Backpackers Tax

From 1 January 2017, tax rates will change for working holiday makers who are in Australia on a 417 or 462 visa. These rates are known as working holiday maker tax rates.

What does this mean for you, the Employer?

If you employ a working holiday maker in Australia on a 417 or 462 visa:

- From 1 January 2017, you should withhold 15% from every dollar earned up to $37,000 with foreign resident tax rates applying from $37,001.
- You must register with the ATO by 31 January 2017 to withhold at the working holiday maker tax rate.
- If you already employ working holiday makers you will need to issue two payment summaries (with different rates) this year – one for the period to 31 December 2016 and a second for any period from 1 January 2017.
- If you don't register, you will need to withhold at the foreign resident tax rate of 32.5%
- Penalties may apply if you employ holiday makers but don't register.

How does this new tax work in Wages Manager?

Unfortunately, Cashflow Manager have not received any formal instruction from the ATO as yet, regarding the specifications for the backpacker tax.

Once we receive this information, the Software Developers will implement this in a new Version 10 update.

However, a timeframe on this process cannot be given.

Until a new update is released, we advise clients to do the following when processing pays:

• Manually calculate the backpacker PAYG, using the ATO tax calculator

• Manually overwrite the PAYG, when calculating an employee's pay, on the Pay Summary screen prior to saving the pay.

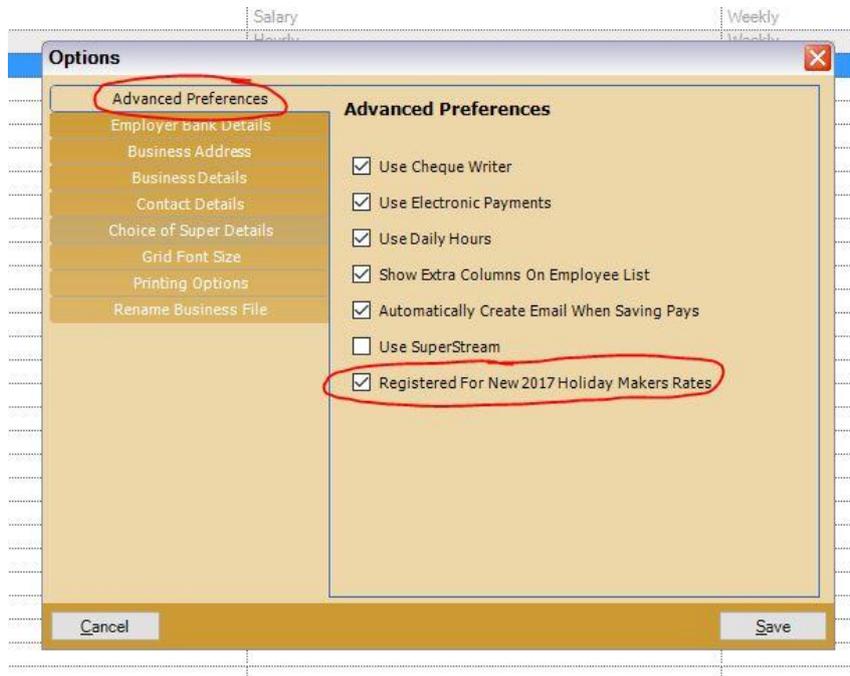**Regarding the issuing of 2 PAYG Payment Summaries:**

The new 10.0.2.2 update, now includes an option to "Register for New 2017 Holiday Makers Rates". This will allow you to process 2 PAYG Payment Summaries, for different dates.

To do this:

1. Click on TOOLS/OPTIONS/ADVANCED PREFERENCES

2. Tick the box "REGISTER FOR NEW 2017 HOLIDAY MAKERS RATES"

3. Click SAVE

4. Click on the REPORTS tab – and select the PAYG PAYMENT SUMMARY.

5. Here, you can customise the FROM and TO Date Ranges for the first PAYG Payment Summary.

6. Repeat the process for the second PAYG Payment Summary.