The Secretary
Senate Standing Committee on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Submitted via email to: economics.sen@aph.gov.au

Dear Sir/Madam

RE: ABSIA submission on the Working holiday maker reform package

Thank you for the opportunity to participate in the enquiry by the Senate Standing Committees on Economics into the Working holiday maker reform package. Whilst submissions have formally closed, we appreciate the opportunity to raise our concern regarding the proposed implementation date for these measures.

About ABSIA

ABSIA is a Non-Profit Association created to be the collective voice of the Australian business software Industry.

ABSIA was formed to represent the business software industry at the highest level. ABSIA has an important part in transforming how government, software vendors and their clients relate, communicate and collaborate by playing the role of primary contact point for interaction between the parties.

ABSIA aims to serve all stakeholders that form the totality of the Australian business software industry, including business software developers and service providers, the corporations, small and medium enterprises and individual consumers, as well as other industry associations and government at all levels.

Software Developers

Our members in the payroll software industry understand the importance of their systems in helping Australian employers comply with their many industrial relations and tax obligations. They aim to integrate those obligations into their products to minimise the reporting burden on businesses. Many software developers support employers through employee onboarding solutions that integrate TFN declarations and super choice options. These products help improve the quality of reporting to the ATO as well as helping employers make the right decision on tax withholding rates. Our recent work to ensure late changes to withholding rates (start date of 1 October 2016) were made available in our software, demonstrates our commitment to both our customers and to government in implementing law.

ABSIA and its members support the measures being proposed. We recognise the changes will benefit employers, our customers and Australia's economy to grow by attracting critical labour to those businesses who rely upon those workers to generate income.

Paragraph 3.56 of the explanatory memorandum states "Employers will also be required to update record keeping systems to ensure new rates are applied." 3.51 indicates the ATO will use the updated Tax File Number (TFN) declaration to ensure the 19% rate is only being accessed by working holiday makers who are working for registered employers. The explanatory memorandum also acknowledges the need for employees to be aware of the new withholding arrangements and be able to withhold at the correct rate (EM: 3.98 and 3.99).

Our systems sit at the core of these changes, to ensure an employer can collect TFN declarations and submit those to the ATO, apply the correct Tax withholding rate from around 20 different tax tables, as well as generating payment summaries for employees and reporting that information to the ATO.

We note that the Bill proposes to implement these changes from 1 January 2017.

We want to voice our concern on the time allowed for software developers to design, build and implement these changes in time for employers to meet their obligations by 1 January 2017.

Complexity

From information available publicly, our members have identified changes to existing tax tables, new tax tables, employee definitions, tax declaration collection and ATO upload definitions, payment summary changes as well as specifications for submission to the ATO.

With Australia being ranked as the 5th most complex country in the world on the NGA global payroll complexity index[1], issues arise from introducing these changes into existing systems, without impacting other calculations and processes. This complexity means the proposed changes require careful examination and planning to ensure we maintain the integrity in the many computations performed, without adversely affecting other calculations.

Timing of the change

There is unanimous consensus amongst our members on the extremely short timeframes available to deliver these complex changes. To implement such changes requires detailed specifications. These are yet to be made available to our members to fully assess the impacts. Even if our members had access to this level of detail, we face business shut downs during late December and January as well as the second-busiest month for payroll teams in a year: shut downs of business, changes to regular payruns and bank transactions, whilst still making sure all employees are paid over the holiday period. Some members operating in the global payroll environment are concerned about competing with a global patch schedule to implement Australian changes outside the regular End of Financial year schedule. There is also considerable concern amongst our members on engaging employers to also install and test these patches in their own installations of the payroll products in time to meet the proposed date.

[1] Refer to http://www.ngahr.com/nga-payroll-complexity-research-2014, published 8 December 2014.

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Single Touch Payroll impacts

ABSIA is currently collaborating with the ATO on the recently announced Single Touch Payroll (STP) changes that are due to start on 1 July 2017. The working holiday maker changes present some synergies with STP and how that information is reported to the ATO. Our members would prefer to see a delay to this legislation to allow sufficient time to design how both these initiatives might work effectively for employers and reduce their reporting burden.

With these factors in mind, we suggest to the Senate Standing Committee of Economics a later implementation date that aligns with STP and EOFY implementation dates.

We would be happy to further discuss our concerns and any aspect of our submission with you.

Yours faithfully,

[redacted]

Deanne Windsor

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Australian Business Software Industry Association (ABSIA)
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