ASK THE EXPERT

Storage & Relocation

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I am thinking about returning to Australia so I am worried my overseas salary will be taxable if I return before the end of the financial year.

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It is a common misunderstanding for people heading back to live in Australia to be worried that their offshore salary in the year of income will be captured and taxed by the Australian Taxation Office.

Happily I can report that this is not the case.

When you return to Australia to live on a permanent basis, you do become taxable on worldwide income, but only from the date of arrival onwards, so any income of any nature, salary, investment or capital gains, up to that point remains tax free.

This is true even if the income is paid after the date of arrival. For example if you have holiday pay or termination benefits that accrued during the time overseas, these will be tax free in Australia even if paid out after arrival.

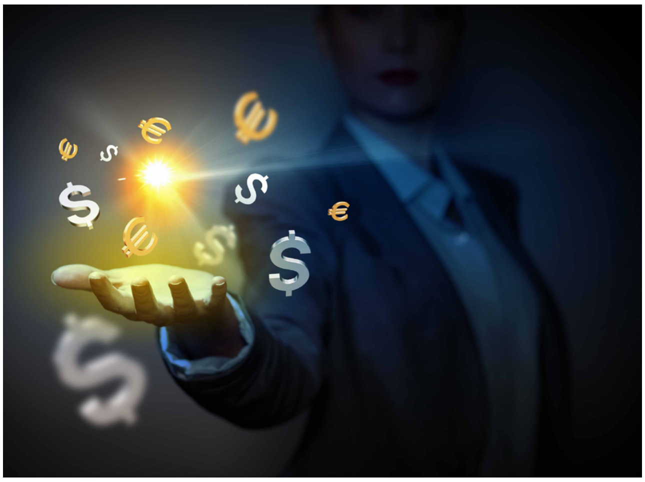
When someone becomes an Australian resident, they are classed as "Part Year Resident" and that effectively means that for the time you were "Non Resident" those rules apply to exclude offshore salary, and then at the date of change of residence the "Resident Tax" rules apply.

The main difference is in the Tax Free Threshold. If you had lived in Australia for the full year, then you would be entitled to earn A$6,000 tax free, as a Part Year Resident, this is applied on a pro rata basis of A$500 for each month you had been back in Australia.

If you have concerns about salary benefits or employee schemes that are held but remain unpaid at the time of return, then seek appropriate advice to make sure you achieve your tax free entitlements.

Any interest or investment earnings after the date of return will also have to be declared, and capital gains will start to apply on assets.

Capital Gains Tax in Australia will only apply on the eventual sale upon the profits achieved in excess of the market value of the assets on the date of return, regardless



what the original cost was. This applies for property, shares and any other non personal assets that you may have accumulated.

Valuations may be required on certain assets to confirm the values on date of return, so be mindful to be organized on this front.

Despite Australia being perceived as a high tax country, it is actually a very fair system and does not seek to take advantage of returning expats or arriving migrants.

You will of course need to double check the tax consequences of any entitlements in the country you are departing from as there may be tax levied there, but you can look forward to taking it back to Australia without the fear of any further taxation.

Steve Douglas is the co-founder and Managing Director of Australasian Taxation Services (ATS), established in Singapore in 1995. ATS provides specialist taxation services to people of any nationality investing in Australian property, as well as Australian expatriates living overseas. Areas of specialisation include the Australian taxation aspects of property investment, as well as expatriate and migration planning.