impact on fair competition while also thumping working conditions for Australian workers.

The battle, not of grand ideas and suitable vision, but of the lack of ideas and a sort of established myopia, continues in Australian politics. The world is going to hell in a hand basket, and ahead of Christmas Australia’s august institution has little time for anything else. Budget bottom lines reign supreme.

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Notes

[1] http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/BudgetReview201516/Holiday

- [2] <http://www.abc.net.au/news/2016-12-02/backpacker-tax-passes-farmers-reaction/8086230>
- [3] <http://www.abc.net.au/news/2015-05-14/carvalho-plucking-the-foreign-flock-could--backfire/6468326>
- [4] <http://www.abc.net.au/news/2015-05-14/carvalho-plucking-the-foreign-flock-could--backfire/6468326>
- [5] <http://www.smh.com.au/federal-politics/political-news/backpacker-tax-malcolm--turnbull-attacks-bill-shorten-for-favouring-rich-white-kids-from-europe-20161130-gt1dbc.html>
- [6] <http://www.abc.net.au/news/2016-12-02/government-defends-greens-deal-to-secure--backpacker-tax/8086248>

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