

Australian tax implications of an overseas fellowship

The Australian Tax Implications of an Overseas Fellowship

If you're doing an overseas Fellowship in the future, there are some important tax implications to consider.

The best time to do this is before you leave.

One of the essential things you'll need is up-to-date information on what the Australian Tax Office (ATO) requires you to declare on your Australian tax return.

To be (an Australian resident for tax purposes) or not to be?

The first consideration relates to your tax residency status under Australian law. This is because the rules that apply to an Australian resident for tax purposes are different to the rules that apply to a non-resident for tax-purposes who resides overseas.

Your tax residency status will generally be determined by the following criteria:

- Do you have plans in place to return to Australia?
- Have you established a permanent home overseas?
- How long have you been staying overseas?
- Did your family travel overseas with you?
- Do you have employment commitments in Australia or overseas?

Australian resident for tax purposes

If you're an Australian resident for tax purposes, you must declare all income earned or derived overseas on your Australian tax return. You'll also receive a tax credit for any taxes paid overseas to enable you to avoid being doubly taxed. This may result in you having to pay a 'top up' tax to the ATO.

Non-Australian resident for tax purposes

If you're not an Australian resident for tax purposes, you aren't required to declare overseas income in your Australian Tax Return.

However, don't forget that you will need to complete an Australian tax return and declare any Australian investment income. Bear in mind that being a non-Australian resident for tax purposes may have capital gains tax implications on Australian shares and property.

Example

Dr Sarah Johnson is working as a colorectal Fellow at St Paul's Hospital in Vancouver, Canada. The duration of her Fellowship is two years.

Sarah has a mortgage over a house in Melbourne that she is renting out during her stay overseas. Currently, she's living in a rental flat in Vancouver.

Sarah is considered to be an Australian resident for tax purposes because she:

- is an Australian citizen who is working overseas for a finite period
- shows every intention of returning to live in Australia once her overseas stay ends
- owns a home in Australia that she will reoccupy on her return from overseas.

Deductible expenses

You will normally not be allowed to claim Australian tax deductions for relocation or visa expenses.

Private Health insurance

If you're deemed to be an Australian resident for tax purposes while overseas, and you suspend your private health insurance, you will still be liable for the Medicare Levy Surcharge on your Australian Tax Return if your combined Australian and overseas income for the financial year is over AUD90,000 for individuals and AUD180,000 for families.

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Vanessa Smith BBus (Acc), Adv Dip FS (FP) Cert IV FMB

Senior Consultant | Bongiorno Group

For further information or to book an exclusive AMAV member complimentary meeting, please phone 03 9863 3111 or email amav@bongiorno.com.au

