



Income Tax Rates Amendment (Working Holiday Maker Reform) Act 2016

No. 92, 2016

**An Act to amend the *Income Tax Rates Act 1986*,
and for related purposes**

Note: An electronic version of this Act is available on the Federal Register of Legislation
(<https://www.legislation.gov.au/>)

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Income Tax Rates Amendment (Working Holiday Maker Reform) Act 2016

No. 92, 2016

An Act to amend the *Income Tax Rates Act 1986*, and for related purposes

[Assented to 2 December 2016]

The Parliament of Australia enacts:

1 Short title

This Act is the *Income Tax Rates Amendment (Working Holiday Maker Reform) Act 2016*.

2 Commencement

- (1) Each provision of this Act specified in column 1 of the table commences, or is taken to have commenced, in accordance with column 2 of the table. Any other statement in column 2 has effect according to its terms.

Commencement information		
Column 1	Column 2	Column 3
Provisions	Commencement	Date/Details
1. The whole of this Act	The day this Act receives the Royal Assent.	2 December 2016

Note: This table relates only to the provisions of this Act as originally enacted. It will not be amended to deal with any later amendments of this Act.

- (2) Any information in column 3 of the table is not part of this Act. Information may be inserted in this column, or information in it may be edited, in any published version of this Act.

3 Schedules

Legislation that is specified in a Schedule to this Act is amended or repealed as set out in the applicable items in the Schedule concerned, and any other item in a Schedule to this Act has effect according to its terms.

Schedule 1—Amendments

Part 1—Amendments

Income Tax Rates Act 1986

1 Subsection 3(1)

Insert:

working holiday maker has the meaning given by subsection 3A(1).

working holiday taxable income has the meaning given by subsections 3A(2) and (3).

2 After section 3

Insert:

3A *Working holiday makers and working holiday taxable income*

- (1) An individual is a *working holiday maker* at a particular time if the individual holds at that time:
 - (a) a Subclass 417 (Working Holiday) visa; or
 - (b) a Subclass 462 (Work and Holiday) visa; or
 - (c) a bridging visa permitting the individual to work in Australia if:
 - (i) the bridging visa was granted under the *Migration Act 1958* in relation to an application for a visa of a kind described in paragraph (a) or (b); and
 - (ii) the Minister administering that Act is still to make a decision in relation to the application; and
 - (iii) the most recent visa, other than a bridging visa, granted under that Act to the individual was a visa of a kind described in paragraph (a) or (b).
- (2) An individual's *working holiday taxable income* for a year of income is the individual's assessable income for the year of income derived:
 - (a) from sources in Australia; and

(b) while the individual is a working holiday maker;
less so much of any amount the individual can deduct for the year of income as relates to that assessable income.

- (3) However, the individual's *working holiday taxable income* does not include any superannuation remainder, or employment termination remainder, of the individual's taxable income for the year of income.

3 Clause 1 of Part I of Schedule 7

Omit "and 3", substitute ", 3 and 4".

4 At the end of Part I of Schedule 7

Add:

4. If the resident taxpayer is a working holiday maker at any time during the year of income:
- (a) count the taxpayer's working holiday taxable income for the year of income as the first parts (starting from \$0) of the taxpayer's ordinary taxable income for the purposes of the table in clause 1; and
 - (b) do not apply the rates in that table to that working holiday taxable income; and
 - (c) do not count that working holiday taxable income when working out the taxpayer's taxable income for the purposes of clause 2 or 3.

Note: The rates for the taxpayer's working holiday taxable income for the year of income are set out in Part III.

5 Clause 1 of Part II of Schedule 7

Omit "and 3", substitute ", 3 and 4".

6 At the end of Part II of Schedule 7

Add:

4. If the non-resident taxpayer is a working holiday maker at any time during the year of income:
- (a) count the taxpayer's working holiday taxable income for the year of income as the first parts (starting from \$0) of the

taxpayer's ordinary taxable income for the purposes of the table in clause 1; and

- (b) do not apply the rates in that table to that working holiday taxable income; and
- (c) do not count that working holiday taxable income when working out the taxpayer's taxable income for the purposes of clause 2 or 3.

Note: The rates for the taxpayer's working holiday taxable income for the year of income are set out in Part III.

Example: Rosie earns a \$60,000 salary while a working holiday maker from 1 July 2017 to 31 March 2018. She also earns \$29,000 while holding a different class of visa from 1 April 2018 to 30 June 2018.

The \$60,000 salary is Rosie's working holiday taxable income and is the first part of her ordinary taxable income. Under Part III, she pays tax at the rate of 15% on \$37,000 of that salary, and tax at the rate of 32.5% on the remaining \$23,000 of that salary.

The \$29,000 income makes up the remaining parts of Rosie's ordinary taxable income. Under clause 1 of this Part, she pays tax at the rate of 32.5% on \$27,000 of that income, and tax at the rate of 37% on the remaining \$2,000 of that income.

7 At the end of Schedule 7

Add:

Part III—Working holiday makers

1. The rates of tax on a taxpayer's working holiday taxable income for a year of income are as set out in the following table.

Tax rates for working holiday makers		
Item	For the part of the taxpayer's working holiday taxable income that:	The rate is:
1	does not exceed \$37,000	15%
2	exceeds \$37,000 but does not exceed \$87,000	32.5%
3	exceeds \$87,000 but does not exceed \$180,000	37%
4	exceeds \$180,000	45%

Part 2—Application of amendments

8 Application of amendments

The amendments made by this Schedule apply in relation to:

- (a) assessable income derived on or after 1 January 2017; and
- (b) so much of any amounts that can be deducted as relate to such assessable income.

*[Minister's second reading speech made in—
House of Representatives on 28 November 2016
Senate on 30 November 2016]*

(204/16)
