

Australian taxpayers with foreign income sources need to be mindful of the way foreign bank transfers are viewed by the ATO.

Australians are increasingly travelling overseas to follow career opportunities, with many often working away from home for extended periods of time.

One of the issues that some discover on return is how to bring earnings back into Australia.

Residency status, intention and documentation are important consideration for taxpayers living and working overseas, particularly where they hold assets such as property, cash assets or investments at home or abroad.

Australian resident taxpayers face different rules to non-resident taxpayers, particularly around what is deemed assessable income and transfers of assets back to Australia can trigger the ATO's interest.

Obligations as an Australian Resident Tax Payer

An Australian resident's assessable income includes ordinary income derived directly or indirectly from all sources, including foreign sources, within the tax year.

For non-residents, their assessable income includes only the income that comes from Australian sources. The onus is on the taxpayer to prove any assessment is excessive but also to ensure that they plan for how their residency status will affect their tax ^[1].

As an Australian tax resident, you're required to:

- Lodge an Australian tax return and declare all foreign employment income - including tax exempt income
- Declare that income even if the tax was taken out in the country in which it was earned.

Whether you're planning to be overseas for a specific period or your plans are open-ended, it's vital to plan for tax before you go, for example:

- Any property that you rent out whilst away
- Potential capital gains tax on your investments and property
- Maintaining or cancelling your health insurance
- Any student loans
- Super and self-managed super



A case study: Bringing income home to Australia

In a recent case heard by the Australian Administrative Appeals Tribunal, a taxpayer transferred funds from his Hong Kong Company to an Australian bank account in 2010 and 2011.

Whilst overseas, he provided services to a Hong Kong-based customer, which were paid to his corporate entity and while his intent had been to not return home, a family illness changed plans and the taxpayer returned to Australia in 2009.

Critical to the decision was the timing of his transfers, which occurred while he was an Australian resident for tax purposes.

Despite contending that the transfers were simply moving accumulated savings, his inability to provide evidence to that effect resulted in the Tax Commissioner assessing it as income.

The AAT confirmed the ATO's decision, citing that there is separate ownership of income between a company and a shareholder, tax status as an Australian resident and lack of evidence to substantiate his position.

Advice is critical

Australians moving overseas for work should seek

professional advice on how to manage their tax position, ideally before they leave, particularly when they have assets such as property, cash and other investments that may need to be moved from one country to another.

Contact us on 02 9957 4033 to speak to an International Tax specialist, or alternatively email your query to enquiry@batescosgrave.com.au.

Contact Us

Bates Cosgrave Chartered Accountants

Ground Floor, 123 Walker Street, North Sydney NSW 2060

PO Box 497 North Sydney NSW 2059

Tel: 02 9957 4033 Fax: 02 9964 0610 Email: enquiry@batescosgrave.com.au

Web: www.batescosgrave.com.au

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