Tax – Tax considerations: becoming a non-resident

If you are a non-resident for Australian tax purposes, it is important to understand any tax liability you may have not only in Australia, but also in any foreign country in which you're a tax resident. This may impact your wealth creation plans.

Some of the general tax considerations for outbound Australian residents are outlined below. There may be local tax implications and regulatory requirements which you are required to meet as a consequence of the financial services provided to you by us. We recommend that you speak to a local adviser or tax agent before undertaking any action.

This information is not intended to be a substitute for specialised taxation advice or an assessment of any liabilities, obligations or claim entitlements that may arise under taxation law and we recommend you consult with a registered tax agent. Any tax estimates provided by us are intended as a guide only and are based on our general understanding of taxation laws.

Residency status

As you are going overseas for an extended period of time, you will need to determine if you will be a non-resident for Australian tax purposes. Tax residency status is a complex area and will be determined based on a number of factors such as:

- The duration of your stay overseas;
- Establishment of a home overseas and other social/economic arrangements;
- Your intention to return to Australia; and
- Your ties to Australia whilst overseas (such as family, maintenance of a residence and other commitments).

Other factors may also be considered relevant in determining your residency status.

Just because you're going overseas, it doesn't necessarily mean that you will no longer be an Australian resident for tax purposes. It is important to get the right tax advice before you depart, so that you're aware of your ongoing obligations to report income in Australia. In fact, if you are still going to be treated as a tax resident of Australia, you must not only lodge an Australian tax return but also declare all of your worldwide income in Australia, including any employment or investment income you earn overseas.

Income for non-residents for tax purposes

If you're treated as a non-resident for tax purposes, your reporting obligations and the way in which certain types of income is reported and taxed will differ.

- Certain types of Australian sourced income (such as unfranked dividends and interest income) may be subject to Australian withholding tax which will be deducted by the financial institution or share issuer before it is paid to you. You don't need to report this income on an Australian tax return.
- Certain other Australian sourced income (such as rental income from an Australian rental property) needs to be reported on an Australian tax return, and may be subject to Australian tax at the non-resident individual tax rates.
- If you are participating in an employee share scheme, there may be Australian tax implications. The taxation rules for employee share schemes are very complex and it is imperative that you obtain specialist tax advice.
- Investments that you own that are not Taxable Australian Property may be subject to Australian capital gains tax (CGT) under the deemed disposal rules at the time that you become a non-resident for tax purposes. You may make an election for the deemed disposal rules not to apply however it

could mean that you will be subject to CGT on the full capital gain when you dispose of the asset (even if you are a non-resident at the time).

- CGT discounts may not be available to people who are/have been non-residents. This may involve more careful planning when you are considering whether to opt out of the deemed disposal rules. You should consult with your registered tax agent prior to departure to ensure that you take the appropriate action for your circumstances including any implications if you are selling your principal residence.
- The tax you're liable for may be determined by whether or not a double tax agreement (DTA) is in place between Australia and the country where you are a tax resident. A DTA is an agreement between two countries which aims to reduce or eliminate double taxation. It generally specifies which country has taxing rights to certain types of income of a person. In the case of double taxation, you may be eligible to claim a tax credit in some circumstances (usually in the country that you are residing).

Deductions

- You may be eligible to claim a tax deduction for interest costs where you use the borrowed funds to purchase an asset that produces Australian assessable income that you declare when you lodge a tax return.
- You may lose the ability to claim tax deductions where they relate to your foreign sourced income and you are a non-resident for Australian tax purposes.

Superannuation considerations

- You may be able to continue making contributions to your Australian superannuation fund whilst overseas.
- If you are a member/trustee of a SMSF, your fund and benefits can be significantly impacted if you are offshore for an extended period of time. Your SMSF may become a non-resident superannuation fund which can result in significant penalties and loss of certain tax concessions. You should obtain specialist tax advice from a registered tax agent prior to departure to determine the impact that your overseas travel will have on your SMSF so that you can implement plans accordingly.

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