What taxes do you pay?

The first taxes in Australia were introduced in 1788 on imported goods such as spirits, wine and beer. Since then, taxes in Australia have continued to evolve throughout time to arrive at the system that we have today.

What taxes are applicable to an individual who is a non-resident for tax purpose in Australia?

As a non-resident for tax purpose in Australia, you will only be subjected to tax for Australian sourced income (section 6-5 of the Income Tax Assessment Act [ITAA] 1997) i.e. income generated that has a connection with Australia. All your other income derived from your home country or elsewhere will not be subjected to Australian tax.

Usually, these are the **three** main types of taxes administered by the Australian Taxation Office (ATO) that will be applicable to you:

1) Income tax
2) Capital gains tax (CGT)
3) Goods and services tax (GST)

1) Income tax

Income tax is tax on the assessable income (s6-5 ITAA 1997) you received during the financial year. This includes rent received from the property you owned. Every financial year (from 1 July to 30 June of the following year), you have an obligation to lodge an income tax return with the ATO. To do that, you will need an Australian Tax File Number (TFN) from the ATO.

To apply for a TFN for a non-resident, you will need to provide a range of documents (i.e. copies of passport, birth certificate etc.) to the ATO. These documents must be in English and certified as a true and correct copy by the relevant authority. If the documents are not in English and need to be translated, you must ensure that it is performed by the authorised translation service provider.

2) Capital gains tax

Capital gains tax (CGT) is the tax that you need to pay when you make a capital gain as a result of selling your capital asset. In simple terms, capital gain is the profit you make after deducting the cost of the capital asset.

Capital gain is to be included as part of the taxable income in the income tax return and therefore should not be confused and perceived as a separate tax. Hence, there is no further registration requirement if you already have a TFN and are lodging income tax return with the ATO.

3) Goods and services tax

Goods and services tax (GST) was introduced in Australia on 1 July 2000 at a flat rate of 10% on most goods and services. This is similar to 'Value Added Tax' in other countries like the United Kingdom. The principle of GST is to tax the end consumer of the product or service.

Generally, you are required to register for GST if:

- You are carrying on an enterprise (i.e. business); and
- Your annual turnover generated by the enterprise is greater than $75,000

To register for GST, you must apply for an Australian Business Number (ABN) with the ATO. Note that GST is different and has no connection with income tax and as such it has a different reporting requirement. Usually, the reporting requirement is on each quarter of the financial year (i.e. from 1 July to 30 Sept, 1 Oct to 31 Dec etc.) whereby you have an obligation to lodge a Business Activity Statement (BAS) to the ATO.

To apply for an ABN, you must first have a TFN from the ATO. In addition, you will also need to provide documentations that you are running an enterprise in Australia such as signed contract for the business purchased. Similar to TFN application, these documents must be in English and certified as a true and correct copy by the relevant authority. If the documents are not in English and need to be translated, you must ensure that it is performed by the authorised translation service provider.

Example

Mark is a non-resident for tax purpose in Australia. He bought an investment property in Melbourne on 1 July 2009 for $500,000 and will be earning a return of 6% per annum from rental income. His tax obligations for the year ended 30 June 2010 are:

Taxes	Tax implications
Income tax	He will be paying income tax on his net rental income at non-resident tax rates.
Capital gains tax (CGT)	There will be no CGT implications as he still owns the investment property.
Goods and services tax (GST)	As he is not running an enterprise and his annual turnover is less than $75,000, he will not be required to register for GST.

Implications

Tax compliance in Australia can be complex and confusing. As a non-resident for tax, you want to be sure that you have clearly satisfied your tax obligations. Non-compliance can attract fines and penalty from the ATO. In addition, the ATO can also charge interest on the amount owing to them.

We would like to speak to you and assist if you have any questions or concerns. Contact us now for your **complimentary** and **no obligation** first meeting.

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