JBC Corporate

Foreign Income

This fact sheet aims to provide a brief overview of how foreign income is affected by Australian Taxation Law.

If you satisfy as an Australian resident for taxation purposes, you are taxed any income derived worldwide. You are required to declare any foreign income in your income tax return, including:

- Pensions and annuities;
- Business income;
- Employment and personal services income;
- Assets and investment income – including offshore bank accounts; or
- Capital gains on overseas assets.

Your foreign income could be subject to double taxation if tax is withheld in the source country. To overcome this, Australia has a system of credits and exemptions and has signed tax treaties with more than 40 countries, including all major Australian trade and investment partners.

If you do not satisfy as an Australian resident for taxation purposes, you are only taxed on your Australian-sourced income, so you are generally not required to declare income you receive from outside Australia in your Australian tax return

Income from Employment and Personal Services

If you have worked overseas or provided services to an organisation outside of Australia, you will be required to declare all relevant income, as if it were earned in Australia, this may include:

- Salary and wages;
- Director's fees;
- Consultancy fees;
- Business income; or
- Any other remuneration.

Income from Assets and Investments

If you own assets or investments overseas, you will be required to declare all relevant returns as if they were in Australia, this may include:

- Interest from bank deposits or bonds;
- Dividends from shares;
- Royalties from intellectual property;
- Rental income from real estate;
- Pensions, annuities and lump sums from managed funds;
- Income streams from super funds; or
- Some government pensions.

Capital Gains on Overseas Assets

If you own an asset overseas, you may have to pay Australian tax when you sell the asset. You are required to keep appropriate records.

If you acquired an overseas asset before you became an Australian resident, you are taken to have acquired the asset at the time you became a resident.

Similarly, if you stop being an Australian resident while holding an overseas asset, you are deemed to have disposed of that asset at the time you stop being a resident.

To accurately calculate the capital gain or loss, ensure you keep a record of the value of your asset at these times. This is a complex area of tax law and exemptions may apply.

Tax Paid on Income Overseas

If you have already paid tax in the country that you have derived the income from, you may be able to claim a foreign income tax offset credit.

To be eligible for a foreign income tax offset credit you must:

- Have paid the tax on the income overseas; or
- Have records to prove that the tax has been paid.

The offset amount you are entitled to will not always be the same amount of the tax paid overseas. If you are claiming more than $1,000 you will first be required to calculate your foreign income tax offset limit to determine your entitlement.

Convert Foreign Income

You must convert all foreign income, deductions and tax offsets to Australian dollars in your tax return. Depending on your circumstances and the type of income, you will be required to use either:

- Specific prevailing exchange rate; or
- Average exchange rate.

Apportionment of Foreign Income

Unlike Australia, most countries do not have an income year ending 30 June. You may need to report foreign income amounts and associated tax offsets that you receive across multiple tax returns in Australia.

You will need to determine which tax years the amounts align to and apportion them accordingly.

Should you have any questions or require further information on this subject please don't hesitate to get in touch.

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