

TAX FACTSHEETMOVING TO AUSTRALIAPERMANENT CONTRIBUTORY PARENT VISA HOLDERSSUBCLASS 143(applying from offshore – ie outside Australia)

This factsheet discusses the taxation of individuals who are moving to Australia from the UK as the holders of subclass 143 Contributory Parent visas.

The 143 is a permanent residency visa, which allows the holder to reside in Australia indefinitely.

**Residency**

The two main factors affecting an individual's liability to tax in the UK and Australia are the taxpayer's residence and the source of income.

The nature of the income being received by the taxpayer can also be a relevant factor.

So a non-UK resident individual will not be subject to tax in the UK on income that has a source outside the UK – such as a salary from an Australian employment.

Similarly an individual is not subject to tax in Australia on (say) income from a let property in the UK until s/he becomes a tax resident of Australia.

When an individual departs the UK to live in Australia the UK tax year is usually split into a period of residence – the period leading up to the date of departure from the UK to migrate to Australia – and a period of non residence.

Upon arrival to live in Australia as the holder of a permanent residency visa an individual will usually become a tax resident from that time.

A holiday in Australia to validate a visa will usually not start tax residency in Australia, nor give rise to non resident status in the UK.

It is appreciated that for some a clean break from the UK with an arrival in Australia the following day does not occur – they might spend an extended period moving between the two countries, including working in another country en route to Australia. In such situations a more detailed consideration of tax residency in each country will be required, which is beyond the scope of this factsheet.

bdh Tax will be pleased to review and comment on the residency position in the UK and in Australia for more complex situations.

Please also feel able to make enquiry of us if you would like to more fully understand the issue of your tax residency in the UK and/or Australia.

**Once an individual moves to Australia and becomes a tax resident of Australia as the holder of a permanent residency visa the individual's worldwide income becomes taxable in Australia.**

Note that your entitlement to the UK's income tax personal allowance is not affected by how long you are a tax resident of the UK – nor indeed whether you are a tax resident for any part of the UK tax year.

This should be contrasted with Australia's tax free threshold, which is not available if you are not a tax resident of Australia at any time of the Australian tax year; a part year tax free threshold is available though if you are a tax resident of Australia for any part of the Australian tax year. See our separate factsheet on tax rates and tax free thresholds in Australia for more information in this regard.

**We are in the UK and in Australia:**

- UK (Epsom) 01372 231 185
- Sydney 02 9169 5919
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**Please contact us for a free no obligation consultation about how bdh Tax can help you plan and manage your taxation affairs.**

[tax@bdhtax.com](mailto:tax@bdhtax.com)

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## Source of Income

The nature of the source of income also affects how and whether the income is taxable in each country.

As noted above an individual who is a tax resident of Australia is subject to tax in Australia on worldwide income, whether or not the income is remitted/transferred to Australia.

Once an individual is non-UK resident and is tax resident in Australia UK source income can remain subject to UK tax, subject to a consideration of the Tax Treaty between the UK and Australia.

More specifically:

- UK pension income – is solely taxable in Australia once tax resident there; a NT (No Tax) PAYE Coding should be obtained so the UK pension is paid gross. A special form is to be completed and submitted to the Australian Taxation Office for stamping and forwarding to HM Revenue.
- Rental income from a let property in the UK (net of allowable expenses) – continues to be taxable in the UK, and is taxable in Australia
- Bank interest and dividends from UK shares – such income is categorised as “disregarded income” from the time non-UK resident. The UK tax liability of non residents is limited to the sum of:
  - The tax deducted from (or treated as deducted from), or the applicable tax credits, and
  - The tax liability leaving out the disregarded income and with no personal allowances or double taxation relief taken into account

UK tax return software will usually calculate the optimal tax position.

Note that UK source bank interest and UK dividend income (including scrip dividends) is to be included on a UK tax return when one is required to be submitted to HM Revenue.

