



COMMON TAX ISSUES

FOR AUSTRALIANS MOVING OVERSEAS



WHAT YOU SHOULD KNOW AS AN AUSTRALIAN MOVING OVERSEAS

If you're an Australian moving overseas then you will have different tax requirements than an Australian living in Australia.

It's a common misconception that departing Australians no longer have to worry about Australian taxes. There are, in fact, many situations where you may still be required to lodge an Australian tax return after moving abroad.

The tax consequences of departing Australia can become quite complex. Therefore, it is important to seek specific advice for your situation.

In the meantime, here is an outline of the five most common tax concerns for Australians moving away from Australia:

1. Becoming a Non-Resident
2. Paying Tax on Worldwide Income
3. When to Lodge an Australian Tax Return
4. What to do With Your Home
5. What Happens to Your Assets and Investments
6. If You Have a HELP Debt



1. BECOMING A NON-RESIDENT

As an Australian moving overseas will I still be an Australian tax resident or will I become a non-resident?

The tax consequences of leaving Australia will depend on whether you continue to be considered an Australian tax resident or if you become a non-resident. Therefore it is important to understand your status.

Keep in mind that living overseas does not automatically mean you are a non-resident. Likewise, remaining an Australian citizen does not automatically mean you remain an Australian tax resident. Visa status is not the same thing as tax residency.

In very simple terms, if you are moving away from Australia on a permanent basis then you will usually be a non-resident, provided the ATO would be satisfied that you have a home in another country. If you are only going overseas on a short-term basis then you continue to be considered an Australian tax resident.

The ATO has specific tests to determine residency. However in practice there are some grey areas. That is why it is important to talk to a specialist tax agent. They will be able to address the complexities involved in making a final decision. If your situation is particularly complex they will also be able to apply for a ruling.

2. PAYING TAX ON WORLDWIDE INCOME

If I'm still considered an Australian tax resident, why am I taxed on my overseas income?

As an Australian tax resident you are required to pay Australian income tax on your worldwide income. This applies whether you are living in Australia or are temporarily moving overseas.

Of course, you don't want to pay tax twice on the same income. That is why the government has tax arrangements with most countries.

This ensures that any foreign tax paid will be offset against the Australian tax relating to your foreign income.

If the Australian tax assessment is higher, then you will have to pay the ATO the difference. When the foreign tax is higher, then you won't have any Australian tax obligations.

It is different if you are a non-resident. Once you are a non-resident then you will only have to pay Australian tax on any Australian sourced income. An example of this is Australian rental income.

3. WHEN TO LODGE AN AUSTRALIAN TAX RETURN

When permanently departing Australia how will the income on my Australian shares and cash deposits be treated for my Australian tax return?

When you permanently depart Australia you become a non-resident, provided you have a home somewhere else (permanent place of abode). While living as a non-resident you will only be liable for Australian tax on any Australian sourced income. However, there are some types of income which is taxed at special rates.

For example, interest income is taxed at a flat 10%. It is important to notify the bank where you hold your cash deposits that you are a non-resident. That way they will withhold the right amount of Australian tax (withholding tax). This means you won't need to include that income on an Australian tax return.

If you receive franked dividends as a non-resident then the franking credit is considered to be your Australian tax. You are not entitled to a refund on this. Nor are you required to include franked dividends in your Australian tax return.

This means if Australian interest income and/or franked dividends are your only Australian sourced income, then you will not need to lodge an Australian tax return. However, if you have other Australian sourced income, you will still need to lodge an Australian tax return.

Other income, such as unfranked dividends, rental income, and capital gains on the sale of your Australian investments, will need to be included in an Australian tax return. They will be taxed at non-resident tax rates, which are different to normal tax rates.

4. WHAT TO DO WITH YOUR HOME

As an Australian who is permanently moving overseas, should I sell my home before I depart Australia?

There is no simple answer to this.

It will depend on your short and long term plans, the current market, and your immediate financial needs. You should definitely seek advice from your financial advisor.

From a tax perspective, selling your main residence before you leave means that you might not pay any capital gains tax (CGT) on the property.

If you sell your property after becoming a non-resident, then you will be liable for CGT on the full profit made on the sale of your home.

5. WHAT HAPPENS TO YOUR ASSETS AND INVESTMENTS

When permanently departing Australia, what happens to the assets that I owned while an Australian resident?

If you have assets such as shares and investments, or overseas property when you become a non-resident then you are treated by the tax system as having sold all your assets for their market value (except Australian real estate).

This means you need to compare their market value at the time you become a non-resident to the actual cost of the purchase. You will be assessed for Australian tax on any deemed profit.

You may choose to defer this capital gains tax (CGT) event until the time that you actually sell the foreign assets. However, if you do this then, depending on the country that you move to, you will be required to declare a capital gain on the entire profit made at the time of the sale. There is no ability to pro-rata the gain for the period that you are a non-resident compared to the period that you are a resident.

This means you need to make a choice. Declare the capital gain based on the value at the time you become a non-resident. Or wait to declare the actual capital gain when you actually sell. The risk with waiting is that the gain could be much higher. The issue with declaring the deemed gain is that you haven't actually received any cash to help cover the tax bill.

Ensure you obtain a detailed assessment of your options. This way you can understand the risks and possibilities that are needed to make an informed choice for your specific situation.

6. IF YOU HAVE A HELP DEBT

When you become a non-resident, the Australian government still requires you to repay any HELP debt you have with them.

This means that if you have a HELP debt, you will either need to lodge an Australian tax return or a non-lodgement advice notice every year.

The non-lodgement advice can only be lodged if your worldwide income is less than the repayment threshold for non-residents.

The threshold may change year to year so it is best to refer to the ATO website for the latest amount.

ABOUT US AND **HOW WE CAN ASSIST**

The tax consequences of leaving Australia will depend on whether you continue to be considered an Australian tax resident. Therefore, it is important to understand your status.

Since residency issues can be quite complex, it is important to get advice that is specific to your situation.



INTERNATIONAL TAX ADVICE

We assist our clients with international tax advice, help them plan for changing family or business circumstances and give them peace of mind to concentrate on their career and family knowing their tax affairs are effectively managed.

TAX RETURNS FOR THOSE WITH INTERNATIONAL ASSETS

Personal tax preparation for individuals with international interests requires specialist international tax expertise.

Our chartered accounting team are international tax specialists with the knowledge and experience to handle complex international tax matters for expats living in Australia and Australians living abroad.

SEEK ADVICE FOR YOUR PERSONAL CIRCUMSTANCES

Information in this document provides an outline of the common issues affecting Australians departing Australia. There are many factors that can affect your obligations, it is important that you seek advice for your personal circumstances.

P: +61 2 8920 0077

E: australia@csttax.com

W: csttax.com/en-au

DISCLAIMER

The information provided herein is intended to provide general information only and is not intended to contain any legal, accounting, or financial advice. Although we endeavour to ensure that the information contained herein is accurate, we do not warrant its accuracy or completeness or accept any liability for any loss or damage arising from any reliance thereon.