

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2014 - 2015

Department/Agency: Treasury

Question: BET 124 - 144

Topic: Working Holiday Makers

Reference: written - 12 June 2015

Senator: Ketter, Chris

Question:

124. Prior to the decision to remove the tax-free threshold for Working Holiday Visa makers, did Treasury consult with

- a. Minister Robb
- b. Austrade (Tourism Division)
- c. Department of Immigration and Border Protection
- d. Tourism Australia
- e. Tourism Research Australia
- f. Tourism and Transport Forum
- g. National Tourism Alliance
- h. Australian Tourism Export Council
- i. Other tourism stakeholders (please detail)
- j. The Department of Agriculture
- k. The National Farmers Federation
- l. Other agricultural stakeholders
- m. The Department of Regional Development
- n. Australian Standing Committee on Tourism
- o. Tourism Ministers of the States and Territories

125. If yes, please detail the consultation process including

- a. Dates of consultation periods
- b. Consultation process, methods and timeline

126. Did Minister Robb at any time raise any concerns about the removal of the tax-free threshold on demand for working holiday maker (WHM) visas?

127. Did Treasury provide Minister Robb with any briefing on this matter prior to the decision being announced? If so, when? Can a copy be tabled?

128. Did any stakeholder express concern about the removal of the tax free threshold at any time? If so, who? What was the nature of those concerns?

129. How did Treasury address those concerns?

130. What is the average income for a WHM?

Modelling

131. What modelling was undertaken prior to this decision including

- a. Projected changes in WHM visa applications and approval numbers as a result of this decision. Did this include country-level breakdowns? Was Immigration consulted or have input into these projections?
- b. What assumptions were included in the modelling?
- c. Can Treasury table the modelling

132. How much revenue is this change expected to yield over 4 years (please provide

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figures over forward estimates)

133. Parliamentary Library research shows the average WHM holder spends an average of \$13,000 and earns around \$5000: how are these two figures expected to change as a result of this decision?

134. How many extra jobs will the removal of the tax-free threshold create in Australia?

135. Did Treasury model the impact of this policy on rural workforces relying on WHM labour?

136. Does Treasury expect this policy to have a significant impact on city WHM, such as those working in hospitality?

137. Does Treasury expect this policy to have any impact on WHM in regional areas, such as those working in horticulture?

138. Does Treasury expect a reduction in the numbers of hours worked by WHM?

139. Over the medium-term, how will this measure affect the number of WHM who come to Australia?

140. Over the medium-term, how will this measure affect the number of WHM in regional Australia?

141. Will this measure reduce the number of WHM who come to Australia?

Implementation

142. Do these changes apply to existing Working Holiday visa holders?

143. How will these changes be communicated to Working Holiday Visa holders and applicants?

144. How will these changes be communicated to employers?

Answer:

124. The Treasury consulted with the Australian Taxation Office, the Department of Employment and the Department of Immigration and Border Protection from February 2015.

Consultation was also undertaken with a wide group of stakeholders as part of the Northern Australia White Paper, Agriculture White Paper and National Infrastructure Development Fund processes.

Consultation regarding the design and implementation of the measure as part of the legislative processes is ongoing.

125. See response to question 124.

126. See response to question 124.

127. Treasury provides advice to its portfolio Ministers.

128. Treasury's consultation processes of this nature are generally confidential.

129. See response to question 128.

130. See response to question 131.

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Modelling

131. Treating working holidaymakers (WHMs) as non-residents means they lose the benefit of the tax-free threshold and the 19 per cent rate of tax paid by resident taxpayers. Instead, they are taxed at a rate of 32.5 per cent from the first dollar of income. The revenue impact is essentially the difference between WHMs' tax liabilities under non-resident and resident tax rates.

The number of WHMs by level of taxable income was estimated by matching immigration data for the relevant visa categories for the 2012-13 year – which is the latest data available – with corresponding tax data.

The estimates were grown in line with the historical average annual growth rate for the number of WHMs entering Australia to generate data for the forward estimates years.

This data was used to estimate a gross revenue impact by applying non-resident and resident tax rates to estimated taxable incomes. This gross impact was then adjusted to take account of expected behavioural responses.

132. The Budget impact of the WHM measure is set out below (see 2015-16 Budget Paper No. 2, p26):

Revenue (\$m)	2015-16	2016-17	2017-18	2018-19	Total FE's
Australian Taxation Office	0.0	100.0	220.0	220.0	540.0
<i>Related expense (\$m)</i>					
Australian Taxation Office	0.8	1.8	1.8	0.2	4.6
<i>Related capital (\$m)</i>					
Australian Taxation Office	0.5	0	0	0	0.5

133. See response to question 131 regarding Treasury modelling.

134. See response to question 131 regarding Treasury modelling.

135. See response to question 131 regarding Treasury modelling.

136. Further consultation is to be conducted as part of the legislative drafting process.

137. Further consultation is to be conducted as part of the legislative drafting process.

138. See response to question 131 regarding Treasury modelling.

139. See response to question 131 regarding Treasury modelling.

140. See response to question 131 regarding Treasury modelling.

141. See response to question 131 regarding Treasury modelling.

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Implementation

142. From 1 July 2016, all WHMs (including existing WHM visa holders) will have to declare they are non-residents for tax purposes to their employers and the ATO.
143. This will be resolved by the ATO prior to implementation.
144. This will be resolved by the ATO prior to implementation.