

Advantage

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AUSTRALIAN 2009 BUDGET Highlights for AUS Expats

Australian expats should note that from 1 July 2009, those who remain a tax resident of Australia will no longer be exempt from tax in Australia on their foreign employment income, and tax allowable concessional superannuation contributions will be halved.

Foreign employment income

Currently, there is an exemption from tax in Australia on foreign employment income that is earned whilst overseas by an Australian tax resident, provided that the foreign employment period is over 90 consecutive days and the employee is subject to tax in the foreign country.

From 1 July 2009, this tax exemption will be removed and will only be available for income earned by:

- An aid or charitable worker employed by a non-government organization; or
- A government aid worker; or
- A government employee (e.g. defense or police force personnel deployed overseas).

Australian expats who remain Australian tax residents and earn overseas employment income will be taxed on the foreign employment income in Australia at the person's marginal rate of tax and entitled to a foreign income tax offset for the foreign tax paid.

Consequently, where a person is a non-resident of Australia for income tax purposes their foreign salary income will continue to be exempt from Australian tax. To become a non-resident of Australia for income tax purposes you will generally be required to be able to demonstrate that you have severed your connection with Australia, that you do not reside in Australia, and that you have established a permanent place of abode outside of Australia.

Employee share options

The current taxation treatment of shares and options under an employee share scheme will change from Budget night 2009.

Currently, if an employee is granted shares or options under a qualifying share scheme, the employee may elect to defer the taxing point until the cessation time (such as when the employee disposes of the shares).

If the employee is granted options or shares under a non-qualifying share scheme, the employee is taxed in the year of grant.

From 7.30 pm on 12 May 2009, all employee options and shares under an employee share scheme will be taxed in the year of grant.

The current \$1,000 tax exemption will be limited to employees with adjusted taxable incomes (that is, taxable incomes after adjustments for fringe benefits, salary sacrifice and negative gearing losses) of less than \$60,000.

Superannuation

From 1 July 2009, the government will reduce the tax allowable superannuation concessional contributions cap to \$25,000 per year (reduced from \$50,000) and the transitional concessional contributions cap for the over 50 year olds will be \$50,000 per year (reduced from \$100,000).

The transitional arrangements will cease from 1 July 2012 and for the over 50 year olds, a cap of \$25,000 per year will apply (or the indexed equivalent).

The non-concessional contribution cap will remain at \$150,000 per year for the year beginning 1 July 2009, and will not be indexed until after 30 June 2010 when the cap will be linked to six times the indexed value of \$25,000.

The information herein was contributed by Craig Cooper, Head of Tax, RSM Bird Cameron. www.rsmi.com.au

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