PALM visas, superannuation and tax

The Pacific-Australia Labour Mobility (PALM) scheme is often presented as being beneficial to all parties—Australia, Pacific workers, and those workers' home countries. In reality, the benefits are weighted in favour of Australia.

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SUMMARY

The Pacific Australia Labour Mobility (PALM) scheme allows Australian businesses to hire workers from ten countries in the Pacific region. PALM visas are issued for short- or long-term jobs (up to nine months or four years, respectively), provided those jobs are classified as low-skilled, semi-skilled or unskilled.

The PALM scheme is often presented as one that is advantageous to all parties involved: Australian industries enjoy access to short-term labour, while PALM workers are able to send home the Australian dollars they earn, thus also providing a benefit to their home countries' economies.

In reality, the economic benefits of the scheme are weighted in Australia's favour. The amount of money that PALM workers spend in Australia—on accommodation, expenses, tax and superannuation—is greater than the amount they are able to send home, meaning that Australia's economy benefits more from their labour than their home countries'.

The tax that workers on PALM visas pay is equivalent to a significant portion of Australia's aid budget to their home countries. In 2024–25, Australia's total aid budget to the countries from which PALM workers originate is $920m. Workers on PALM visas will likely pay at least $180m in Australian tax in 2024-25, which is a fifth of the aid Australia provides to participating Pacific nations.

The imbalanced nature of the scheme is also apparent at an individual level. Claims of overwork and underpayment by workers on PALM visas are common. PALM workers who are not Australian residents for tax purposes are taxed more heavily than Australian residents: they are charged a flat 15% on all earnings, and unable to access the $18,200 tax-free threshold available to residents.

PALM workers are also required to pay part of their wages into an Australian superannuation account, despite it being very unlikely that they will retire in Australia. They are unable to apply for access to this money until returning home, and doing so is both time-consuming and difficult. If they are able to access this money, more than a third (35%) of it is collected by the Australian Government as a Departing Australia Superannuation Payment tax.

INTRODUCTION

The PALM scheme allows workers from ten Pacific countries— Fiji, Kiribati, Nauru, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu and Timor-Leste—to live and work in Australia. Visas are issued for either short-term positions (up to nine months) or long-term positions (up to four years.)

In September 2024, there were approximately 31,230 people working in Australia under visas issued via the PALM scheme.[1] Of these workers, 14,360 (46%) were on short-term contracts, and 16,870 (54%) on long-term contracts.[2] Just over half (53%) of these workers are employed in agriculture and just over a third (38%) are employed in meat processing.[3]

The PALM scheme is often described in terms of mutual benefit. The Department of Foreign Affairs and Trade (DFAT), for example, has described the scheme as a "triple win" for Australia, PALM workers, and those workers' countries of origin.[4] Such framings tend to emphasise the sums that workers are able to send home while downplaying the expenses, tax liabilities and potential exploitation they face in Australia.

[1] Pacific Australia Labour Mobility (2024) *PALM scheme data*, September 2024 https://www.palmscheme.gov.au/palm-scheme-data; Numbers of participants are rounded to the nearest five.

[2] Pacific Australia Labour Mobility (2024) *PALM scheme data*

[3] Pacific Australia Labour Mobility, (2024) PALM scheme data, July 2024,

[4] Australian Government (2022) "The Long-Term PALM Scheme: Triple Win During The COVID-19 Pandemic and Beyond", https://devpolicy.org/2022-Australasian-AID-Conference/presentations/PALM-scheme-during-COVID-19_CShilito.pdf

In reality, the benefits of the scheme are weighted toward Australia. DFAT estimates that PALM workers remit $15,000 per year, which would amount to $468m for the 31,230 workers currently in Australia.[5] However, these workers contribute close to $1 billion a year to the Australian economy in the form of living expenses ($750m) and tax ($184m). In other words, Australia benefits twice as much from the scheme as the Pacific countries providing it with cheap labour.