- Salary from a UK employer received after departing the UK where the permanent visa holder remains on the UK employer’s payroll – this income will be taxable in Australia and possibly in the UK. Tax Treaty considerations come into play here, and professional guidance on tax compliance and strategy is likely to be required. Note that in many circumstances a NT (= No Tax) PAYE Coding can be sought from HM Revenue, but be mindful of a possible obligation for the UK employer to register for Pay As You Go withholding tax in Australia, and to administer a local payroll. In such circumstances an expedient outcome can be for the visa holder in Australia to register with the Australian Taxation Office as a self employed person.
- UK self employment income – will cease to be taxable in the UK upon the cessation of residence if a “permanent establishment” or agency arrangement in the UK does not continue.

## More on UK Pension Funds

As noted above, under the Tax Treaty between the UK and Australia UK pension income is solely taxable in Australia when received by a tax resident who is the holder of a subclass 143 visa.

A special Tax Treaty form is to be completed in this regard, to facilitate the issuing of a NT (No Tax) PAYE Coding to the administrator of the UK pension.

bdh Tax can assist with the preparation and submission of this form.

The gross pension income is then reported to the Australian Taxation Office each year via a personal tax return.

A tax deduction can be claimed to reduce taxable income where personal contributions were made into the UK pension fund – this is known as the Undeducted Purchase Price (UPP) of the pension.

Note that a UPP can also be claimed in respect of the UK State Pension, equal to 8% of the sum received.

Where a pension is not yet in payment financial planning advice is recommended in the context of transferring UK pension scheme benefits to an Australian superannuation fund – significant tax savings can result, as monies received from an Australian superannuation fund are usually received on a free of tax basis.

Australian superannuation monies can also be bequeathed to one's survivors upon death.

Please contact us if your UK pension fund is not yet in payment and you would like to discuss the transfer of UK scheme benefits to an Australian superannuation fund.

### **Letting a UK Property**

Many move to Australia and decide to let a UK property, which is commonly the former main residence.

Key points to bear in mind if you are going to let a UK property when you move to Australia are:

- As noted above, the net rental income remains subject to tax in the UK – but the availability of the UK personal allowance often means there is no tax to pay to HM Revenue.
- As a permanent visa holder the UK rental income – after deducting allowable expenses – is subject to tax in Australia.
- Non UK residents letting a property in the UK are required to enrol in the UK's Non Resident Landlord (NRL) scheme, otherwise basic rate tax is required to be withheld from rental income collected by the managing agent, or by the tenants of the property if there is no managing agent.
- The rules for tax deductions in Australia are not the same as in the UK – meaning that interest and other finance costs are usually wholly deductible in Australia, unlike in the UK where limitations are being introduced on tax relief for such costs.
- A tax deduction that is available in Australia that is not encountered in the UK is for the depreciation of fixtures and fittings within a let property.
- A capital works deduction can also be claimed in Australia for the cost of property that was constructed from the mid-1980s, and that is being let.
- The quantification of UK property related tax deductions in Australia is usually carried out by a Quantity Surveyor. bdh Tax is pleased to make available details of our QS associate with representation in the UK upon receipt of an enquiry.
- Remember the need to consider capital gains tax in the UK and in Australia when a UK property is eventually sold by a non-UK resident/resident of Australia. Valuable tax reliefs can reduce the capital gains tax to little or nothing; if you are considering the sale of a UK property bdh Tax can prepare CGT computations in advance of a planned disposal so you have a good feel for the tax position if you proceed with the sale.

### **Do You Need to Lodge a UK Tax Return?**

If you are not already submitting a UK tax return under the Self Assessment regime see the questionnaire at this web link on the HM Revenue web site:

<https://www.gov.uk/check-if-you-need-tax-return>

Note that the Residence supplement to the UK tax return – which confirms your non-UK resident status - cannot be submitted through the HMRC portal. As a non resident you must:

- Lodge a paper tax return (note the earlier tax return filing deadline compared with an e-lodged tax return)
- Submit a tax return using commercially available software
- Instruct a tax accountant to prepare and lodge your UK tax return – such as bdh Tax

### **Notifying HM Revenue of Departure from the UK**

Individuals who are departing the UK to live in Australia should advise HMRC of the cessation of residency.

