

**Q** *I am heading back to Australia after living in Singapore for the last 5 years is there anything I need to worry about in regard to Australian Tax?*

**A** For all Australian expatriates the day to return soon arrives. As a matter of interest the average time most expect to stay overseas is 2 years, while the actual time spent averages 7 years.

Whenever your time ends there are some issues you need to face and some false fears you can overcome.

A quick summary of the key issues is provided below:

**You can take your cash and savings back tax free:** Many people needlessly worry that any money they bring back to Australia will somehow be taxed by the Australian Government on return. This is simply not true and you can take all of your hard earn savings back with you without any fear of tax.

You can leave funds overseas if you wish, but you will need to declare all earnings and foreign exchange gains (if the balance of the account is more than A\$250,000) in Australia each year. The original sum is not taxed but earnings definitely are.

**You don't need to sell any assets prior to returning:** Many people are worried they need to sell any assets or investments prior to returning to Australia for fear of past profits becoming taxable. This is simply not the case as only future profits after the date of return will ever be taxable in Australia.

As such it is not necessary to sell anything as it won't improve your tax position at all. The decision to keep or sell should be based solely on the investment wisdom and prospects of the assets. It is often best to sell things in order to reduce your personal home debt, but apart from that, if you are happy with the asset then all you need do is arrange a valuation at time of return to confirm the starting value for Australian tax.

**You are only taxed from the day of arrival onwards:** Another fear is that if you go home during an Australian tax year, your offshore earnings prior to moving back to Australia will be taxed in Australia. This isn't so, and only earnings after the date of arrival and change of tax residence will be subject to tax in Australia.

Even if you are paid after being back in Australia, as long as you can prove that the payment relates to the period of employment while overseas then it won't be subject to tax.

There are some special rules in regards to Employee Shares and benefits and some issues on bonus payments if you stay with the same employer on return that can mean you have to pay Australian tax and receive a credit for the overseas tax paid, so if on doubt seek professional assistance.

**Be careful keeping offshore savings plans:** Australia does have some strong anti-avoidance rules in regards to offshore trusts and savings plans that can tax annual value increases as income even if they haven't been cashed in. You need to be mindful of this if you have entered into any savings plans and seek clarification

from a qualified advisor to ensure you are fully aware of any implications.

**Transfer Pensions within 6 months of return:** If you are able to cash in or transfer any offshore pension plans within the first six months of your return to Australia, then there will be not tax implications. If it does take longer then there may be some tax cost to you personally or within the fund you transfer your pension into, so be diligent in acting on this as soon as you know you are ready to head back to Australia.

**Pay out your home before anything else:** It is essential to minimise the size of your personal home loan, so when heading back to Australia consider cashing in any investments that will assist with this. This is because a loan on a home you live in is not tax deductible in Australia, only when it is rented can you claim the interest as a cost.

You are usually far better off to close out any investment to lower the debt and reduce your non tax deductible cost, rather than leave the investment where the income or gains may be subject to tax without the benefit of offsetting the interest.

**Don't try to hide anything:** In this modern age, almost everything financial is visible to Governments, so don't try and hide assets or fail to declare the income for fear of tax.

A sensible tax planning strategy can easily control and manage any tax implications and ensure you have a low cost and total peace of mind.

**Plan your return as early as possible:** The sooner you begin to plan for your return to Australia the better.

Picking a good time to sell investments and a favourable exchange rate can make a significant difference in your financial position, so the earlier you start to consider your options the more flexible you can be to take advantage of favourable conditions.

At ATS we are experts in getting you ready to return to Australia and have some specialised software to be able to model your overall tax position.

Don't take chances on hearsay and rumours as the consequences of getting things wrong in Australia can be very expensive with high penalties and back taxes.

Australian tax is complicated but fair for returning expatriates, but you do need to give it the respect it deserves and take a rational and thoughtful approach to ensure your tax affairs are in order and you understand your options.

Contact us at [tax@smats.net](mailto:tax@smats.net) with any specific question you may have or to get our professional team to assist you with your Australian Taxation requirements.