



21 December 2016

Dear <<First Name>>

Re: New Rates for backpackers from 1 January 2017

As outlined in our bulletin dated 1 December 2016, the Federal Government has passed legislation to tax working holiday makers (backpackers) at a rate of 15% on earnings up to \$37,000.

This was a hard-fought win for The Australian Hotels Association and its subsidiary, Tourism Accommodation Australia, who played a major part in lobbying the government to ensure tax levels for backpackers remained low so as to promote Australia as an attractive destination for backpackers.

This week the Australian Taxation Office (**ATO**) issued a determination confirming how the new backpacker tax reforms will apply to backpackers you employ from 1 January 2017.

Who will be considered a backpacker?

The new tax rates apply to people on the following visas:

- *Working Holiday Maker (subclass 417);*
- *Work and Holiday Makers visa (subclass 462); and*
- *an eligible bridging visa for subclass 417 or 462.*

From 1 July 2017 the maximum age for eligibility for a backpacker visa will increase from 30 to 35.

The rates do not apply to staff employed under the Seasonal Worker Programme. To confirm an employee or applicant's visa status, visit the Department of Immigration and Border Protection's *Visa Entitlement Verification Online (VEVO)* webpage.

The ATO expects you to advise your backpacker employees about the new tax rates. Backpackers who apply for a tax file number will be provided with the information by letter or email.

Information for backpackers is available at:

<https://www.ato.gov.au/Individuals/International-tax-for-individuals/Coming-to-Australia/Working-holiday-makers/>.

What are the new rates?

The following tax rates apply to your backpackers from **1 January 2017**:

Taxable income	Tax rate
Up to \$37,000	15%
\$37,001-\$87,000	32.5%
\$87,001-\$180,000	37%
\$180,001 and over	47%

Where a VEVO search confirms that your employee holds one of the backpacker visas, you should apply the above rates from 1 January 2018 even if the employee hasn't indicated on their tax file number declaration that they are a working holiday maker.

If your employee has not provided a tax file number, you must withhold **47%** on all payments made regardless of income level. Further, if your employee makes an application for a tax file number but do not provide the number within 28 days, you must apply a rate of 47%.

Registration

If you employ backpackers, you will need to register with the ATO. If you are not registered, you must instead apply a rate of 32.5% for the first \$37,000 of income and normal foreign resident rates beyond that.

Employers can register with the ATO at:

<https://www.ato.gov.au/business/registration/work-out-which-registrations-you-need/taxation-registrations/employer-registration--working-holiday-makers/>.

As at the start of this week, the ATO was experiencing problems with its online registration system. In light of these issues, the deadline for registration was extended until 31 January 2016. Penalties may apply for failing to register by the deadline.

For more information about tax rates for your backpacker employees please contact the ATO.

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