Exfin Checklist Leaving Australia

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A practical checklist for Australians leaving to work or live overseas

Determine which of your personal effects will be:

- **Carried with** you as personal baggage
- **Sent as** airfreight or baggage
- **Shipped**
- **Stored, or**
- **Sold**

Take photos of the main items included in your shipment to assist in any later insurance claims - these photos should be backed up and kept in a secure and accessible online location. Select a relocation agent or removals firm and arrange for a minimum three quotations. Check that all firms base quotes on the same shipping volumes, similar services (e.g. "door to door" or "door to port") and are appropriately accredited. Refer to the Australian International Movers Association website for a list of accredited removalists.

Arrange insurance for items being stored and shipped. Storage firms and removalists will typically offer insurance cover as a percentage of total value. Compare coverage and premiums from third party insurers – it will often be much cheaper although you may not get coverage for "self packed" items.

Rent out or sell your current house or provide "adequate" notice of your intention to vacate if you are renting. Our preference is usually for expats to retain an exposure to the Australian residential property market, but recent tax changes have made this relatively less attractive - particularly if there is any prospect that you may wish to sell your main residence while non-resident. If you decide to rent out your house, carefully select the appropriate property agent and agree the rental level and any discretion you provide the agent to pay for repairs. We have partners who provide property management in most capital cities.

Tax losses made while renting out the property can normally be carried forward indefinitely to offset capital gains tax or income tax when you return to Australia. You must continue to lodge tax returns in Australia if you rent out your property and it is normally advisable to appoint a tax agent to prepare your Australian tax return. Also, understand whether any land tax or other obligations continue to apply before leaving Australia - these can now be very significant, although absentee surcharges currently don't apply to expatriate Australian citizens.

If you are moving to the UK or the US we have Australian-based tax advisors who can provide tax briefings and complete both your Australian and UK/US returns. If you retain a property in Australia which you rent out, it is very important that you arrange for your accountant or tax advisor to explain the capital gains tax rules applying to real estate for both main residences and investment properties.

Capital gains tax (CGT) with respect to property continues to apply regardless of whether you are resident, or non-resident, for tax purposes - but non-residents have not been able to claim the 50% CGT discount, which normally applies to assets held for more than 12 months, since May 2012. Relatively recent changes have also removed access to the main residence CGT exemption for expats, except in some very narrow circumstances, and we address this discriminatory provision in more detail below.

Review any current mortgage to ensure that it is competitive. This is easily done while resident in Australia - but harder in practice once you are living overseas, particularly when it comes to refinancing investment loans or if you are going to be self-employed overseas. Many, if not most, Australian expats have "old" and unnecessarily expensive mortgages. Whether any value attaches to refinancing your property typically only involves a short discussion with our mortgage broker - no fees apply and access is available to almost all loans in the Australian mortgage market.

Note that if you intend to rent out your property when you proceed overseas then you may sometimes be required to inform your lender of a "change of use" under the loan contract. Many expats are unaware of this requirement, but it can be relatively easy for the banks to identify these situations and it is recommended you address the issue prior to leaving Australia.

For tax purposes, it is crucial to determine if you will be resident or non-resident for Australian tax purposes while overseas. This can have a fundamental impact on your net income overseas, and needs to be determined with absolute clarity. Tax advice should be sought **before** proceeding overseas or accepting a foreign contract of employment - as the terms of the contract itself, and particularly its duration, may have a significant impact on your tax residency status as well as whether you intend for any spouse, partner or immediate family to follow you overseas or remain in Australia.

Specific tax advice is also recommended should you intend to continue working for an Australian employer while based overseas - international remote working - and if you will be working on a private yacht or cruise ship. Employers in the latter situation will often pay staff on a "no tax basis" - indicating that there is no tax liability because you are working in international waters. This is often "not the case" in practice and much depends upon whether you have broken Australian tax residency.

Note that some level of uncertainty currently surrounds the rules with respect to tax residency, with the Government intending to institute new tax residency rules - and not having provided any clear advice around what happens during the transition. Our view is that individuals should be entitled to rely upon professional advice provided under the new rules until such time as legislation is passed implementing the new guideline, but this has not been confirmed.

If you cease to be a tax resident of Australia, then you may no longer be required to submit an Australian tax return unless you continue to receive Australian sourced income from which tax has not been withheld, such as rental income. Australian interest and dividend income is usually subject to automatic withholding tax as long as you have provided your bank/share registrar with an overseas contact address.

Typically, our tax advisors will suggest that a 'Return Not Necessary' form is electronically lodged with the ATO while you are outside Australia if tax non-resident; or a "Nil Income" return in some circumstances. The cost is relatively small and it can reinforce your non-residency status, making it less likely that the ATO will pursue you for any "missing" tax returns when you again become tax resident in Australia.

