

TAX FACTSHEETMOVING TO AUSTRALIA TO STUDYSTUDENT VISA HOLDERSSUBCLASS 500(applying from offshore – ie outside Australia)

This factsheet discusses the taxation of individuals who are moving from the UK to study at a tertiary institution in Australia for a period of 12 months or more as the holders of subclass 500 Student visas.

The subclass 500 visa is a temporary residency visa allowing the holder to spend a period studying in Australia with a partner (if applicable). Subject to the course being attended the student and/or the partner of the student may be able to work in Australia.

Residency

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

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

Thus, 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 usually 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 – but see the discussion below in respect of temporary tax residents 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 long term temporary residency visa an individual will usually become a tax resident from that time.

When 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.

However, tax exemptions in Australia are available in respect of foreign investment income where:

- You hold a temporary visa granted under the *Migration Act 1958*
- You are not an Australian resident within the meaning of the *Social Security Act 1991*
- Your spouse (if applicable – this includes de fact partners) is not an Australian resident within the meaning of the *Social Security Act 1991*.

A subclass 500 visa is a temporary visa under the Migration Act 1958.

In respect of the applicable provisions of the Social Security Act 1991, an Australian resident for this purpose is a person who resides in Australia and has permission to remain permanently—either because they are an Australian citizen; the holder of a permanent visa; or a protected Special Category Visa holder.

In deciding whether a person is residing in Australia, factors such as the person's domestic, financial and family ties to Australia are taken into account, as well as the frequency and duration of any absences from Australia and the reasons for such absences.

This means that most holders of subclass 500 Student visas will not be subject to tax in Australia in respect of investment income arising in the UK.

We are in the UK and in Australia:

- UK (Epsom) 01372 231 185
- Sydney 02 9169 5919
- Melbourne 03 9958 7969
- Perth 08 6180 2533
- Brisbane 07 3218 7388

Please contact us for a free no obligation consultation about how bdh Tax can help you plan and manage your taxation affairs.

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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.

Please 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.

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 as a student visa holder are:

- 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 temporary visa holder the UK rental income is not subject to tax in Australia.
- **However, such income is to be disclosed on an Australian tax return as what is called “target foreign income.”**
- Ditto for all other types of investment income that are not taxable 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.
- Remember the need to consider capital gains tax when a UK property is eventually sold by a non-UK resident/resident of Australia. 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.

Salary from a UK Based Employer

Salary from a UK employer received after departing the UK where the visa holder remains on the UK employer's payroll will be taxable in Australia, and possibly in the UK.

This is in spite of the tax exemption discussed above for temporary visa holders.

Tax Treaty considerations can 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.

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 spend an extended period 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.

A Couple More Tax Planning Points

- If you own and operate a limited company in the UK, have no further use for the company, and want to mitigate tax on your move to Australia we recommend that you take advice with a view to winding up the company before you become a tax resident of Australia.

Your new country of residence has tax legislation that will treat distributions made by a liquidator upon a winding up as being subject to income tax which can mean tax will be payable on monies received from the company at the rate of 47%; if such a distribution is received before becoming resident in Australia tax can be payable only in the UK, at 10%.

- 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 = 5th of April
- Tax return filing deadlines:
 - Paper return = 31st of October
 - Electronic return = 31st of January

Australia

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

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

Transitioning to Permanent Residency in Australia

If you are able to progress to a permanent residency visa the taxation of investment income with a source outside Australia will change from being exempt from tax in Australia to being taxable.

The capital gains tax position in respect of investment assets located outside should also be considered – while the temporary tax resident exemptions are available the disposal of such assets are exempt from tax in Australia.

Once a permanent residency visa has been granted the disposal of an investment asset will be subject to capital gains tax in Australia, computed with reference to the value of the asset on the date the tax exemption ceases to be available, which is usually the date on which the permanent residency visa is granted.

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 are 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 are usually able to claim a tax deduction on an Australian tax return for a proportion of our fee for helping with a UK tax return if we are instructed to assist with 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 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.