

The background of the top half of the page is a photograph of an airport terminal. Several people are seen from behind, walking away from the camera towards a large glass window. The sun is shining brightly through the window, creating a warm, golden glow and long shadows on the floor. An airplane is visible flying in the sky outside the window.

Australians Moving Abroad Tax Issues Relevant to Departing Australia

Tax is a major issue for Australian's moving abroad, and helping clients understand and manage the tax issues they face brings us tremendous satisfaction. It is something that we are very passionate about. The purpose of this guide is to answer the most common questions that our clients typically have in relation to moving abroad.

These are questions that we have been asked most often by clients seeking guidance on tax.

The basic rule every Australian moving overseas must know

Before we address the most common questions that clients ask, we wanted to cover the basic rule that every Australian moving overseas needs to understand. The rule of thumb is that an Australian who is a resident of Australia will pay tax on their world-wide income, wherever the income is earned and regardless of whether that income is brought into Australia.

By contrast – if an Australian has become a non-resident of Australia they will only pay tax on income which is considered to be 'Australian sourced.'

Australians Moving Abroad

Australians moving abroad – frequently asked questions

Question: I am moving overseas for work – will I need to pay tax in Australia on my foreign salary?

Answer: If you move overseas for work (and you become a non-resident of Australia) then your foreign salary income will not be taxable in Australia (except in very limited circumstances).

Question: What is the tax impact on my house in Australia?

There is no immediate income tax issue. However, you need to be aware of a few things.

For capital gains tax – you will generally be able to rent out your house in Australia for up to 6 years and then move back into it without losing the CGT exemption on the main residence. This is known as the Absence Concession.

You will need to pay tax on the rental income but you will be able to claim a range of deductions against the income.

Question: What tax rate would apply to my Australian rental income?

Rental income is treated as ordinary income and there are no special concessions. Essentially you will pay tax on your rental profits, at non-resident rates. Many Australians don't realise that if they become non-resident of Australia then they lose the low marginal tax rates available to tax residents. There is also no tax-free threshold for non-residents.

It means that if you become a non-resident and you rent out a property in Australia then you pay tax on all the net rental income at a minimum of 32.5%. Hence, if you could rent out your property for \$50,000 for the year and had \$20,000 in expenses, with a net profit of \$30,000 then you would pay tax of \$9,750 (being 32.5%).

Question: If I move overseas, but continue to work for my Australian employer will I still need to pay Australian tax?

The key issue will be whether you have become a non-resident of Australia. If you are not a resident of Australia, then simply working for an Australian based company does not make you taxable in Australia.

It will depend on how often you visit Australia for employment purposes and whether the job requires you to perform Australian based functions or activities. If you live in a country that has a Double Taxation Agreement with Australia that will

also need to be considered.

Question: What happens to other assets like shares and managed funds?

If you become a non-resident of Australia, then typically there is a 'deemed sale' for capital gains tax purposes on the investments that you own. For example, this means that if you were holding shares which you had bought for \$100,000 which are worth \$150,000 when you leave, you would have a \$50,000 deemed capital gains. This would need to be declared in your personal tax return for the year in which you leave Australia.

However, tax laws allow you (as an individual) to make a choice to disregard the deemed sale (and defer tax) but doing that means you would typically always be taxable in Australia on those assets in the future, even if you sell them while you are living overseas. Special rules can apply to those clients who moved to the United States or the UK.

This is an issue not only for shares and managed funds but for all CGT assets, other than Australian real estate.

If you have significant investments it is important to conduct a detailed analysis of the tax impact on your assets of departing Australia. We would be pleased to undertake that for you.

Question: What happens to my Australian superannuation?

Technically nothing 'happens' from an Australian tax perspective to your Australian superannuation when you leave Australia. For many clients, their superannuation savings simply stay invested within their existing superannuation funds while they are living overseas. It is possible to continue contributions while you are overseas, but it is not mandatory.

In some cases however, where a person has a self-managed superannuation fund making a contribution while living overseas is actually prohibited and can cause big problems for the status of the self-managed superannuation fund.

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If you have a self-managed superannuation fund and are considering moving overseas please allow yourselves sufficient time to obtain the appropriate advice as to your options, as you will have important steps that you need to be advised on to avoid falling foul of the Superannuation Industry Supervision Act.

Question: *How will I be taxed overseas?*

This is not simple question and will depend entirely on the country you have chosen to move to.

Many countries contain a similar world-wide tax system to Australia, meaning that they require you to pay tax not only on income you earn from within the country, but also on your foreign earnings.

For example, Australians moving to the United States are required to declare their Australian rental income in their U.S Federal tax return. Usually double tax can be avoided if a claim can be made for a foreign tax credit for tax already paid in Australia.

On the other hand, an Australian moving to the United Kingdom may not need to declare such income in the UK depending upon their status under the UK's non-domicile rules.

CST has offices in the USA, United Kingdom, Singapore and Hong Kong and we can assist you with tax advice and tax return preparation in those countries.

Where you would also like us to assist you in Australia you will have the benefit of the combined strength of our offices working together.

You will be providing with a fully integrated approach to your personal tax affairs which will make your life much easier than it otherwise would be in dealing with different tax firms in two different countries. This solution works very well for clients with assets and income in multiple countries. Very few firms have our passion for and our expertise in this area for taxation.

Question: *I am moving to a country with a Double Taxation Agreement so I assume I will not pay Double Tax?*

No – that assumption cannot be made. It all depends on the type of income you earn and your personal position will need to be carefully analysed.

Question: *I am moving overseas – can choose to remain an Australian tax resident?*

No, there is no choice. Whether you are a resident of Australia or not, is based on the facts of your situation. If you need advice about Australian tax residency we would be happy to advise you further. However, we will only be able to provide you with residency advice by considering your personal situation.

Question: *Do I need to lodge an income tax return after I have left Australia?*

You will need to lodge a tax return if you have derived Australian source income. If you have only derived interest income from an Australian bank account, you should not need to lodge an income tax return if you have advised your bank that you have become a non-resident of Australia and if the bank has deducted the necessary 10% withholding tax.

Question: *What tax rates apply to my income?*

The resident tax rates for the years ended 30 June 2017 is as follows;

Taxable income	Tax on this income
0-\$18,200	NIL
\$18,201-\$37,000	19c for each \$1 over \$18,200
\$37,001- \$87,000	\$3,572 plus 32.5c for each \$1 over \$37,000
\$87,001- \$180,000	\$19,822 plus 37c for each \$1 over \$87,000
\$180,001 and over	\$54,232 plus 45c for each \$1 over \$180,000

The non-resident tax rates are as follows;

Taxable income	Tax on this income
0-\$87,000	32.5 for each \$1
\$87,001-\$180,000	\$28,275 plus 37c for each \$1 over \$87,000
\$180,001 and over	\$62,685 plus 45c for each \$1 over \$180,000

Note: the above rates do not include Medicare Levy of 2% (non-residents are not required to pay the Medicare Levy) or the Temporary Budget Repair Levy of 2% payable for taxable incomes over \$180,000.

Question: I have sold an investment property in Australia – what rate of tax applies to my income?

If your property is not covered by the Absence Concession, then capital gains tax will apply to the sale of the property. Capital gains tax is not a separate tax, the net capital gain from the sale will be included in your overall Australian income (subject to any discount or apportionment applicable) and tax will be calculated on the overall income based on the above rates.

Contact us

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