

Q *I am thinking of giving my parents in Australia some money to help them out, are there any tax issues if I do this?*

A Fortunately in Australia, we have no Gift Duties whatsoever so you can freely send money home to your parents, family or anyone else for that matter, without fear of any tax consequences.

Despite Australia's poor reputation as a high tax country, it remains one of the only Western Governments to not have a Gift Duty or Inheritance Tax, so perhaps the Australian tax regime is fairer than people realize.

If you do intend to send a gift to your parents, this may have no tax consequences, but it may have some impact on them if they are in receipt of an Australian Government Pension or other payment.

It may need to be declared under the Pensions Assets test so you should check with their advisors prior to making payment.

You should also be careful if the gift has some link to a commercial transaction, for example if had jointly invested with your friends or family in some Australian listed shares, but chose to hold them in your name as they would be tax free as a overseas based investor.

If the gift can be seen to be in any way linked to a transaction and the equivalent of a profit share, then the Australian Taxation Office has the power to treat it as a taxable transaction despite your insistence that it should be considered as a gift.

This would not affect your tax status but would gravely affect the Australian based recipient and tarnish both your reputations with the Australian authorities.

In short, you should not try and abuse the generosity of the Australian taxation laws by pushing so far as to alter the true nature of any transaction.

In addition, you should also clearly identify if this is a permanent gift or simply a repayable advance?

If you do expect the money to come back to you, that



also would be free of any tax issues, however if you intend to receive interest on the advance, then the interest component would be subject to Withholding Tax of 10% which is payable when anyone living in Australia pays interest to anyone living outside of Australia.

If it is an "interest free" loan then the simple repayment of the original loan amount in itself would have no further tax consequences and you are entitled to receive back your capital however you see fit.

You should always consider the full ramifications of any gift, as there are legal issues. A true gift is non taxable but also non recoverable, so be sure this is what you intended at the moment of your initial generosity.

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.