The costs for individual workers can also be high. The amount spent on living expenses, including accommodation, food and transport, equates to over $24,000 a year for each PALM scheme worker—more than half the gross amount they could expect to earn working for the 2024 annual minimum wage of $915.90 per week.[6] However, the industries in which the vast majority of PALM visa holders work, agriculture and meat processing, are both industries in which the prevailing Award rate ($23.46 per hour) is lower than the national minimum wage ($24.10 per hour).[7]

PALM workers who do not become Australian residents for tax purposes also end up paying a higher effective rate of tax than residents, and all workers are required to pay a portion of their earnings into an Australian superannuation account, despite it being very unlikely that they will retire in Australia. Reclaiming this money is difficult and time-consuming. When PALM workers are able to access superannuation contributions, these are subject to high taxes.

Finally, the relatively tenuous nature of their immigration status makes PALM workers vulnerable to exploitation.[8] Previous research, by The Australia Institute and others, has highlighted the inequitable labour conditions faced by PALM workers: these include underpayments;[9] wage deductions for costs including travel, accommodation

[5] DFAT (2024) “Pacific Australia Labour Mobility (PALM)” https://www.dfat.gov.au/development/australias-development-program/stories-impact/pacific-australia-labour-mobility-palm

[6] Fair Work Ombudsman (2024) “Minimum wage increases from today” https://www.fairwork.gov.au/newsroom/media-releases/2024-media-releases/july-2024/20240701/new-minimum-wage-takes-effect-media-release-awr-2024

[7] Fair Work Ombudsman (2024) “Horticulture Showcase, Pay & piece rates”, https://horticulture.fairwork.gov.au/pay-and-piece-rates#hourly, accessed 2 September, 2024.

[8] Australian Workers Union (2024) “$30,000 repaid to migrant farm workers highlights need to end exploitation”, *National News*, 20 February at https://awu.net.au/national/news/2024/02/20673/30000-repaid-to-migrant-farm-workers-highlights-need-to-end-exploitation/

[9] Australian Workers Union (2024) “$30,000 repaid to migrant farm workers highlights need to end exploitation”, *National News*, 20 February at https://awu.net.au/national/news/2024/02/20673/30000-repaid-to-migrant-farm-workers-highlights-need-to-end-exploitation/

and visa processing fees;[10] and a lack of universal access to Medicare. Accommodation can be extremely expensive; during an address to the National Press Club in October 2024, Timor-Leste's President Jose Ramos-Horta highlighted the case of "a dormitory for eight [PALM workers] with bunks turn[ing] out to cost $700 a week … more expensive than Tokyo, [and] so exploitative."[11] Some PALM workers are left with almost no money after employer deductions;[12] others are not able to work the minimum hours promised and live in poverty.[13]

The Office of the NSW Anti-slavery Commissioner describes temporary migrant workers, including workers on PALM visas, in agriculture, horticulture and meat processing as at serious risk of modern slavery, including debt bondage, forced labour and human trafficking.[14]

TAX TREATMENT OF PALM WORKERS

Many PALM scheme workers pay more tax while in Australia than Australian residents doing the same jobs and earning the same income.[15] This is because PALM visa holders on short-term placements often remain non-resident in Australia for tax purposes.[16]

The concept of tax residency can be complex as there are various tests for determining residency,[17] but importantly, any Australian-sourced income of PALM workers

[10] Adhikari A, Anderson L, and Harrington M (2023) "The PALM scheme Labour rights for our Pacific partners" Discussion Paper at https://australiainstitute.org.au/wp-content/uploads/2023/12/P1478-The-PALM-Scheme-1.pdf

[11] Dziedzic (2024) "Timor-Leste president slams exploitation in Australia's PALM scheme", ABC News, https://www.abc.net.au/news/2024-10-09/ramos-horta-speech/104450934

[12] Sullivan (2022) "Labour-hire firms leaving workers with $100 a week after deductions not appropriate, minister says," *ABC*, https://www.abc.net.au/news/rural/2022-03-20/farm-worker-labour-hire-deductions-questioned/100922516

[13] Halter A (2023) "Linx Employment under investigation for alleged mistreatment of Pacific Islander workers", *ABC Rural*, https://www.abc.net.au/news/rural/2023-07-18/linx-employment-alleged-mistreatment-pacific-islander-workers/102601910.

