Australia Overview
2018-19 Individual Income and Social Taxes

Gaining an understanding of the tax system in a new country is a critical step in addressing risks and reducing costs for companies with mobile employees. This overview summarizes key individual income and social tax compliance and tax planning considerations for companies sending employees to work in Australia.

Individual income tax overview

A resident of Australia is subject to Australian income tax on worldwide income at graduated tax rates that range up to 45% of taxable income. A temporary resident (defined below) is not taxed on their foreign investment income or capital gains.

A non-resident of Australia is subject to Australian income tax only on Australian source income at graduated rates ranging from 32.5% to 45%.

Residency

A person is generally a resident of Australia if the person is domiciled in Australia or spends more than 183 days in Australia during the tax year.

Domicile is the person's permanent home (where they intend to live permanently). Individuals holding a Temporary Skills Shortage visa (i.e., subclass 482) are classified as temporary residents if they meet the following criteria:

- they do not meet the definition of residency for Australian social security purposes (e.g., not a citizen, permanent resident), and
- the taxpayer's spouse is also not a resident of Australia for social security purposes.

A visitor is a non-resident if they intend and actually spend less than 183 days in Australia. Available tax treaties should be considered in cases of dual-residence.

Tax filings

Tax Year: July 1 to June 30.
Due Date: Generally, October 31 following the tax year. Extensions (five to six months) are available by using a registered tax agent.
Joint/Separate Returns: Spouses must file separate tax returns.
Tax Payments: "Pay As You Go" withholding system applies to employment income. If the tax return is filed by October 31, a balance due on the assessment is generally payable by March 21 for self-prepared returns and by February 12 for taxpayers using a registered tax agent. Taxpayers using a registered tax agent who file after February 12 will generally pay any balance due within 21 days from receipt of an assessment. Quarterly payments of estimated tax can apply if the previous year's tax return includes more than $4,000 of gross business and/or investment income.

Planning ideas and common tax issues

1. Timing of transfer may help reduce Australian taxation (tax treaties must be consulted).
2. The immigration position could impact the employee's tax position.
3. The reimbursement or direct payment of certain moving expenses, airfare for home leave trips, and children's education costs may be better than paying a cash allowance to the employee.
4. Non-cash fringe benefits may be subject to Fringe Benefits Tax (see below). The corporate tax position should be considered in structuring an appropriate compensation package.

Income tax treaties

Australia has income tax treaties with many countries including the US. Business travelers going to Australia may be exempt from Australian income tax if certain conditions are met (e.g., related compensation expense is not deducted by the employer in Australia and the employee does not exceed a defined physical presence threshold). The "legal" Home country employer must bear the risk and responsibility for the employee's work in Australia for application of the treaty exemption.

Social taxes

Australia's welfare system is funded by the general income tax regime. Australia has a compulsory private superannuation (pension) contribution system. Employers must contribute a minimum percentage of defined employee income to this fund. The minimum percentage is 9.5% up to maximum defined income of AUD54,030 per quarter (or AUD216,120 per annum) for fiscal year 2018-2019. Australia has social security (i.e., "Totalization") agreements with approximately 23 countries (including the US). These agreements may exempt salary from Australian superannuation.

A tax resident of Australia is liable to pay a 2% Medicare Levy on taxable income. However, many temporary visitors will be able to claim an exemption from the Medicare Levy (as they cannot claim benefits under the Medicare public healthcare system) at the end of each year and effectively obtain a tax refund of the Medicare Levy deducted from their payroll.

Other taxes that may apply

Fringe Benefit Tax (FBT) – levied against employers on most non-cash fringe benefits (e.g., housing) at a rate up to 47% on the grossed-up value of each benefit. The provision of certain moving expenses and children's education benefits may be exempt from FBT and income tax to the employee.

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GTN specializes in mobility tax services. To learn how we can help you better understand these rules, or if you have additional questions, please contact us at info@gtn.com or +1.888.486.2695.

This overview is based upon tax law in effect for the Australian tax year ending June 30, 2019. The information provided is for general guidance only and is subject to change. This information should not be utilized in lieu of obtaining professional tax and/or legal advice.