

11th March 2016

The Hon. Barnaby Joyce MP,
Minister for Agriculture and Water Resources
PO Box 6022
Parliament House
Canberra ACT 2600

RE: Solution to avoid changes to tax policy for Working Holiday Makers.

Dear Barnaby

I am Chairman of Taxback Group, a global consumer tax service provider, established in 1996, currently employing 1,100 staff, across 22 countries, with an annual turnover in excess of USD \$1Bn per annum.

We are one of the largest preparers of Working Holiday Maker tax returns in Australia. We file tax returns for Working Holiday Makers who are tax resident in Australia, i.e. who have in resided in Australia for greater than 183 days and therefore qualify for the tax free allowance

I wish to outline to you some facts that I feel are very relevant to the recent discussions relating to the proposed Working Holiday Maker tax changes.

2015 Client Analysis:

Last year Taxback.com filed 16,099 Working Holiday Maker tax returns. For reference our tax agent number is 72087002.

We have recently analyzed the data of these 16,099 clients and the below are some of our findings:

Average Gross Earnings:	\$14,216.46
Average Income Tax Withheld:	\$2,517.46
Average Post Tax Return Contribution:	\$785.72
Average Tax on Departing Superannuation Claims*:	\$513.19

*In addition to the above income tax contributions by Working Holiday Makers, there is further tax revenue on departing superannuation claims. Using the above average gross earnings of \$14,216.46, the average superannuation contribution of 9.5% on this income level is \$1,350.52. There is additional tax withheld at a rate of 38% on this DASP claim. Based on the above averages this generates a further \$ 513.19 of tax revenue.

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Therefore according to our sample of 16,099 clients, the combined tax contribution of a Working Holiday Maker is \$1,298.91 per annum.

In an article issued by ABC on 4th February 2016, it references a written response issued by Treasurer Scott Morrison where he states 'Being a Working Holiday Maker (WHM) does not mean you get a tax holiday, If you work here you should pay tax here'

The average statistics above demonstrate that Working Holiday Makers are paying tax, and the rate of tax they are paying is in line with that of an Australian citizen with equivalent earnings.

The issue and the solution is Compliance:

We feel that the issue and concern around Working Holiday Makers not paying tax is a compliance enforcement issue.

If a Working Holiday Maker resides in Australia for **less than** 183 days they **do not** qualify as a resident for tax purposes, and should **not be** availing of the tax free allowance. They are therefore required by law to pay 32.5% tax. However many tax filing operators are not adhering to this residency obligation and are filing non-residents (less than 183 days) as residents (more than 183 days), allowing these Working Holiday Makers avail of the tax free allowance which results in zero tax liability.

On 9th July 2012, Taxback.com travelled to Canberra to meet with the ATO to highlight our concerns regarding noncompliance of certain tax filing operators in the Working Holiday Sector. We met with the Deputy Commissioner Individuals Segment, and also Assistant Commissioner Micro Enterprise and Industry.

Our main concern at this meeting was the non adherence to the 183 day resident rule among other tax filing operators. We provided examples of our concerns and highlighted a number of tax filing operators who were breaching the ruling around the 183 residency criteria.

Despite our meeting noncompliant practices have continued. If these rouge tax filing operators were forced to be compliant the issue highlighted by The Treasurer (being a Working Holiday Maker (WHM) does not mean you get a tax holiday, if you work here you should pay tax here') would be easily rectified without any requirement to change tax policies.

We would be happy to share with you the details of these rouge operators.

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Reciprocal Working Holiday Maker Programs:

The Working Holiday Marker program is a reciprocal agreement between 19 eligible countries, for example, an Australian can travel to the UK on a Working Holiday Maker program. If they reside in the UK for **less than** 6 months they **do not** qualify for the UK Tax Free Allowance (same as Australia). If they do reside in the UK for **more than** 6 months they **do** qualify for the UK Tax Free Allowance (same as Australia). This residency policy applies to all countries within the program.

I am available to discuss this matter in more detail at your convenience.

Yours sincerely



Terry Clune
Chairman
Taxback.com

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