Frequently Asked Questions (FAQ)

Are you a resident for Australian Income tax?
Generally, the Australian Taxation Office (ATO) considers you to be an Australian resident for tax purposes if you have:

- always lived in Australia or you have come to Australia and live, or
- actually been in Australia for more than half of the financial year - unless your usual home is overseas and you do not intend to live in Australia.

What is a tax file number (TFN)?
A tax file number is a number issued by the ATO to an individual person, a Company, Trust, Partnership or Superannuation Fund. Each TFN is unique to every particular taxpayer.

Why do you need a tax file number?
Your TFN is your personal identification number for taxation and related purposes. You will need a tax file number when you:

- are lodging a tax return
- are asking about your personal tax affairs
- are making a TFN declaration (for employment)
- have savings accounts or investments that earn income (for example, interest or dividends)
- are a non-resident living outside Australia with business interests in Australia.

Application or Enquiry for a Tax File Number – Individual:
Please contact GC & Associates for application assistance.

Non-resident Interest and Dividend withholding Taxes - Interest and dividend payments to non-residents:
Non-residents are liable for Australian taxation on all income that is earned in Australia. The amount of tax payable depends on whether the recipient is a resident of a country covered by a tax agreement that has been given the force of law in Australia. Australia has a double tax agreement with Singapore (since 1969), Malaysia (since 1979) and Indonesia (since 1993) for the following income derived:

- Interest – 10% withholding tax
- Dividend – 15% withholding tax

What is interest?
Interest for withholding tax purposes includes:

- interest income
- amounts earned in the nature of interest
- amounts which can reasonably be regarded as having been converted into a form that is 'in substitution for' interest.

Which payments are subject to non-resident interest withholding tax?
Payers of interest are required to withhold tax if:

- the recipient or any of the recipients has an overseas address according to any record that is in the payer's possession, or
- the payer is authorised to pay the interest to a place outside Australia.

How much tax should be withheld?
Interest paid to non-residents is subject to withholding tax at 10 per cent of the gross amount paid or credited.

Dividend withholding tax:
Dividends paid to non-residents are subject to the dividend imputation rules. The tax treatment of a dividend will depend on whether it has been franked. The company paying the dividend is required to issue a statement indicating whether the dividend is franked.

Which payments are subject to non-resident dividend withholding tax?
Company that is a resident of Australia is required to withhold tax from unfranked dividends if:

- the entity or any of the entities holding the shares on which the dividend is paid, has an address outside Australia, or
- the company is authorised to pay the dividend to an entity or entities at a place outside Australia.

How much tax should be withheld from dividends?
If the recipient is not a resident of a country covered by international agreement, the amount of dividend withholding tax withheld is 30 per cent of the total unfranked dividend. If there is such an agreement such as Singapore, Malaysia and Indonesia, the dividend withholding tax rate is 15 per cent

Interest and dividend income – general:
Non-residents generally pay Australian taxation on interest and dividend income through the withholding tax system

A non-resident receiving interest or unfranked dividends from a source in Australia who has not had any withholding tax withheld, should lodge an income tax return.

Who should withhold tax and pay it to the ATO?
If the payee has provided an overseas address, or authorised the payment of interest or unfranked dividends outside Australia, the payer of the interest or unfranked dividend must withhold non-resident withholding tax at the time of paying or crediting the interest or dividend and remit the amount withheld to the ATO.

When should the tax be withheld?
Non-resident withholding tax must be withheld when:

- the interest or unfranked dividend is actually paid, or
- the interest or unfranked dividend is credited to the account of the non-resident, or otherwise dealt with on behalf of the non-resident.

Lodgment of income tax returns by non-residents:
Where a non-resident has earned only interest income or unfranked dividend income, and withholding tax at non-resident rates has been withheld and paid to the ATO, no further liability exists and the non-resident is not required to lodge an income tax return.

Non-residents earning rental or other Australian-sourced income are required to lodge an income tax return and will be assessed on that income.

Rental income:
Rental and other rental related income is the full amount of rent and associated payments that you receive when you rent out your property. You must include the full amount you earn (gross rent) in your tax return.

Gross rent means the total amount paid by the tenant, either to you or to your agent.

Rental related income:
You must include rental bond money as income if you become entitled to retain it. If you receive a reimbursement or recoupment for deductible expenditure you have incurred, you must include that amount as income.

