

EXPATRIATES

Australia

Tax facts for International Assignees



INCOME TAX: WHO IS LIABLE

Australian Residents

Australian residents are generally subject to income tax on their worldwide income and capital gains.

Where an outbound expatriate remains an Australian resident for tax purposes, they are required to lodge tax returns annually. However, they will not be subject to Australian income tax where their assessable income does not exceed the tax-free threshold, which is currently \$18,200.

If the expatriate is subject to tax in both Australia and the host country on the same income, the expatriate may be eligible to claim a foreign income tax offset (FITO) for the foreign taxes paid in respect of foreign sourced income, if certain conditions are satisfied.

Where an outbound expatriate remains an Australian tax resident and meets certain conditions under the relevant Double Taxation Agreement (DTA) between Australia and the host country, they might be considered a non-resident of Australia for the purpose of applying the DTA, in which case their foreign sourced employment income may be exempt from Australian income tax.

Non-Residents

Where an outbound expatriate becomes a non-resident for Australian tax purposes, they will be required to lodge a tax return to declare their Australian sourced income or gains only.

Where the expatriate does not expect to have Australian sourced income, they may advise the ATO when filing their last tax return.

BREAKING RESIDENCY - EXIT PROCEDURES

To determine tax residency of expatriates depend on their assignment length and their personal facts and circumstances. Expatriates who undertake assignments of at least two years in duration and who cease to have a permanent place of abode available for their use in Australia will generally be considered non-residents for tax purposes; however, residency must be determined on a case-by-case basis.

Ceasing residency may trigger a deemed disposal of assets that are not considered taxable Australian property assets, requiring recognition of unrealized gain/loss on these assets. An election may be available to treat some non-taxable assets as taxable Australian property assets. This election will prevent the deemed disposal of these assets upon ceasing residency, and these assets will instead be subject to Australian capital gains tax when actually disposed of.

INCOME TAX RATES 2022/2023

Resident Income Tax Rates:

Taxable Income	Tax Rate
\$0 - \$18,200	Nil
\$18,201 - \$45,000	19% on each \$1 over \$18,200
\$45,001 - \$120,000	\$5,092 plus 32.5% on each \$1 over \$45,000
\$120,001 - \$180,000	\$29,467 plus 37% for each \$1 over \$120,000
\$180,001 and over	\$51,667 plus 45% for each \$1 over \$180,000

Non-Resident Income Tax Rates:

Taxable Income	Tax Rate
\$0 - \$120,000	32.5% for each \$1
\$120,001 - \$180,000	\$39,000 + 37% for each \$1 over \$120,000
\$180,001 and over	\$61,200 + 45% for each \$1 over \$180,000

The above resident rates exclude a Medicare levy of 2%. Residents may also be subject to the Medicare levy surcharge (1 to 1.5% depending on the income level) where they do not hold the appropriate level of private health insurance with a registered Australian provider.

Where the expatriate is considered a part year resident, they will be entitled to the tax-free threshold on a pro-rated basis.

Non-residents are not required to pay the Medicare levy or Medicare levy surcharge.

SOCIAL TAXES

If the expatriate remains an Australian resident, contributions to a qualifying superannuation (pension) fund will still be due by their employer under the Superannuation Guarantee Charge (SGC) scheme.

If the expatriate remains an Australian resident, is employed by a foreign employer, and does not perform any Australian employment duties during the assignment period, no superannuation contributions will be required.

If the expatriate becomes a non-resident, superannuation contributions will no longer be compulsory. However, an Australian employer may voluntarily decide to continue

Totalization Agreements

Where the expatriate remains an Australian tax resident and is assigned to a country with which Australia has a totalization agreement, a certificate may be obtained from the Australian Taxation Office (ATO) to exempt the expat's employer from the requirement to make social security contributions in the host country.

For further information and to register for future updates contact expat@bdo.global

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