Taxation

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# Resident of Australia for tax purposes

Most of the people who arrive in Australia for a visit or working holiday are not considered to be the Australian residents. It consists of the people on 462 or 417 visas. They are considered as the backpackers who do not have any intention to stay in Australia rather they want to enjoy the holiday while working. In Australia, the backpackers earning income have to pay tax on the first dollar which is 15 per cent up to $37000 in a year. An individual will be a resident of Australia for the tax purpose is based on the purpose of being staying in Australia. To become a resident of Australia, an individual has to demonstrate his or her working and living arrangements are consistent with making a home in Australia (Coleman et al., 2013). It means an individual have developed habits and routines in lifestyle which depicts that he or she wants to come to Australia. The individual would not be a tourist or visitor rather working and living there with an intention of settling life. Apart from this, an individual can be resident of Australia for the tax purpose if he or she is living in the country for more than six months in the income year and in another country do not have a place to live and intended to become the residence of Australia (Woellner, Barkoczy, Murphy, Evans & Pinto, 2016).

An individual would not be resident of Australia if he or she is working for seven months and in another country has a home where he or she wanted to return. Most of the people who hold holiday and working visas are not intended to stay in Australia rather they enjoy their holiday and work at different places before going back to Australia. The behaviour of most of the people is consistent with their purpose while in Australia and they do not want to become the resident. Thus, an individual will be considered as the resident for the tax purpose only when his or her behaviour changes while being in Australia (Barker, 2007). For example, an individual decided to work for twelve months and live in one location as well as developing routines related to the social and work arrangements or applied for the permanent visa. The behaviour depicts that an individual wants to become a resident of Australia.

The Australian Taxation Office has provided rules and regulations within which an individual on working holiday visa can be examined whether he or she is the resident of Australia for tax purposes. In the given case, Julie was born in Vancouver and she is 22 years old. She arrived on a twelve-month working holiday visa in Brisbane on 2 September 2015. She had lived in Canada always with her parents before arriving in Brisbane (Amatucci, 2012). The main intention of Julie was to save money while travelling. In Canada, she did not have any important assets but had personal possessions such as electronic items and clothes. She had no intention to stay in Australia and worked at different places. She spent two weeks in Sunshine Coast, Gold Coast and other tourist attractions. After that, she moved to Bundaberg to work for three months as a fruit picker. With other backpackers, she lived in a hostel.

Julie had worked for earning money and also has the intention to save money. She travelled around Western Australia, the Northern Territory and North Queensland for three months with her saving while staying hostels. After that, she found a work in the Perth coffee shop. A rented accommodation was being shared by her with friends. While backpacking, she met these friends and lives for three months in Perth. The case shows Julie was only busy in moving from place to another with the intention to work and save money. She decided to return to his home on 16 June 2015 and moved back to Vancouver. She wanted to apply in the United Kingdom for the working holiday and started to work to save money for the next adventure.

In Australia, Julie stayed for 9 months and her behaviour depicted that she was a visitor. The main purpose of her was to enjoy the holiday, earn money from a different location and also saved money. While she was in Australia, she had not treated any of the places as if it were her home. Julie returned to her home where she was living before her visit (Edwards & Mitchell, 2008). According to the Australian Taxation Law, Julie is considered to be non-resident of Australia.

# Assessable income for the year

In Australia, if an individual works then he or she has to pay tax on the income earned during a year. The taxpayer has to lodge the tax return which is depended on how much income is being earned in a year. The first income up to $37000 of the working holidaymaker is taxed at the rate of 15% and at ordinary rates is applied for imposing a tax on the balance amount. Most of the people who visit for a working holiday in Australia are considered as the foreign residents for the tax purposes (Harvey, 2009). The amounts that would be included in the assessable income of Julie for the year are as follows:

* In Bundaberg, the salary was paid by the fruit grower for an amount of AUD $6000.
* The interest on Julie’s Australian bank account of amount $180.
* The sale of the excess sleeping bag, clothing and other personal goods on eBay of amount $220 before leaving Australia.

The assessable income consisted of the money earned in Australia by Julie. The income earned in Canada is not considered as assessable income as per the Australian taxation law. Prize worn by Julie is not considered as the Australian Taxation Law. The Australian Taxation Office has directed the rules for considering the assessable income for a working holiday in Australia (Patterson, 2009).

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