



# Tax in Australia

## What you need to know

### **Important Note:**

*This document does not constitute tax advice and should not be used as such. This document is designed to give a simple and basic understanding of the Australian tax system to people temporarily working in Australia.*

### **OVERVIEW**

As in all developed countries, when you earn an income in Australia, you must pay taxes... This is sad, but true.

The system in Australia forces the employer (i.e. – the person doing your pays) to withhold tax from your pay each pay period. Employers must withhold tax from your pay according to how you complete your 'Tax File Number Declaration', which you must complete for each new employer you work for.

In summary, the employer must take your weekly earnings and multiply it by 52 (i.e. 52 weeks in the year), thus estimating your annual income and then withholding the relevant percentage of tax.

By doing this, the employer is taking an estimate at what your average income is, based on your weekly income, and applying the annual tax rate.

When the financial year finishes (30 June each year), each person that has earned an income in Australia is required to complete an Income Tax Return. A Tax Return compares your actual income and tax payable for the financial year with the amount of tax withheld during the year.

Individuals doing a tax return typically get a refund, but in some cases, have to pay additional tax.

### **TAX RATES**

Tax rates are different for Australian residents and non-Australian residents.

Financial Year Ending 30 June 2009				Financial Year Ending 30 June 2009			
Residents				Non Residents			
Taxable Income			% tax payable on income	Taxable Income			% tax payable on income
\$		\$		\$		\$	
0	to	6,000	0%	0	to	34,000	29%
6,001	to	34,000	15%	34,001	to	80,000	30%
34,001	to	80,000	30%	80,001	to	180,000	40%
80,001	to	180,000	40%	180,001	+		45%



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6,001	to	35,000	15%	35,001	to	80,000	30%
35,001	to	80,000	30%	80,001	to	180,000	38%
80,001	to	180,000	38%	180,001	+		45%
180,001	+		45%				

### An example

#### *Non Resident:*

If your taxable income in one financial year (1 July to 30 June) was \$25,000 whilst on a working holiday in Australia as a non-resident, you would be required to pay 29% tax on all of this income, totalling \$7,250.

If more than this amount has been withheld, you may be due a refund. If less than this amount has been withheld, you may be required to pay additional tax to the Tax Office.

#### *Resident:*

If your taxable income in one financial year (1 July to 30 June) was \$25,000 whilst on a working holiday in Australia as a resident, you would not pay any tax on the first \$6,000, you would then pay 15% tax from \$6,001 to \$25,000 which would be \$2,850.

If more than this amount has been withheld, you may be due a refund. If less than this amount has been withheld, you may be required to pay additional tax to the Tax Office.

## **RESIDENCY**

### Resident or Non-Resident for Tax Purposes

The Australian Tax Office has its own rules for determining if someone is a resident for tax purposes and it is not straightforward.



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Generally, people working temporarily in Australia will rely on the following rules to be classified as a resident for tax purposes:

- 1) *You have been in Australia continuously for six months or more and for most of the time you have been:*
  - a. *in the one job, and*
  - b. *living in the same place*
- 2) *You have been in Australia for more than half of the financial year, unless:*
  - a. *your usual home is overseas, and*
  - b. *you do not intend to live in Australia.*

Basically the Australian Tax Office offers a whole heap of commentary and guidelines on what constitutes a resident for tax purposes. The rules are not straight forward and judgement is required. You can check it out for yourself if you like at <http://www.ato.gov.au/individuals/content.asp?doc=/content/64131.htm>

The Tax Agents Go Workabout recommends below aim to legally classify you as a resident for tax purposes where possible, to help maximise your tax refund.

