



**The Hon. Scott Morrison MP**  
Treasurer

**MEDIA STATEMENT**

Tuesday 27 September 2016

**BETTER WORKING HOLIDAY MAKER TAX ARRANGEMENTS**

The Turnbull Government recognises that working holiday makers are an important part of Australia's \$43.4 billion tourism industry and a key source of labour, particularly in the agriculture, horticulture, tourism and hospitality sectors. We also recognise, as do stakeholders, that working holiday makers should pay fair tax on their earnings.

At the 2016 election the government committed to review the tax arrangements for working holiday makers by the end of the year.

Today Cabinet has approved the following changes:

From 1 January 2017 the Government will set the tax rate applying to working holiday makers at 19 per cent on earnings up to \$37,000, rather than the 32.5 per cent announced in the 2015-216 Budget, with ordinary marginal tax rates applying after that. The Government will also reduce the application charge for working holiday maker visas by \$50 to \$390. These changes will lower the cost of coming to Australia for working holiday makers and leave them with more money in their pockets to spend while here.

We will also seek to boost the arrivals of working holiday makers, which have been in decline since 2012-13 as a consequence of factors including exchange rate variations and changed economic conditions in source countries. We will introduce more flexible arrangements to benefit working holiday makers and industry, allowing an employer with premises in different regions to employ a WHM for 12 months, with the WHM working up to six months in each region. In addition, we will task Tourism Australia to promote Australia to potential working holiday makers through a \$10 million global youth targeted advertising campaign.

To generate more accurate data and boost integrity of the scheme by preventing exploitation of working holiday makers, their employers will be required to undertake a once-off registration with the Australian Taxation Office [ATO]. This simple and easy registration process will help provide valuable data on the employment of working holiday makers. Employers who do not register will be required to withhold tax

at the 32.5 per cent rate. Working holiday makers will be made aware of registered employers via the publication of a list on the *ABN Lookup*.

The Turnbull Government's package of reforms to working holiday maker arrangements will therefore not only ensure working holiday makers pay fair tax on their earnings but also increase Australia's attractiveness as a top destination for backpackers.

The Turnbull Government's strict budgeting rules have applied to ensure the budget impact of these changes is fully offset.

The Government will increase the tax on working holiday makers' superannuation payments when they leave Australia to 95 per cent. This is consistent with the objective of superannuation, which is to support Australians in their retirement, not to provide additional funds for working holiday makers when they leave Australia. There will also be a one-off increase to the Passenger Movement Charge of \$5.00 from 1 July 2017. Further details of these measures are provided in the Attachment.

The Turnbull Government is acting to give certainty to employers and working holiday makers and will move quickly to introduce legislation to give effect to these changes. The Government calls on the Opposition to support this package so the new tax rate can take effect from 1 January 2017.

We appreciate the constructive input from stakeholders in helping frame this package.

I also wish to thank the Chairman of the Coalition Backbench Committee, Mr Tony Pasin and his fellow Committee members, along with other Coalition colleagues, who participated constructively in the reform process.

**Further information: Julian Leembruggen 0400 813 253, Kate Williams 0429 584 675**

**WORKING HOLIDAY MAKER REFORM PACKAGE – FURTHER DETAILS*****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**

<b>Taxable income</b>	<b>Tax on this income</b>
<b>0 – \$37,000</b>	19c for each dollar over \$0
<b>\$37,001 – \$80,000 (\$87,000)</b>	\$7,030 plus 32.5c for each \$1 over \$37,000
<b>\$80,001 (\$87,001) – \$180,000</b>	\$21,005 plus 37c for each \$1 over \$80,000 (\$87,000)
<b>\$180,001 and over</b>	\$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.

***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 location.

***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.

***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.