Taxation for Working Holiday Makers
Functional Overview
Ellipse® EAM 8.3
Legal Disclaimer
The product described in this documentation may be connected to, and/or communicate information and data via, a network interface, which should be connected to a secure network. It is your sole responsibility to ensure a secure connection to the network and to establish and maintain appropriate measures (such as but not limited to the installation of firewalls, application of authentication measures, encryption of data, installation of antivirus programs, etc.) to protect the product, the network, your systems, and the interface against any kind of security breach, unauthorised access, interference, intrusion, leakage, damage, or corruption or theft of data. We are not liable for damages or losses related to any such security breach, unauthorised access, interference, intrusion, leakage, damage, or corruption or theft of data.
**Definitions, Acronyms and Abbreviations**

<table>
<thead>
<tr>
<th>Definition</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATO</td>
<td>Australian Taxation Office</td>
</tr>
<tr>
<td>STP</td>
<td>Single Touch Payroll</td>
</tr>
<tr>
<td>TFND</td>
<td>Tax File Number Declaration</td>
</tr>
</tbody>
</table>

**References**

<table>
<thead>
<tr>
<th>Document</th>
<th>Location</th>
</tr>
</thead>
</table>

*Note: The location above was correct at the time of writing; however, it is subject to change.*
Introduction

Purpose

The purpose of this functional overview is to describe the enhancements that have been made to the Ellipse EAM Payroll Management module to support the taxation of working holiday makers. This document includes a description of the enhancements, business processes, and how to configure and use the new functionality.

Business Benefits

Remaining compliant with the payroll taxation requirements of the Australian Taxation Office (ATO) is an important task for any business using Ellipse EAM to pay their employees. Being compliant ensures that employees are taxed correctly, information is lodged with the ATO in a timely manner and the business does not incur penalties for non-compliance.

Support for the taxation of Working Holiday Makers is incorporated into the Ellipse EAM payroll solution, this includes:

- The ability to advise the ATO that an employee has declared that they are a working holiday maker
- Calculate the employee pay as you go (PAYG) withholding liability based upon the ATO working holiday maker taxation guidelines
- Report the employee earnings and withholding amounts in the working holiday maker area of the single touch payroll message.

Business Rules

To employ a working holiday maker in Australia on a visa subclass 417 or 462, the employer must check the worker has the correct visa using the Visa Entitlement Verification service. The employer must be registered with the ATO to withhold tax at the working holiday maker tax rate before making any payment to the worker.
Functional Enhancements

The Ellipse EAM payroll application is modified to provide support for Working Holiday Makers, including the ability to:

- Advise the ATO that an employee is a working holiday maker
- Calculate the employee pay as you go (PAYG) withholding liability based upon the ATO working holiday maker taxation guidelines
- Report the employee earnings and withholding amounts in the working holiday maker area of the single touch payroll message.

In order to calculate taxes for an employee using the Working Holiday Maker rates, the employee must declare to employer that they are a working holiday maker for taxation purposes. The employer then configures the employee as a working holiday maker within Ellipse EAM. The MSO824 - Maintain Employee Taxation Details application is used to configure an employee as a working holiday maker.

When an employee declares that they are working holiday maker, the ATO Tax Declaration (MSI824) or Single Touch Payroll (MSISTP) interfaces are utilised to advise the ATO that the employee declared that they are a working holiday maker for taxation purposes.

When processing payments for a working holiday maker, the Ellipse EAM payroll calculate uses the employee year-to-date and current period earnings in conjunction with the Working Holiday Maker Tax Coefficients to calculate the pay as you go (PAYG) withholding amount for the employee.

After the employee has received a payment as a working holiday maker, it is reported to the ATO as working holiday maker type earnings and taxation using the STP reporting process.
Taxation for Working Holiday Makers

Maintain Employee Taxation Details - MSO824

The Working Holiday Maker indicator is a mandatory Y/N field that is used to indicate that the employee is a working holiday maker and is taxed accordingly. This field defaults to N indicating that the employee is not a working holiday maker.

If the Working Holiday Maker indicator is set to Y, the Ellipse EAM payroll calculate uses the employee year-to-date and current period earnings in conjunction with the Working Holiday Maker Tax Coefficients to calculate the pay as you go withholding amount for the employee.

MSO824 Activities

The Maintain Employee Taxation Details application supports the creation and maintenance of all employee taxation details, including whether the employee is a resident for taxation purposes or if the employee is a working holiday maker.

In order to calculate withholding amounts using the working holiday maker rates, the following must be set:

- The Tax Scale is blank
- Resident indicator is set to N
- Working Holiday Maker is set to Y
Payroll Calculate Process

The payroll calculate taxation routine is modified to calculate working holiday maker taxation instalments based upon the ATO supplied formulae (the formulae is derived from the new MSF010 table WRKH that is created to store the Working Holiday Maker tax scale).