[14] NSW Anti-slavery Commissioner, 2024, *Be Our Guests: Addressing urgent modern slavery risks for temporary migrant workers in rural and regional New South Wales*, https://www.parliament.nsw.gov.au/tp/files/189374/Be%20Our%20Guests%20-%20Report%20to%20Parliament%20-%20FINAL%20PDF.pdf

[15] Workers on long-term PALM visas *can* be considered Australian residents for tax purposes and taxed at individual income tax rates.

[16] For avoidance of doubt, nothing in this document should be construed as providing advice on residency status—anyone with questions about their status should consult a financial advisor.

[17] Australian Tax Office (2024) *Your tax residency*, https://www.ato.gov.au/individuals-and-families/coming-to-australia-or-going-overseas/your-tax-residency

considered non-resident in Australia for tax purposes is taxed at a flat rate of 15%.[18] This rate is applied to every dollar such workers earn—unlike residents, non-residents do not benefit from the tax-free threshold. PALM visa holders on long-term placements *can* be considered residents for tax purposes and are taxed at the same rate as other Australian residents.

Table 1 shows how non-resident PALM scheme workers pay more in tax each week than Australian residents, for 30 hours of work on the minimum award rate.[19]

Table 1: Australian residents and PALM workers, differences in tax paid per week

	Residents	Non-residents
Weekly pay	$704	$704
Tax instalment	$67	$106
Take home pay	$637	$598

Source: Author's calculations

Table 1 shows that each week, the non-resident PALM worker would pay $106 in income tax, an extra $38 relative to a resident. Over a year, this adds up to $5,490 in tax on wages, which is $1,994 more than an Australian resident doing the same job.

Coupled with the $1,473 tax on their Departing Australia Superannuation Payment (discussed below), each non-resident PALM worker is likely to pay at least $6,963 in tax per year to the Australian Government. Workers on long-term PALM visas, who are taxed at the same rate as Australian residents, would likely pay at least $4,968 in income tax and tax on superannuation contributions.

Table 2 shows the tax workers from each country are likely to pay on wages and superannuation contributions via the DASP in 2024–25, compared with how much the Australian Government has allocated in development assistance funds to these countries.

[18] Australian Tax Office (2024) *Pacific Australia Labour Mobility Scheme*, Australian Government, https://www.ato.gov.au/individuals-and-families/coming-to-australia-or-going-overseas/coming-to-australia/pacific-australia-labour-mobility-scheme

[19] Workers on PALM scheme visas are guaranteed 120 hours of work over four weeks, so our calculations are based on 30 hour work weeks.

Table 2: PALM worker tax payments vs Australian official development assistance

	Number of workers	Potential tax paid (million)	Bilateral allocation of ODA 2024–25 (million)
Fiji	6,065	$32.6	$54
Kiribati	1,555	$8.5	$26.1
Nauru	35	$0.2	$25.9
Papua New Guinea	2,010	$10.6	$500
Samoa	2,745	$15.9	$29
Solomon Islands	4,870	$26.4	$103.6
Timor-Leste	4,145	$26.1	$82.8
Tonga	3,350	$21.1	$22.1
Tuvalu	305	$1.5	$26
Vanuatu	6,155	$40.8	$50
Total	31,235	$183.8	$919.5

Source: Author's calculations, Department of Foreign Affairs and Trade (2024) *Australia's Official Development Assistance 2024-25*

DEPARTING AUSTRALIA SUPERANNUATION PAYMENT (DASP)

PALM workers often miss out on accessing their own superannuation contributions. The ABC has reported that the Australian Tax Office (ATO) holds more than $1 billion in unclaimed superannuation owed to former temporary residents, including PALM workers and some former PALM visa holders are reportedly owed up to $15,000.[20] The NSW Anti-Slavery Commissioner estimates that an average PALM visa holder in the horticulture industry, working nine months a year for fours years, accumulates $10,000 in superannuation contributions.[21]

Employers utilising the PALM scheme are required to make superannuation payments—11.5% of a worker's ordinary earnings—on the behalf of all workers, including those on PALM visas. Payments into superannuation funds are typically subject to tax, and the earnings of the fund also attract a tax. Workers must also pay fees to the company that manages their superannuation fund.

