

## Foreign income – general

Per Section 6-5 of ITAA97, if you are an Australian Resident for tax purpose, your assessable income includes the ordinary income you derived directly or indirectly from all sources, whether in or out of Australia, during the income year.

If you were an Australian resident and you received income from overseas, you must declare your assessable foreign income even if tax was taken out in the country from which the income came. Foreign income that is exempt from Australian tax may still be taken into account to work out the amount of tax you have to pay on your other income.

If you received lump sum payment from a foreign superannuation fund, some of these payments are taxable and some are exempt from Australian tax. Please phone the Superannuation infoline or our financial planner for details.

### WHAT YOU MAY NEED?

- Payslips; foreign tax assessments; and company, partnership and trust distribution advices.
- Details of any expenses you incurred in earning your foreign income.
- Details of any allowable foreign losses from previous years.
- Notepaper to help you to work out the amounts you need to show on your tax return.

### GUIDES FROM THE AUSTRALIAN TAX OFFICE WHICH COULD HELP

- You and your shares (NAT 2632 <http://www.ato.gov.au/content/downloads/IND00191825n26320609.pdf>)
- Guide to foreign income tax offset rules (NAT 72923 <http://www.ato.gov.au/corporate/content.asp?doc=/content/00192127.htm>)
- Taxation Ruling TR96/15 – Income tax: foreign tax credit system: issues relating to the practical application of section 23AG. If you received income from foreign employment, you may need this ruling to work out whether we consider that you were continuously employed if you took a break in foreign employment. This is important in working out whether the income is exempt from tax. (<http://law.ato.gov.au/atolaw/view.htm?docid=TXR/TR9615/NAT/ATO/001>)

### HOW YOUR ASSESSABLE FOREIGN INCOME IS CALCULATED FOR YOUR TAX RETURN?

All foreign income, deductions and foreign tax paid must be translated (converted) to Australian dollars before you complete your tax return. You can either use the exchange rates prevailing at specific times or an average

exchange rate, depending on your circumstances. Foreign exchange rates are published monthly on the Tax office website.

Assessable foreign income is the total amount of any foreign income you earned which is not exempt from tax in Australia. If you had foreign tax taken away from this income, add it back to the amount you received.

#### Step 1

Add all the income you received from foreign sources into a single amount.

#### Step 2

Take away from this assessable amount any deductible expenses incurred in earning your foreign income.

### DIVIDENDS FROM NEW ZEALAND COMPANIES

If you were an Australian resident you must show the following amounts on your tax return:

- an assessable dividend (or non-share dividend) from a New Zealand company and any attached Australian franking credits
- a supplementary dividend from a New Zealand company and any attached Australian franking credits
- an assessable distribution from a trust or partnership (or share of a partnership loss) that includes Australian franking credits attached to a dividend (or non-share dividend) from a New Zealand company