THE HON SCOTT MORRISON MP
TREASURER OF THE COMMONWEALTH OF AUSTRALIA

Working Holiday Maker Reform Package: Factsheet

Working holiday makers are important to Australia's economy

The Government recognises that working holiday makers are an important source of labour in Australia, particularly in sectors that rely on seasonal employment.

The Turnbull Government also seeks to combat falling working holiday maker numbers which have steadily declined since 2012-13 as a consequence of factors including exchange rate variations and changed economic conditions in home countries.

Fulfilling the Turnbull Government's election commitment to review the supply and taxation of working holiday makers, the Government will deliver a package of reforms to meet seasonal labour supply needs and keep Australia as a top destination for working holiday makers.

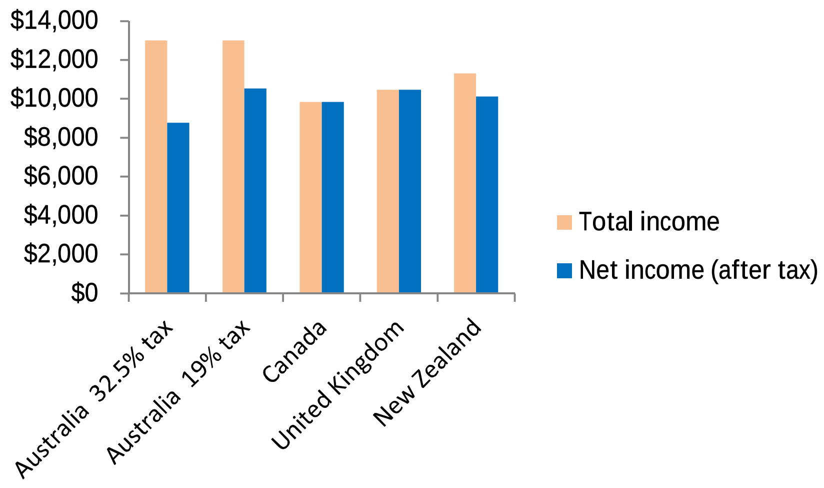
The package contains the following key elements:

- introduce, from 1 January 2017, a 19 per cent tax rate on all working holiday makers from the first dollar of income up to $37,000, with ordinary marginal rates applying from $37,001;
- reduce the visa application charge for working holiday makers by $50 to $390;
- provide $10 million in additional funding for Tourism Australia for a global youth-targeted marketing campaign; and
- allow working holiday makers to stay with one employer for up to 12 months, as long as the second six months is worked in a different region.

The new tax rate is internationally competitive

A 19 per cent rate from the first dollar of income up to $37,000 is internationally competitive in terms of after tax income. It keeps Australia as an attractive location compared to key working holiday maker destinations, such as New Zealand, the United Kingdom and Canada.

Figure 1: International comparison of total and net income (average per working holiday maker, Purchasing Power Parity adjusted exchange rates) (Source: Treasury, from publicly available data.)



Registration and reporting

The Government is also aware of concerns about exploitation of working holiday makers. To help address this, employers of working holiday makers will need to register with the Australian Taxation Office (ATO) so that they can withhold tax at the 19 per cent rate. This registration process will be simple and easy. Employers of working holiday makers will only need to register once. Employers who register will be able to withhold at the 19 per cent rate. Unregistered employers will need to withhold at 32.5 per cent and may be subject to ATO penalties. The register will provide valuable data on who employs working holiday makers, what sectors they are engaged in and where the employers are located. The register will be made public so working holiday makers can check whether a prospective employer is registered.

Table 1: Examples of possible ATO reporting on working holiday maker (WHM) employment

Examples of WHM employment data	
Where do WHMs work?*	o Locations of WHM employers o Numbers of WHMs employed in each State and Territory
Who do WHMs work for?	o Numbers of WHMs working in different sectors – agriculture – tourism & hospitality – other sectors
Other information on WHMs	o Nationalities of WHMs who work in Australia o Numbers of WHMs who work while in Australia o Average earnings of WHMs while in Australia

* Reporting is based on the location of employer; this may not be where the WHM works.

Budget offsets

This package of reforms does not leave the Budget worse off. To offset the Budget impact of these changes, the Government will:

- increase the tax on working holiday makers' superannuation when they leave Australia to 95 per cent from 1 July 2017, which is consistent with the objective of superannuation to support Australians in their retirement, not to provide additional funds for working holiday makers when they leave Australia; and
- increase the Passenger Movement Charge by a small amount of $5.00 from 1 July 2017.

Acting now to deliver benefits

The Government is acting now to give certainty to employers and working holiday makers. The new tax rate is intended to take effect from 1 January 2017, and the Government will act quickly to introduce legislation to give effect to these changes.

The package will provide particular benefits for both the agriculture and tourism sectors. Both sectors will benefit from the changes to encourage working holiday makers to visit Australia. The lower tax and reduction in visa fees will ensure that Australia remains a key destination for working holiday makers. Further, allowing working holiday makers to stay with one employer for 12 months (with the second six months worked in a different region) will allow employers to receive greater returns from investment in training working holiday makers.

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SUMMARY OF PACKAGE

1. Lower taxes for working holiday makers

- From 1 January 2017, lower the income tax rate for all working holiday makers to 19 per cent from the first dollar earned up to $37,000, with ordinary marginal tax rates to be applied from $37,001 onwards.

New tax rates for WHMs

Taxable income	Tax on this income
0 – $37,000	19c for each dollar over $0
$37,001 – $80,000 ($87,000)	$7,030 plus 32.5c for each $1 over $37,000
$80,001 ($87,001) – $180,000	$21,005 plus 37c for each $1 over $80,000 ($87,000)
$180,001 and over	$58,005 plus 45c for each $1 over $180,000

Foreign residents are not required to pay the Medicare levy.
The above rates do not include the Temporary Budget Repair Levy; this levy is payable at a rate of 2% for taxable incomes over $180,000.
The $80,000 threshold is increasing to $87,000 for the 2016-17 financial year; tax paid calculation is based on the $80,000 threshold.

2. Tourism and flexibility initiatives

- From 1 July 2017, reduce working holiday maker visa (subclass 417 and 462) application charges by $50 to $390.
- Provide $10 million to Tourism Australia to support a global youth-targeted advertising campaign.
- The Government is also allowing working holiday makers to stay with one employer for up to 12 months, as long as the second six months is worked in a different region.

3. Compliance and integrity initiatives

- Require employers of working holiday makers to register with the Australian Taxation Office (ATO) in order to withhold at the 19 per cent tax rate.
  - Employers of working holiday makers who do not register with the ATO will be required to withhold at the 32.5 per cent rate and may be subject to ATO penalties.
  - If an employer withholds at the 32.5 per cent rate, working holiday makers will have access to the 19 per cent rate on lodgement of their tax return.
- Provide an additional $10 million funding to the ATO and the Fair Work Ombudsman (FWO) to establish the employer register and assist with ongoing compliance initiatives and to address workplace exploitation of working holiday makers.
  - The register will be made public, so that working holiday makers and other employers can identify if an employer is registered.

4. Measures to offset the Budget impact of the proposals

- Increase, from 1 July 2017, the Passenger Movement Charge (PMC) by a one-off amount of $5.00 (from $55.00).
- Increase the rate of tax on the Departing Australia Superannuation Payment (DASP) for working holiday makers to 95 per cent, also effective 1 July 2017.