

# INPATRIATES

## Australia

### Tax facts for International Assignees



#### INCOME TAX: WHO IS LIABLE

##### Australian Residents

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

An inbound expatriate will generally be regarded as a resident where they are considered to 'reside' in Australia which generally means living in Australia in a settled like manner for at least six months.

If the inbound expatriate does not reside in Australia, they may still be regarded as a resident if they satisfy one of the following tests:

- They are 'domiciled' in Australia, unless the Australian Taxation Office (ATO) is satisfied that their permanent place of abode is outside Australia
- They are in Australia either continuously or intermittently for more than half of the income year, unless the ATO is satisfied that their usual place of abode is outside Australia and that they do not intend to take up residence in Australia
- They are a member of certain Australian government superannuation (pension) schemes

##### Temporary Residents

If the expatriate is considered a resident, as defined above, they might also be regarded as a temporary resident where the following tests are met:

- They (and if applicable, their spouse) hold a temporary visa granted under the Migration Act, and
- They (and if applicable, their spouse) are not an Australian resident within the meaning of the Social Security Act 1991

Temporary residents are subject to resident tax rates on their worldwide employment income but are exempt from Australian income tax on all other foreign sourced passive investment income and gains. Capital gains arising from taxable Australian property are also subject to income tax.

##### Non-Residents

Inbound expatriates to Australia will be considered non-residents where they are not tax residents under the above-mentioned tests.

Foreign residents are only subject to Australian income tax on their Australian sourced income and gains arising from taxable Australian property.

Please note that taxpayers who are required to lodge an Australian income tax return are required to lodge their annual tax return by 31 October each year unless they are lodging through a tax agent, in which case an extension may apply up until March-May of the following year.

Under the relevant Double Taxation Agreement (DTA) between Australia and the home country, an inbound expatriate who is a non-resident may be exempt from tax in Australia if certain qualifying conditions are met. While Australia adopts the economic employer concept, its approach to this rule is not as straightforward as many other countries and in many cases is difficult to apply.

#### REGISTRATION/FORMALITIES

A Tax File Number (TFN) is a form of identification for tax purposes. Expatriates who are required to file an Australian income tax return must apply for a TFN online (if in Australia) or by downloading a form from [www.ato.gov.au](http://www.ato.gov.au) and completing the form manually.

## 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 rates are exclusive of a 2% Medicare levy which applies to tax residents and some temporary residents (see below). 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.

Temporary residents who are on assignment from a country that Australia does not have a reciprocal healthcare agreement with may apply for a Medicare Entitlement Statement to exempt them from paying the Medicare levy and Medicare levy surcharge mentioned above.

## SOCIAL TAXES

Employers are required to make minimum contributions to a qualifying superannuation fund (i.e. pension fund) on behalf of employees. The contribution rate is 10.5% for 2022/23 and will increase by 0.5 percentage points each year until it reaches 12%.

Contributions are not required for the following excluded employees:

- Non-resident employees in relation to work performed outside Australia.
- Resident employees in relation to work performed outside Australia and employed by a non-resident employer.
- Foreign executive employees who hold certain subclasses of visas (subject to additional requirements).
- Employees exempt under a “totalization agreement” between their home country and Australia.

Where a temporary visa is held, funds may be withdrawn from a superannuation account after the expatriate has left Australia permanently, subject to a 35% withholding tax.

For further information and to register for future updates contact [expat@bdo.global](mailto:expat@bdo.global)

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