



Australian Government  
Department of Finance  
The Treasury

## PUBLIC RELEASE OF 2016 ELECTION COMMITMENT COSTING

<b>Name of proposal costed:</b>	<b>Delay to commencement of Working Holiday Makers 2015-16 Budget measure</b>
<b>Costing Identifier:</b>	COA 005
<b>Summary of costing:</b>	The proposal is to delay the commencement of the 2015-16 Budget measure <i>Personal Income Tax - changes to tax residency rules for temporary working holiday makers</i> for six months from the proposed commencement date of 1 July 2016.
<b>Person making the request:</b>	Prime Minister
<b>Date costing request received:</b>	17 June 2016
<b>Date of public release of policy:</b>	17 May 2016
<b>Date costing completed:</b>	24 June 2016
<b>Additional information requested (including date):</b>	None
<b>Additional information received (including date):</b>	Not applicable

### Financial implications (outturn prices)<sup>(a)</sup>

Impact on	2016-17	2017-18	2018-19	2019-20
Underlying Cash Balance (\$m)	-20	-20	-	-
Fiscal Balance (\$m)	-20	-20	-	-

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.

### Where relevant, state that the proposal has been costed as a defined or specified amount.

Not applicable.

### Where relevant, include separate identification of revenue and expense components.

Not applicable. The costing relates only to ATO administered revenue.



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**Where appropriate, include a range for the costing or sensitivity analysis.**

Not applicable.

**Qualifications to the costing (including reasons for the costing not being comprehensive).**

Not applicable.

**Where relevant, explain effects of departmental expenses.**

Not applicable.

**Where relevant, explain the reason for any significant differences between the assumptions specified in a party costing request and those used in a Treasury or Finance costing.**

Not applicable.

**Other comments (including reasons for significant differences between the estimated impact on the fiscal and underlying cash balances).**

We estimate this proposal would reduce tax revenue by \$40 million over the forward estimates. In particular, we expect this cost would be spread evenly between 2016-17 and 2017-18. The 2016-17 impact relates to a reduction in personal income tax withheld from working holiday makers in that year. The 2017-18 impact relates to additional refunds paid to working holiday makers (relating to the 2016-17 income year).

**Background information**

In the 2015-16 Budget the Government announced changes to the tax residency rules for persons temporarily in Australia for a working holiday (that is, working holiday makers). The Budget measure proposed that from 1 July 2016, working holiday makers would be taxed as non-residents, meaning they would be taxed at the 32.5 per cent rate from their first dollar of income. That measure was estimated to increase revenue by \$540 million over the then forward estimates, that is, to 2018-19.

**Methodology**

The current costing adopts the methodology and data used for the 2015-16 Budget costing. However, Administrative Appeals Tribunal (AAT) rulings have further clarified the residency test for tax purposes. The current costing takes account of this clarification.