As a matter of practice, given that incoming and outgoing stamps are no longer placed in passports, and bearing in mind the prospect of new tax residency rules, all expats should maintain a log containing dates of entry and exit from Australia and flight numbers. This can be important information in terms of determining residency, and the ATO has access to this data from immigration records.

In the 2017 Federal Budget the Government indicated that it intended to deny "foreign and temporary tax residents access to the Capital Gains Tax (CGT) main residence exemption". That legislation eventually came into effect on July 1, 2020 and denied access to the CGT exemption in relation to any properties sold after June 30, 2020 by non tax residents - with some very narrow exceptions related to “life events” such as divorce.

Under these discriminatory provisions the timing of any sale of a main residence in Australia could have an enormous impact on an expat’s potential Australian CGT liability.

Consequently, if you own a main residence in Australia and you are non-resident for tax purposes, or will become tax non-resident, **you must seek professional advice regarding** any potential tax implications before proceeding overseas if there is any prospect at all that you will sell your family home while tax non-resident.

Prior advice is also recommended where families are considering renovating their Australian home in advance of their returning home - apart from it being a difficult process to manage from overseas it may be more economic, from a tax perspective, to wait until you are again tax resident.

In addition, foreign resident capital gains withholding tax (FRCGW) obligations now apply with respect to **all Australian properties** (previously there was a $750,000 minimum) which are sold while an owner is non-resident. A failure or inability to obtain a clearance or exemption in this area can result in the buyers of the property being required to withhold 15% of the purchase price and pay this directly to the ATO. If any refund is owed, it will need to be later reclaimed later via an Australian tax return.

If you have a self managed superannuation fund (SMSF) and intend to remain overseas for a prolonged period - more than 2 years - you **must** discuss the tax impact of your non-residency with your accountant or tax advisor. A couple of options are available and the financial impact could be very serious unless managed properly.

You can continue, even if you are non-resident, to make contributions to an Australian superannuation fund, **unless** it is an SMSF, although a number of superannuation funds will not deal with non-resident contributions. You should seek professional financial planning advice about the best approach in your particular circumstances but at a minimum ensure that your super is in a well performing fund with low member costs.

Australian online share brokers, and most physical brokers, limit their services to residents and access to these services will likely be withdrawn immediately once you become non-resident or provide an overseas contact address. Do not be tempted to “not” notify a change of address and residency status as this can have later tax consequences which may be costly to redress.

We can almost always assist with a pure execution sale of Australian shares by a non-resident, but note that the broker at this point in time cannot buy or sell shares for individuals who are US citizens or permanent residents (green card holders) - although the service may be available for Australian passport holders in the US, depending on their precise circumstances.

However, opening a share trading account with our broker is only available in much more limited circumstances because of the cost of establishing and maintaining a non-resident account. The broker focuses on providing advice and assistance to Australian expats looking to maintain or grow substantial equity portfolios while overseas - usually on the premise that they will eventually return, or retire, to Australia.

If you have a significant portfolio of Australian shares, particularly if you wish to continue trading, you should seek prior advice around your options. Retaining certain investments while a US tax resident may also be problematic if those investments are in what are referred to as "Passive Foreign Investment Companies" (PFICs).

We usually recommend that individuals who plan to become US tax residents seek broad tax advice in advance of their departure and particularly before any decision is made to take out permanent residency or US citizenship. Unless you need continuing unrestricted access to the US for employment or family reasons obtaining a green card or US citizenship may not be the ideal approach and it has long term tax and cost implications that need to be carefully weighed.

If you are proceeding to the US you should obtain prior advice from your employer regarding the US tax treatment of your Australian superannuation - your employer's tax advisor may regard the earnings made within the fund as taxable in the US. This should be the subject of prior discussion and professional advice - and that is particularly the case for expats with SMSF's or family trusts; there are significant compliance issues attaching to tax reporting for "foreign trusts" in the US.

Additionally, it is very important that expatriates who accrue US pension funds, such as occupational funds, 401(k)s, 403(b)s and IRAs while overseas should seek tax advice **before** they become tax resident in Australia again, and certainly before they initiate any withdrawals and transfers to Australia as withdrawals can give rise to both US and Australian tax issues. Expats with US pensions should also seek to maintain a US bank if at all possible because US pension funds will only make payments into domestic bank accounts or provide a US dollar denominated cheque, which is to be avoided.

Australians living overseas on a long term basis who still intend to return to Australia in retirement should try and remain informed about tax and social security rules applying to retirement in Australia and seek professional advice regarding how they can best protect their position in retirement in advance of returning to Australia.

Over the last few years changes have been made which have significantly limited the ability of expats to transfer large amounts into super at the end of their overseas careers and planning must now be initiated much earlier than was previously the case.

