



Australian Government

Australian Government response to the
Senate Economics Legislation Committee report:

Working Holiday Maker Reform package

July 2017

Response to Recommendations

Recommendation 1

The committee recommends that after a suitable period of time following the implementation of the reform package, the government conduct a review of taxation and other policy settings in relation to working holiday makers, including the impact of the changes in the reform package.

Not agreed

The Government's working holiday maker reform package was the result of a comprehensive review and substantial consultation. At the February 2016 Tourism Ministers' Meeting, tourism ministers discussed the importance of backpackers to respective jurisdictions and the potential impacts of working holiday maker reforms on the tourism industry. In March 2016, a round of industry consultations with representatives from the agriculture and tourism sectors was held in Sydney. Following this, the Government agreed to the Department of Agriculture and Water Resources undertaking a review of the 2015-16 Budget decision on working holiday makers.

As part of the review undertaken by the Department of Agriculture and Water Resources, Deloitte facilitated an independent stakeholder engagement exercise, which included workshops in each of Australia's State and Territory capitals, with 88 participants attending either in person or via telephone conference. The Department of Agriculture and Water Resources also conducted an online submission process which saw over 1,700 submissions received, with many published online.

Following this review, on 27 September 2016 the Government announced a comprehensive package of reforms to meet seasonal labour supply needs and ensure Australia remains an attractive destination for working holiday makers. On 1 December 2016, the legislation to give effect to the reform package was passed by the Senate. The final package reflects agreements the Government reached in the Senate.

Recommendation 2

The committee recommends that the Australian Taxation Office consult widely with industry stakeholders, including employers of working holiday makers, in developing the proposed employer register and designing the registration process.

Agreed

The ATO has worked closely with stakeholders in developing the employer register and designing the registration process. Registration for employers is simple and easy, and can be done by answering a few simple questions by phone or using an online tool.

There were a total of 16,747 employers on the register at the beginning of June 2017. The ATO continues to engage with a range of stakeholders including peak industry bodies and accounting associations to ensure employees and employers understand and meet their working holiday maker obligations.

Recommendation 3

The committee recommends that the bill be passed.

Agreed

On 1 December 2016, the Parliament passed legislation to give effect to the working holiday maker reform package.

Response to Labor Senators' Recommendations

Recommendation 1

To amend the Income Tax Rates Amendment (Working Holiday Maker Reform) Bill 2016 and lower the proposed tax rate for working holiday makers from 19 per cent to 10.5 per cent.

Not agreed

As part of the Government's final working holiday maker reform package, from 1 January 2017, working holiday makers will face a 15 per cent tax rate from the first dollar of income up to \$37,000, with ordinary marginal rates applying from \$37,001.

The 15 per cent rate from the first dollar of income up to \$37,000 is internationally competitive in terms of after tax income. Even after taking into account cost of living differences, with a 15 per cent rate the after tax income for an average working holiday maker in Australia is significantly higher compared to key working holiday maker destinations, such as New Zealand, the United Kingdom and Canada.

Recommendation 2

To oppose the Passenger Movement Charge Amendment Bill 2016

Not agreed

To help offset the Budget impact of the working holiday maker package the Passenger Movement Charge was increased by a small amount of \$5 from 1 July 2017, including a commitment to not increase the rate for five years from this date.

Response to Australian Greens' Recommendations

Recommendation 1

That changes to the taxation arrangement for working holiday makers contained in these bills be opposed.

Noted

On 1 December 2016, the Parliament, with the support of the Australian Greens, passed legislation to give effect to the working holiday maker reform package.

Recommendation 2

That the government introduce new legislation which would remove the existence of any possibility of a differential tax rate applying to non-resident workers while they are backpacking in Australia.

Noted

See response to recommendation 1 above.

Recommendation 3

That the increase in the Passenger Movement Charge be opposed.

Noted

See response to recommendation 1 above.