This is done in one of two ways:

- If you are completing tax returns under Self Assessment: through the submission of the Residence supplement to the tax return for the year of departure
- If you are not lodging a UK tax return: through the completion and submission of a form P85

If you leave the UK part of the way through a tax year after a period of employment in which your salary has been subject to tax under PAYE and you do not have untaxed income (such as rental income) you should receive a tax repayment once you have advised HMRC of your departure from the UK.

### **Also ...**

Don't delay obtaining a Tax File Number from the Australian Taxation Office soon after you arrive in Australia. Not doing so can mean tax is withheld at 47% from wages in Australia and from interest on bank deposits.

The TFN application is an online application and is one of the first things to do after you arrive in Australia.

### **Tax Return Filing Deadlines**

Key dates to remember are as follows:

#### UK

- Tax year end = 5<sup>th</sup> of April
- Tax return filing deadlines:
  - Paper return = 31<sup>st</sup> of October
  - Electronic return = 31<sup>st</sup> of January

#### Australia

- Tax year end = 30<sup>th</sup> of June
- Tax return filing deadlines:
  - No tax agent appointed = 31<sup>st</sup> of October
  - Tax agent appointed = 15<sup>th</sup> of May (usually)

Most individuals who are tax residents of Australia will complete and lodge a tax return each year.

### **Inheritance Tax/Estate Planning**

The scope of a charge to IHT is a function of an individual's domicile rather than tax residency, although the resumption of tax residency in the UK for at least 1 of the previous 2 tax years can revive a former UK domicile of origin where an individual has acquired a domicile of choice outside the UK, and was born in the UK with a UK domicile of origin.

In addition, even if you acquire a domicile of choice outside the UK your UK based estate remains within the charge to UK IHT.

Australia does not charge IHT upon death, so in principle one's estate can pass to beneficiaries without a tax charge.

Care must be exercised though if a beneficiary is to inherit an asset other than Australian real estate (technically what is called Taxable Australian Property) that is within the scope of capital gains tax in Australia (eg shares) and is not a tax resident of Australia. However, a suitable provision in a Will can be included to address this tax risk.

bdh Tax can advise regarding estate planning in an effort to mitigate the tax payable upon death.

We also assist executors with tax matters pertaining to the administration of a deceased's estate.

## Help With Your Tax

bdh Tax is a boutique firm of tax accountants with offices in the UK and in Australia.

We are registered tax agents in Australia (there is no equivalent registration requirement in the UK), and can prepare and e-lodge tax returns with HM Revenue and the Australian Taxation Office.

Our team is professionally tax qualified in the UK and in Australia.

We specialise in the preparation and filing of tax returns in the UK and Australia, and with tax planning for those who are moving between the two countries.

The fee of a registered tax agent for assisting with the management of your Australian tax affairs is a tax deductible expense and therefore reduces your Australian tax liability.

In other words, our fee for assisting with your Australian tax affairs is a tax deduction in your Australian tax return.

Where UK income is also to be included on a tax return in Australia - and as certain information obtained/schedules prepared in connection with a UK tax return can also be used in respect of an Australian tax return - we should be able to claim a tax deduction on your Australian tax return for a proportion of our fee for helping with a UK tax return if we are instructed to assist with your UK and Australian tax returns.

The tax saved as a result of claiming this tax deduction will depend on your marginal rate of income tax in Australia.

Please feel able to complete the enquiry form at [www.bdhtax.com](http://www.bdhtax.com) if you would like a free no obligation initial discussion about your situation and tax planning in the UK and Australia.

We look forward to hearing from you.

*Disclaimer: This factsheet is for information only. No liability is accepted for any reliance placed on the above. We recommend that you take professional advice that is specific to your situation when moving between tax jurisdictions.*