Expats who do not intend to return to Australia should also familiarise themselves with the rules surrounding the payment of the Australian age pensions overseas. In many situations there will not be any eligibility to receive a pension unless they return to Australia or reside in a country with which Australia has an International Social Security Agreement. Even if entitled to a pension while resident overseas, the pension may be reduced to reflect only that proportion of an expat's "working life" spent in Australia.

Many Australian expats incorrectly assume that they have a "right" to an Australian Age pension and things are absolutely not that simple - indeed, this can be a very complex area in which to provide advice. Much depends on your overseas country of residency and specifically whether the country has an International Social Security Agreement with Australia, and how much of your working life has been spent in Australia. The age pension is also always subject to asset and income means testing.

Ensure that all passports are current; some countries will require that passports have at least 6 months remaining validity. You should make copies of the front page of all passports and store them prior to departure. Note that some countries (such as Canada and Germany) will require proof of adequate health insurance for the entire duration of your work visa.

"Attestation" - in order to obtain a work visa in some countries, such as the UAE, Qatar, Thailand etc., a number of personal documents, including academic degrees, birth and marriage certificates may be required to complete the attestation process – notarisation, Australian DFAT authentication and processing by the relevant country's embassy. This can be an unwieldy process best arranged before leaving Australia.

Arrange travel insurance – carefully consider the coverage available against the likelihood that there will/might be delays in your outbound journey and in terms of potential medical costs. This should be done early, so that you are covered for any personal events that may cause delays or cancellation. Bear in mind that travel insurance will normally exclude cover for "pre-existing conditions" and travel in some countries and situations unless explicitly agreed with the Insurer. Importantly, travel insurance is **not** an alternative to expat health insurance and insurers may deny cover once an individual is considered a resident rather than a "tourist" in a country.

Discuss your absence overseas with your current private health insurer and understand the impact (if any) this will have upon your coverage on arrival back in Australia – particularly in terms of premiums payable and any waiting periods for coverage.

Consider "suspending" your existing health cover rather than cancelling it whilst outside Australia, if possible - this should enable you to avoid waiting periods if you return to Australia within a reasonable period. If you are likely to be outside Australia for a prolonged period note the sometimes significant impact of the Lifetime Health Cover loading on your future private health insurance premiums when you again become resident.

Arrange international health insurance – there are some countries which have reciprocal health agreements with Australia but they are relatively few and cover is limited to public services. Pay particular attention to whether your policy allows for entry into an Australian health fund without waiting periods on your return.

Most international health insurance policies provide for a waiting period (usually 12 months) before you can claim maternity expenses; some provide cover as long as the pregnancy occurs during the period of insurance. Cover will not be available for maternity costs in respect of an individual who is already pregnant except in very unique situations - such as where you are joining a large corporate employer.

At this point in time no Australian insurers provide international health insurance for Australian retirees overseas - the choice will be between international insurers or domestic health insurance in your country of residence. International policies can provide comprehensive cover but can also be complex and very expensive - consider obtaining professional advice from a specialist broker.

Arrange to take copies of your family medical and dental records with you – including any optical prescriptions and inoculation/vaccination records. Note that any medical prescriptions you might have will not be valid overseas or vice versa in Australia. You will need to obtain "certificates of need" from a local, prescribing physician in order to (possibly) have the prescription filled overseas.

Visit a Travel Clinic well in advance of your trip to ensure that your family has received all appropriate inoculations for the countries you are going to live in and probably visit. Keep the record of inoculations with you while travelling, or accessible online.

Review your life insurance cover for you and any spouse or partner **before** commencing an assignment overseas to ensure it is adequate; and obtain written confirmation that any existing life insurance cover will continue to apply whilst you are overseas. It is not unusual for cover not to extend to non-residents, or cover to be limited in duration.

Note that whilst life cover within a super fund is often attractive in Australia on a pure cost basis the cover provided is regularly re-negotiated and will not necessarily be ideal for expatriates unless coverage guarantees are available, which is unlikely.

Currently, a number of Australian life insurers are offering cover to expats, but it is in limited circumstances which are very dependent on individual situations - in particular it depends upon the expat's present country of residency and whether they intend to return to Australia in the near to medium term. Also, while Life and Total and Permanent Disability (TPD) cover is typically available, Income Protection (IP) is not.

Arranging cover through an Australian life insurer will usually be much more cost efficient than trying to access life insurance cover locally or through International insurers once resident overseas. However, the significant access limitations mentioned above mean that it should be arranged prior to leaving Australia, if at all possible.

Arrange for the payment of any ongoing invoices, such as insurance, while you are absent. Retain an internet bank account in Australia to administer any Australian transactions while overseas. Note that you will pay withholding tax of 10% on any interest income whilst non-resident, and withholding tax also applies to dividend payments at different levels depending upon the level of franking applicable and your country of residence.