### Declaring Residency on Tax File Number Declaration & Tax Returns

You can declare on your Tax File Number Declaration (TFN Dec) that you are a resident or non resident for tax purposes, your taxes will then be withheld according to this by your employers. Once the time comes to do your tax return, you or your tax agent must again declare if you are a resident or a non-resident on your tax return. The following scenarios may arise:

If you:

- Declare Non Resident on your TFN Dec and Resident on your tax return – you should be in for a larger refund because you would have had tax withheld from your pay at the higher non resident rate, but would have your year end tax assessed on the lower resident tax rates.
- Declare Non Resident on your TFN Dec and Non Resident on your tax return – you will have had the correct amount withheld from you pay (around 29%) and you will have no or little tax refund due.
- Declare Resident on your TFN Dec and Non Resident on your tax return – you will most likely have to pay the tax office additional tax, as not enough would have been withheld from you pay.
- Declare Resident on your TFN Dec and Resident on your tax return – you will most likely get a refund as it is normal that more tax is withheld from your pay than what you actually owe. This is especially the case when you only work for part of the year.

To summarise, you can select resident or non-resident on your TFN Dec (your employer should not care what you choose as it does not affect them) and this will dictate how much tax is withheld from you pay.

You must then also declare your status on your tax return. The tax office will then calculate if you owe, or are owed money.

### Will I get in trouble if I say I'm a resident when I am not?

When you complete your tax return, you then lodge it with the tax office and declare that the information is true and correct. The tax office then checks the tax returns as they please.



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If they suspect that your tax return does not look right, they may ask further questions. If you have declared yourself as a resident and the tax office finds you not to be a resident, you will be required to pay the additional tax back.

If you don't pay the tax back, this may affect you getting visas to Australia in the future or affect you in other ways.

There is also a rumour that Working Holiday Makers may have difficulty getting their visa extension if they have not completed their tax returns correctly.

### TAX RETURNS

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The tax year runs from 1 July to 30 June each year. Technically you are supposed to lodge a tax return by 31 October each year that you earn an income in Australia. However, Working Holiday Makers often lodge tax returns either after the financial year is complete (30 June) or after they have finished working in Australia, or after they have left Australia.

It is normally worth doing this as you may receive a refund. The size of the refund you might get will mostly depend on the residency situation as discussed above.

Although tax returns are due by 31 October and the tax office can fine you if you get it in late, it is rare for the tax office to fine you if they owe you money.

You can attempt to complete your own tax return by getting the relevant forms (often called a Taxpack) from a post office. However, most people choose to get professionals to help them out as it is easier and gets the job done properly, often resulting in a larger refund.

Go Workabout recommends using a Registered Tax Agent to prepare your tax return. Go Workabout has a partnership with a Registered Tax Agent who specialises in doing cheap tax return for people working temporarily in Australia and / or on working holiday visas. They will aim to have you categorised as a 'Resident for tax purposes' so that you can get the maximum refund.

To use Go Workabout's recommended Registered Tax Agent, follow this link (<http://www.goworkabout.com/taxrefund.php>). Our Registered Tax Agent will then contact you to complete your tax return.

If you have left Australia, our tax partners can arrange for your tax refund to be paid to you in an overseas bank account!

### WHEN SHOULD I DO A TAX RETURN?

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The financial year in Australia runs from 1 July to 30 June each year. You are supposed to lodge a tax return at the end of each financial year between 1 July and 31 October. You can lodge it after this date, but the Australian Tax Office may fine you. However, if you use our Registered Tax Agent you can lodge outside this time period without a fine.

If you are leaving Australia or have finished working in Australia, you can lodge a tax return prior to the financial year end.



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### **And if I have not done one for a long time?**

You can still do your Tax Return and apply for your refund even if you worked in Australia some time ago, just follow the tax return process as normal. Our Registered Tax Agent will contact you if they have any questions.

### **GO WORKABOUT CAN NOT OFFER FURTHER ADVICE**

Although we aim to help you as much as possible, Go Workabout are not Registered Tax Agents or tax professionals. We are therefore not qualified to give you tax advice, nor are we allowed to!

If you want more information, follow the web link above, complete our online form and our tax partner will contact you. Or you can look on the Australian Tax Office website at [www.ato.gov.au](http://www.ato.gov.au)

***Happy Travels!!!***