

Tax-smart investing

What Australians investing
in overseas property need
to know




As an Australian resident, tax-smart investing in overseas property takes more than making the right property choices.

Remember to keep proof of your income-related expenses from the beginning to ensure you can claim everything you're entitled to.

Residency

Generally, you're an Australian resident for tax purposes if you meet any of the following conditions:

- you have always lived in Australia or you now live here permanently
- you have been in Australia continuously for six months or more and for most of that time you worked in the same job and lived at the same place
- you have been in Australia for more than half of the income year – unless your usual home is overseas and you do not intend to live in Australia.

 For more information, refer to *Determination of residency toolkit*. To access the toolkit, visit our website at www.ato.gov.au and search for qc00171418, then select: Residency status and tax obligations – Determination of residency status toolkit.

Receiving rent

Remember...

- You must include the total rental income from your overseas real estate on your Australian tax return – even if it has been, or will be, taxed outside Australia.
- Rent from overseas real estate is included at the 'Foreign source income and foreign assets or property' item on your tax return.
- If you have paid foreign tax on income you received from overseas real estate, you may be entitled to a foreign income tax offset (formerly known as a foreign tax credit).
- You are only entitled to a foreign income tax offset for tax you have actually paid.
- Your foreign income tax offset is also included at the 'Foreign source income and foreign assets or property' item on your tax return.

Claiming rental deductions

Remember...

- Tax deductions on your rental property can include:
 - rates
 - interest
 - insurance
 - real estate agent fees
 - depreciation, and
 - deductions for capital works.
- If your overseas property tax deductions are greater than your overseas rental income, you will have a foreign income loss.
- You can use your foreign income loss to reduce your Australian income.

Paying capital gains tax

Remember...

- Australia applies a tax to any profit you make when you sell (or otherwise dispose of) real estate both in Australia and overseas. This is called 'capital gains tax'.
- You must include any capital gain or capital loss you have made from your overseas real estate on your Australian tax return – even if it has or will be taxed outside Australia.
- You can use your capital losses to offset the capital gains you make on other assets.
- You need to include your capital gains and capital losses at the 'Capital gains' item on your tax return.
- If you have owned your property for more than 12 months, you may be able to reduce the amount you include on your tax return by 50%.
- If you have paid foreign tax on your capital gain, you may be entitled to a foreign income tax offset (formerly known as a foreign tax credit).

More information

For more information about how tax applies to property investing, refer to:

- *Rental properties* (NAT 1729)
- *Guide to capital gains tax* (NAT 4151)
- *Guide to depreciating assets* (NAT 1996)
- *Guide to foreign income tax offset rules* (NAT 72923)
- *Introduction to capital gains tax* – search for qc20427.

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- visit one of our shopfronts
- see a registered tax agent.

If you do not speak English well and want to talk to a Tax Officer, phone the Translating and Interpreting Service on **13 14 50** for help with your call.

If you have a hearing or speech impairment and have access to appropriate TTY or modem equipment, phone **13 36 77**. If you do not have access to appropriate TTY or modem equipment, phone the Speech to Speech Relay Service on **1300 555 727**.

Our commitment to you

We are committed to providing you with guidance you can rely on. If you feel that this publication does not fully cover your circumstances, or you are unsure how it applies to you, you can seek further assistance from us.

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