The current working holiday maker coefficients stored in the MSF010: WRKH table are as follows:

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Taxable Salary Minimum</th>
<th>Taxable Salary Maximum</th>
<th>Taxation Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>15% on each $1 up to $37,000</td>
<td>$0</td>
<td>$37,000</td>
<td>15%</td>
</tr>
<tr>
<td>2</td>
<td>32.5% on each $1 over $37,000 to $87,000</td>
<td>$37,001</td>
<td>$87,000</td>
<td>32.5%</td>
</tr>
<tr>
<td>3</td>
<td>37% on each $1 over $87,000 to $180,000</td>
<td>$87,001</td>
<td>$180,000</td>
<td>37%</td>
</tr>
<tr>
<td>4</td>
<td>45% on each $1 over $180,000</td>
<td>$180,001</td>
<td>$9,999,999</td>
<td>45%</td>
</tr>
</tbody>
</table>

The calculation of taxation instalments for working holiday makers is based upon the year-to-date values including any taxable earnings processed in the payroll run and is recalculated each pay period.

ATO Tax Declaration Interface – MSI824

The ATO Tax Declaration Interface is modified to set the employment status that is reported to the ATO based upon the choices made in the Resident and Working Holiday Maker indicators.

The ATO Tax Declaration interface is optional when using Single Touch Payroll as any employee tax declarations are sent to the ATO as part of the normal payroll event within the Single Touch Payroll process.

Single Touch Payroll Interface – MSISTP

The Single Touch Payroll process and interface supports processing for working holiday makers. The employment status that is reported to the ATO is based upon the choices made in the Resident and Working Holiday Maker indicators, and the Working Holiday Maker indicator is also used to determine where the earnings and withholding amounts are reported within the interface.

When using the Single Touch Payroll interface, the ATO Tax Declaration interface is optional, as any employee tax declarations are sent to the ATO as part of the normal payroll event within the Single Touch Payroll process.
Component Differences in Ellipse EAM

Modifications to Existing Components

The following components are modified as a result of this development item:

**MSO824 – Maintain Employee Tax Details**

The Maintain Employee Tax Details application is modified to provide support for Working Holiday Makers and to include a new Trade Support Loan Indicator. New database fields are added to the MSF824 table to store these fields in Ellipse EAM version 8.5 and above, and are stored in the 9th and 10th characters of MSF824_FIELD3_A in earlier versions of Ellipse.

**Working Holiday Maker**

The Working Holiday Maker indicator is a mandatory Y/N field that is used to indicate that the employee is a working holiday maker and is taxed accordingly. This field defaults to N indicating that the employee is not a working holiday maker. This field can only be set to Y if the Resident Indicator is N as an employee cannot be a resident for taxation purposes and a working holiday maker at the same time.

If the Working Holiday Maker indicator is set to Y the Ellipse EAM payroll calculate uses the employee year-to-date and current period earnings in conjunction with the Working Holiday Maker Tax Coefficients to calculate the pay as you go withholding amount for the employee. As the employee is not a resident for taxation purposes, there are several employee taxation related fields that are not used in any calculations, therefore are not required and must be set to the default values listed below:

- **PAYG Details tab**
  - Tax Scale – Spaces
  - Total FTB and Rebate Amount – Bank or Zero
  - Number of Dependant Children – Bank or Zero
  - Medicare Levy Adjustment – N (No)
  - HECS/HELP Declared – N (No)
  - Trade Support Loan – N (No)
  - Accumulated HECS/HELP Debt – N (No)

- **Additional Tax Details tab** (not used in any calculations, no entry is required)
  - Residency Flag – N (No)
  - Tax Free Threshold Claimed – N (No)
  - Family Tax Benefit Claimed – N (No)
  - SFSS Financial Supplementary Debt – N (No)
  - Zone, Dependents, Special Rebate – N (No)
  - Tax Zone – Blank
  - Annuity or Super Rebate – N (No)

**Trade Support Loan**

The Trade Support Ind is a mandatory Y/N field is used to indicate that the employee has a Trade Support Loan. This field defaults to N, indicating that the employee does not have a trade support loan. This field is used when sending tax declaration details to the ATO using either the MSI824 or MSISTP interface program. An entry of a Y serves the same purpose as the entry of a
Y in the SFSS Financial Supplementary Debt (Student Financial Supplement Scheme Financial Supplementary Debt) field. This field does not have to be used if a Y is entered in the SFSS Financial Supplementary Debt field and is only required to be set to Y if there is a company requirement to record the different loan types separately.

MSM824A – Maintain Employee Tax Details

The Maintain Employee Tax Details application is modified to provide support for Working Holiday Makers and to include a new Trade Support Loan Indicator.

Working Holiday Maker

The Working Holiday Maker indicator is a mandatory Y/N field that is used to indicate that the employee is a working holiday maker and is taxed accordingly, this field defaults to N indicating that the employee is not a working holiday maker.

