



August 2019

E: [advice@barrettwalker.com.au](mailto:advice@barrettwalker.com.au)  
[www.barrettwalker.com.au](http://www.barrettwalker.com.au)

A: Suite 8, 150 Chestnut Street, Cremorne  
P: (03) 9428 1033

# Tax when you're headed overseas



*Most people's "to-do" list when they are planning a trip overseas will likely include items such as travel insurance, phone chargers or taking photos of their passport — but probably the last thing on anyone's minds will be their likely tax situation before, during or after that trip-of-a-lifetime.*

There are a few simple considerations, taken in the context of your personal circumstances, that may end up making quite a difference to your final fiscal outcome.

Generally you will remain an Australian resident for tax purposes if you're overseas temporarily and you don't set up a permanent home in another country.

There's usually nothing stopping you from working overseas, but you must lodge an Australian tax return and declare your "worldwide" income, even if tax was taken out in the country where you earned the income (there will most likely be a tax offset to take care of any doubled-up tax).

### SOME CGT CONSIDERATIONS

If you leave your home in Australia temporarily and rent it out, you can continue to treat it as your main residence for up to six years for capital gains tax (CGT) purposes. If you don't rent out your vacated home, you can treat it as your main residence for an unlimited period.

If you cease to be an Australian resident and decide to sell your home in Australia you may be liable to CGT.

If you cease to be an Australian resident while overseas, the ATO may deem some of your assets (generally those not considered "taxable Australian property") to have been disposed of for CGT purposes, which may mean you become liable to pay CGT.

You can choose not to have this deemed disposal apply. But if you subsequently dispose of the asset some time later, the ATO may take into account the

### About this newsletter

Welcome to our monthly tax and superannuation update. We hope you find the content informative. Should you require further information on how any of the content could affect you, please do not hesitate to contact Ray or Neal on (03) 9428 1033 or

Ray Barrett | [Ray.Barrett@barrettwalker.com.au](mailto:Ray.Barrett@barrettwalker.com.au)  
Neal Patel | [Neal.Patel@barrettwalker.com.au](mailto:Neal.Patel@barrettwalker.com.au)

© Content in partnership with **Taxpayers Australia**

*Continue overleaf*

whole period of ownership – including any period when you’re not an Australian resident – when it calculates a gain or loss for CGT purposes.

## SUPERANNUATION

If you are an Australian citizen or permanent resident heading overseas, your super remains subject to the same rules, even if you are leaving Australia permanently. This means you cannot access your super until you reach preservation age and retire, or satisfy another condition of release.

If you have a small amount saved for retirement that you want to keep with your super fund, contact your super fund and tell them. This will prevent it from being transferred to the ATO as “unclaimed” super.

If you are a trustee of a self-managed super fund (SMSF) and you intend to travel overseas for an extended period, check before you leave that your fund will continue to meet the definition of an Australian super fund. Generally there are certain residency conditions for an SMSF, which include that:

- it was established here and at least one asset of the fund is located in Australia
- central management and control is ordinarily in Australia
- its active members hold at least 50% of the fund’s assets.

If your SMSF fails the residency test, it could be advisable to roll over your funds to a resident regulated super fund and wind up the SMSF — as otherwise the SMSF will become non-complying. Professional advice in these situations is recommended.

## HEALTH INSURANCE

The Medicare levy surcharge applies to Australian residents who have incomes above the surcharge thresholds and do not have an appropriate level of private patient hospital cover. So if you cancel your private health insurance while travelling overseas, you may be liable for the Medicare levy surcharge if your income exceeds the relevant threshold.

A good idea may be to contact your health fund to work out the amount of premium you expect to save by cancelling or suspending your cover, and then compare it to the surcharge you may have to pay.

You and all your family dependants must have private patient hospital cover to avoid paying the surcharge. Cancelling or suspending cover for yourself will mean you and your spouse may each still be liable for the

surcharge if your combined income for the purposes of the surcharge exceeds the family surcharge threshold.

Remember, travel insurance is not private patient hospital cover for the purposes of the Medicare levy surcharge. Private patient hospital cover does not include cover provided by an overseas fund.

(Also note that although any foreign employment income may be exempt from Australian tax, the ATO will still take it into account when it determines your taxable income for the purposes of the Medicare levy surcharge.)

## STUDENT LOANS

If you have moved overseas and have a Higher Education Loan Programme (HELP), VET Student Loan (VSL) or Trade Support Loan (TSL) debt, you will have the same repayment obligations as those who live in Australia. This applies even if you already live or intend to move overseas for a total of more than six months in any 12-month period.

You will need to update your contact details using the ATO’s online services via myGov. You will also need to advise the ATO of your worldwide income, and make compulsory repayments or pay an overseas levy towards your debt if you earn over the minimum repayment threshold.

If you have a Student Financial Supplement Scheme (SFSS), Student Start-up Loan (SSL) or ABSTUDY Student Start-up Loan (ABSTUDY SSL) debt and go overseas, the ATO will continue to maintain your loan account. Your debt will not be waived and the amount outstanding will continue to be indexed each year until you have paid off your debt. You can still make voluntary repayments when you are overseas.

**Important:** Clients should not act solely on the basis of the material contained in Client Alert. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. Client Alert is issued as a helpful guide to clients and for their private information. Therefore, it should be regarded as confidential and not be made available to any person without our prior approval.