[20] Dingwall D and Kupu M (2024) "Superannuation is sitting in Australia as PALM workers report barriers, delays in claiming their money", *ABC News*, 6 July. https://www.abc.net.au/news/2024-07-06/pacific-palm-workers-superannuation-barriers/104052754

[21] NSW Anti-slavery Commissioner, 2024, *Be Our Guests: Addressing urgent modern slavery risks for temporary migrant workers in rural and regional New South Wales*, https://www.parliament.nsw.gov.au/tp/files/189374/Be%20Our%20Guests%20-%20Report%20to%20Parliament%20-%20FINAL%20PDF.pdf

While temporary residents are entitled to collect their superannuation funds before retirement, they are only able to do so only once their visa has expired and after they have left the country. The process of claiming this money is difficult and it has been observed that it would be far easier for PALM visa holders to navigate the Australian administrative arrangements from within Australia.[22] One observer describes the difficulties of accessing superannuation entitlements once outside Australia in the following terms:

> Workers returning to rural villages or far-flung islands without reliable internet and the help of Australian officials are poorly placed to navigate the mounds of paperwork necessary to claim back this portion of their hard-earned wages. To complicate matters, workers can only claim their superannuation once they leave Australia. Applicants need certified copies of identity papers, a $55 Certification of Immigration Status if they have paid more than $5,000 in superannuation, a home address, and usually an open Australian bank account – big demands on PALM workers back in the Pacific.[23]

If a worker who had been on a PALM visa manages to navigate this process, they will receive a Departing Australia Superannuation Payment (DASP)—minus tax, which is deducted at 35% to 45%.[24] Over a year, a worker on the PALM visa scheme working the guaranteed minimum number of hours on the minimum award rate might earn $36,598, which would attract a super contribution of $4,209.[25] The tax on the release of their super payment would be at least $1,473.

The difficulty of reclaiming superannuation means that Pacific workers often remain out of pocket in comparison to Australian residents. A simple way of mitigating this problem would be to automate the process of returning superannuation payments to workers participating in the PALM scheme. Australia already operates a portable superannuation scheme with New Zealand, elements of which could be replicated for this cohort.[26] Similarly, New Zealand already operates a portability arrangement with

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[22] Collins J (2024) "Australia's superannuation rules leave Pacific workers out of pocket", *The Interpreter* (Lowy Institute), 3 May.

[23] Collins J (2024) "Australia's superannuation rules leave Pacific workers out of pocket", *The Interpreter* (Lowy Institute), 3 May.

[24] Australian Tax Office (2023) *Departing Australia Superannuation Payment (DASP)*, https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/temporary-residents-and-superannuation/departing-australia-superannuation-payment-dasp#ato-HowDASPistaxed

[25] Any DASP payments of over $5000 require a $55 Certification of Immigration status.

[26] Australian Tax Office (2024) *Trans-Tasman retirement savings transfers*, https://www.ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/foreign-super-funds/trans-tasman-retirement-savings-transfers

Pacific countries for superannuation and pension payments. A system that allows PALM workers to easily send funds, including superannuation entitlements and other remittances, home to a provident, or savings and retirement, fund would also lower the costs of transferring money through a notably expensive remittance corridor.

Another possible solution would be to remove the requirement for employers to make superannuation contributions for workers on short-term PALM visas, and instead pay the funds directly to workers as higher wages. Such workers are unlikely to retire in Australia, given that in many cases they are never resident in Australia for tax purposes. Allowing workers access to their full salary would both improve their immediate financial position and remove the necessity for them to navigate the DASP process once they leave the country. This would ease an administrative burden on employers but would need careful monitoring to ensure that employees, not employers, benefited from such changes.

CONCLUSION

Unfair working conditions – which Australian workers are not subjected to – make workers on PALM visas vulnerable to exploitation and poverty. The PALM scheme is often described as beneficial to participating Pacific nations because it allows workers to earn higher wages than they would in their home countries.

However, the current taxation system means the wages of non-resident workers are taxed at higher rates than the wages of Australian workers doing the same jobs. Further, the superannuation contributions of PALM workers are difficult to access and subject to high taxes when released. While in Australia, workers on PALM visas spend a significant portion of their wages on accommodation, transport, food; much of this directly to their employers.