If the Working Holiday Maker indicator is set to Y the Ellipse EAM payroll calculate uses the employee year-to-date and current period earnings in conjunction with the Working Holiday Maker Tax Coefficients to calculate the pay as you go withholding amount for the employee.

Trade Support Loan
Taxation for Working Holiday Makers

The Trade Support Ind is a mandatory Y/N field that is used to indicate the employee has a trade Support Loan. This field defaults to 'N' indicating the employee does not have a trade support loan. This field is used when sending tax declaration details to the ATO using either the MSI824 or MSISTP interface program, an entry of Y serves the same purpose as the entry of Y in the SFSS Financial Supplementary Debt (Student Financial Supplement Scheme Financial Supplementary Debt) field.

**MSO82T – Review Employee Tax Details**

The Review Employee Tax Details application is modified to provide support for Working Holiday Makers and to include a new Trade Support Loan Indicator.

**MSM82TA – Review Employee Tax Details**

The Review Employee Tax Details screen is modified to provide support for Working Holiday Makers and to include a new Trade Support Loan Indicator.

**MSO820 – Maintain Employee Payroll Details**

MSO820 is modified to ensure that the new working holiday maker and trade support loan indicators on MSF824 are set to 'N' when creating a payroll employee.

**MSI824 – ATO TFN Declaration Interface**

MSI824 is modified to ensure that the new working holiday maker and trade support loan indicators on MSF824 are accommodated for in the tax declaration interface.

**MSSCAD – Payroll Calculate Tax Routine**

The payroll calculate taxation routine is modified to calculate working holiday maker taxation instalments based upon the ATO supplied formulae (the formulae are derived from the new MSF010 table WRKH that is created to store the Working Holiday Maker tax scale).

The current working holiday maker coefficients stored in the MSF010: WRKH table are as follows:

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Taxable Salary Minimum</th>
<th>Taxable Salary Maximum</th>
<th>Taxation Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>15% on each $1 up to $37,000</td>
<td>$0</td>
<td>$37,000</td>
<td>15%</td>
</tr>
<tr>
<td>2</td>
<td>32.5% on each $1 over $37,000 to $87,000</td>
<td>$37,001</td>
<td>$87,000</td>
<td>32.5%</td>
</tr>
<tr>
<td>3</td>
<td>37% on each $1 over $87,000 to $180,000</td>
<td>$87,001</td>
<td>$180,000</td>
<td>37%</td>
</tr>
<tr>
<td>4</td>
<td>45% on each $1 over $180,000</td>
<td>$180,001</td>
<td>$9,999,999</td>
<td>45%</td>
</tr>
</tbody>
</table>

The calculation of taxation instalments for working holiday makers is based upon the year-to-date values including any taxable earnings processed in the payroll run and is recalculated each pay period.

**MSGCLCWS.INS – Payroll Calculate Constants**

Modified to accommodate working holiday maker tax calculations.
MSF010: WRKH – Working Holiday Maker Tax Scale

New MSF010 table provided to support tax calculations for working holiday makers.

The new table is configured with a Code (simple number), description (as per ATO), and the following questions - Taxable Salary Minimum (numeric 7 digits no decimals), Taxable Salary Maximum numeric 7 digits no decimals), Taxation Rate (numeric 5 digits 4 decimals).

The current working holiday maker coefficients stored in the MSF010: WRKH table are as follows:

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
<th>Taxable Salary Minimum</th>
<th>Taxable Salary Maximum</th>
<th>Taxation Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>15% on each $1 up to $37,000</td>
<td>$0</td>
<td>$37,000</td>
<td>15%</td>
</tr>
<tr>
<td>2</td>
<td>32.5% on each $1 over $37,000 to $87,000</td>
<td>$37,001</td>
<td>$87,000</td>
<td>32.5%</td>
</tr>
<tr>
<td>3</td>
<td>37% on each $1 over $87,000 to $180,000</td>
<td>$87,001</td>
<td>$180,000</td>
<td>37%</td>
</tr>
<tr>
<td>4</td>
<td>45% on each $1 over $180,000</td>
<td>$180,001</td>
<td>$9,999,999</td>
<td>45%</td>
</tr>
</tbody>
</table>

The calculation of taxation instalments for working holiday makers is based upon the year-to-date.
How to Configure Modules

<table>
<thead>
<tr>
<th>Module No</th>
<th>Module Name</th>
<th>Required</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>3820</td>
<td>Payroll Management</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>

Table Codes

<table>
<thead>
<tr>
<th>010 Table</th>
<th>Description</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>WRKH</td>
<td>Working Holiday Taxation Scale</td>
<td>New table to store working holiday maker tax coefficients</td>
</tr>
</tbody>
</table>
FAQs

**Question:** Do I need to do anything if I am not paying working holiday makers?

**Response:** No, the configuration changes only apply if you are paying a working holiday maker.