

Australian Tax Issues for Brokerage Accounts Held by Australians Overseas



For Australians based overseas wishing to establish a brokerage account the following is an outline of the potential taxation implications:

Tax resident

The key question is whether or not the Australian, although overseas, is a tax resident of Australia. This is not necessarily a straight forward question and the individual concerned may have to seek advice from their accountant or a Private Binding Ruling from the Australian Taxation Office.

Capital Gains Tax

If the individual is not a tax resident of Australia then they will generally not be subject to capital gains tax on listed shares in Australian companies. The only circumstances in which a potential CGT liability can arise is where the individual and their associates have or have had within a period of 24 months more than a 10% interest in the company and the company has more than 50% of its assets in the form of Australian real property. If in doubt on this question specialist advice should be sought. However for the majority of investors in listed securities a greater than 10% interest, even including associates interests is not going to be likely.

Interest paid

Any interest paid to non-residents of Australia on a deposit of funds in a brokerage account located in Australia will generally be subject to a 10% withholding tax.

This is a final tax in Australia and such income is not required to be disclosed on an Australian tax return.

Dividends

Dividends paid to non-residents of Australia are subject to withholding tax of between 15-30% unless they are fully franked in which case no further withholding is required. This is a fixed tax in Australia and such income is not required to be disclosed on an Australian tax return.

GST

Brokerage services supplied to non Australian tax residents will generally be GST free as long as they are not physically present in Australia when the on-market security transaction takes place.

Australian Income Tax

Australians who are overseas but remain Australian tax residents will continue to be subject to Australian income tax on their worldwide taxable income, including capital gains, interest and dividends.

Contacts:

Adelaide

Tiffany Wymond

E tiffany.wymond@au.gt.com

T (08) 8372 6643

Melbourne

Sarah Rodrigo

E sarah.rodrido@au.gt.com

T (03) 8663 6352

Sydney

Andrew Hope

E andrew.hope@au.gt.com

T (02) 8297 2421

Brisbane

Maggie Millar

E maggie.millar@au.gt.com

T (07) 3222 0329

Perth

Tony Underhill

E tony.underhill@au.gt.com

T (08) 9480 2125

This is not advice. Clients should not act solely on the basis of the material contained in this publication. It is intended for information purposes only and should not be regarded as specific advice. Further advice should be obtained before taking action on any issue dealt with in this newsletter. Please contact Grant Thornton for further advice.