Rental expenses:
You can claim a deduction for some of the expenses you incur for the period your property is rented or is available for rent. However, you cannot claim expenses of a capital or private nature.

When you claim a deduction for expenses incurred in gaining your gross assessable rental income, there may be situations where the expenses need to be apportioned between deductible and non-deductible expenses. Examples include:

- If the property is not available for rent for the full year, you may need to apportion some of the expenses on a time basis.
- If only part of the property is used to earn rent, you can claim only that part of the expenses that relates to the rental income.
- If you combine travel to inspect or maintain your rental property with travel for private purposes, you may need to apportion your travel expenses.

Expenses that you may be able to claim include:

- advertising for tenants
- bank charges
- body corporate fees
- cleaning
- council rates
- electricity and gas
- gardening and lawn mowing
- insurance: building, contents and public liability
- interest on loans
- land tax
- legal expenses *
- lease costs: preparation, registration and stamping
- pest control
- property agent's fees and commission
- quantity surveyor's fees
- repairs and maintenance
- secretarial and bookkeeping fees
- security patrol fees
- servicing costs—such as servicing a water heater
- stationery and postage
- telephone calls and rental
- tax-related expenses including registered tax agent fees
- travel and car expenses: rent collection, inspection and maintenance of property
- water charges.

You can claim a deduction for these expenses only if you have actually incurred the expenditure.

Expenses that you are not able to claim include:

- stamp duty on conveyance of a rental property
- expenses not actually incurred by you such as water or electricity charges borne by your tenants
- expenses that are not related to rental of a property, such as expenses connected to your own usage of a holiday home that you rent out for part of the year.

Acquisition and disposal costs:
You cannot claim a deduction for the costs of acquiring or disposing of your rental property. However, if you acquired the property after 19 September 1985, these costs may form part of the cost base of the property for capital gains tax purposes.

Borrowing expenses:
These are expenses directly incurred in taking out a loan for the property. They include establishment fees, valuation fees, title search fees and costs for preparing and filing mortgage documents. Interest expenses do not qualify as borrowing expenses.

The total cost of these items is amortised over 5 years or the term of the loan, whichever is the lesser.

Tax Depreciation:
Tax depreciation (also known as property depreciation) is a legitimate tax deduction against taxable income generated by a residential or commercial investment property. It works by allowing property investors to deduct a portion of the original costs of plant & equipment (such as furniture and fittings) and capital work (such as renovations) on their investment property each financial year, over the effective life of that asset.

The Australian Taxation Office recognizes that the value of capital assets gradually reduces over time as they approach the end of their effective life. These assets can be written off as a tax deduction, also known as depreciation.

Negative gearing:
A rental property is negatively geared when it is purchased with the assistance of borrowed funds, and the net rental income, after deducting other expenses, is less than the interest on borrowings.

The overall taxation result of a negatively geared property is that a net rental loss arises. In this case, you may be able to claim a deduction for the full amount of rental expenses against your rental and other income such as salary, wages or business income when you complete your tax return for the relevant income year.

For further information, please contact GC & Associates.

Capital gains tax:
If you acquired your rental property, or plant used in relation to your rental property, after 19 September 1985, capital gains tax may apply when you dispose of the property and the plant.

The law relating to the treatment of capital gains tax was amended with effect from 21 September 1999. The amendments and proposed amendments alter the way in which capital gains and losses are, or will be, treated for taxation purposes.

IMPORTNANT: The 2012-2013 budget paper proposed changes to non resident eligibility to 50% CGT discount on capital gains accrued after 7:30pm (AEST) on 8 May 2012.

For further information, please contact GC & Associates.

Foreign resident capital gains withholding payments:
The former government announced on 14 May 2013 that it would introduce a 10% non-final withholding tax on payments made to foreign residents that dispose of certain taxable Australian property. The Bill for this measure, introduced by the current Government has been passed and received Royal Assent on 25 February 2016.

The new withholding regime will apply to contracts entered into on or after 1 July 2016. Broadly, where a foreign resident disposes of certain taxable Australian property, the purchaser will be required to withhold 10% of the purchase price*.and pay that amount to the Australian Taxation Office (ATO).

While the withholding regime will protect the integrity of the foreign resident CGT regime, it also applies where the disposal of such taxable Australian property by a foreign resident generates gains on revenue account and, as a result, is taxable as ordinary income, rather than as a capital gain.

For further information, please contact GC & Associates.

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