If possible, set up a local bank account in your new country of residency and forward some living funds in lieu of relying on overseas debit/credit cards. This may be difficult due to local regulations and anti-money laundering requirements, but it is possible to open an account in the some countries prior to your arrival. Establishing an offshore bank account may also be advisable in some situations - particularly if you are likely to be internationally mobile over a prolonged period.

Prepare a list of companies and individuals that need to be notified of your change of address and provide a forwarding address. This should include your bank(s), insurer(s) and share registrar or broker.

Ensure that you have a valid will and that it is securely stored, with the nominated executor having a copy or knowing the location. If you have substantial assets overseas you need to review how these are best covered - it may be preferable from both a legal and tax perspective to have separate wills covering assets in Australia and the foreign country and you should particularly address the custody of children in the event of your death or incapacity.

If it is possible that you will be the beneficiary of an Australian estate while non-resident then this may adversely impact the estate in terms of CGT; prior tax advice should be sought and certain changes to the structure of the will may be beneficial.

A local will may also be desirable in certain countries to establish exactly who should have custody of any children in an emergency situation and to allow their repatriation home in the most effective fashion.

Note that you should have **binding nominations** in place with respect to the distribution of any superannuation - super does not automatically form part of your estate - and understand when and if these will need to be renewed and the tax impact, particularly in terms of "non-dependents".

Consider arranging an "enduring power of attorney" (POA) to allow a nominated person(s) to look after your affairs in Australia. The POA can be withdrawn at any time.

If you had planned to send children to a private school in Australia discuss this with the school concerned and gain a clear understanding of your position regarding admission should your period overseas proceed as planned, or be either shorter or longer than anticipated. Private school fees need to be understood in detail, particularly if there is any prospect of your children returning as boarders.

Particularly if you have teenage children, seek professional advice regarding the overseas schooling system, for example, Australian, British, American or International Baccalaureate (IB), that is most compatible with their return to Australia to complete a secondary certificate, or for tertiary studies in Australia or overseas - and the ideal time at which they should return.

Ideally, you should have short-listed and/or selected the school for your children at your new location in advance of going overseas and discussed admission with school authorities prior to arrival.

Obtain an international drivers licence so that you can drive in your new country. Note, however, that while an international licence may last 12 months many countries require “residents” to obtain local licences within 3 to 12 months. Do not be tempted to drive beyond these periods without registration - it can give rise to both legal and insurance issues - particularly in the event of an accident.

Approach your Australian vehicle insurer to provide you with a “no claim certificate”, or letter, giving details of your claim history. Depending on your new country, and your driving record, this could reduce premiums substantially.

In terms of transferring money, and particularly if you are going to be regularly transferring money back to Australia to meet mortgage or other obligations, establish an account with OFX, an ASX listed specialist foreign currency transfer company, or other foreign exchange transfer companies as an alternative to dealing with Australian banks – or simply as a means of comparing exchange rates on transfers into or out of Australia. Simply opting to use Australian banks represents a high cost alternative, and costs savings in this area can be very significant over the course of a long term assignment.

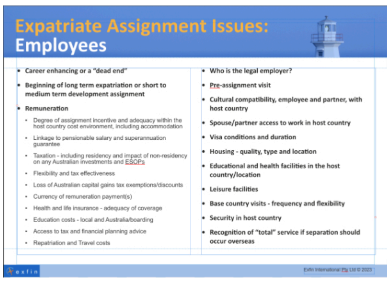
If you have a Higher Education Loan Program (HELP) or Trade Support Loan (TSL) debt you will have the same repayment obligations as individuals living in Australia, based on a translation of your foreign income into an AUD equivalent income. You **must** also update your contact details through the myGov website within seven days of leaving Australia - if you intend to move overseas for a total of more than six months in any 12-month period. See the ATO website for more details about the process and note that substantial penalties have been introduced for non-compliance.

If you are taking a pet, ensure that you have the necessary health certificates from a veterinary surgeon and that all inoculations are in order. You should research quarantine requirements, if any, at the new location and what quarantine periods will apply on any return to Australia.

If you don’t already have one, establish an email account with Gmail, Outlook or similar providers which you can access while in transit or in temporary accommodation – and forward all your existing emails to these accounts. WhatsApp and Signal are often useful, although they are blocked or banned in a number of countries. A subscription to a VPN service is also very strongly recommended for privacy and security purposes; and particularly if you are going to be relying on WiFi services - such as in hotels or public places - while travelling.

Finally, we regularly post issues of significance to Australian expats in our Exfin Blog - touch base regularly and we are confident that you will be up to date with any significant trends impacting expats.

For individuals proceeding on an overseas work assignment with an employer - local or foreign - we have a composed a list of Expat Assignment Issues to be considered by both employees and employers.



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