

CARMICHAEL INTERNATIONAL TAX

AUSTRALIAN TAX RESIDENCE RULES & AUSTRALIAN TAX RATES 2025



Carmichael International Tax Pty Ltd

Level 25, Palace (South32) Tower, 108 St George's Terrace, Perth WA 6000, Australia

Web : www.CarmichaelTax.com

Tax Agent Registration Number : 24611-540

Australian Tax Residence Rules and Tax Rates

1. Your Australian tax residence status (outbounds)

- If you are an Australian citizen or Permanent Resident and you go to a foreign country for less than around **24 months**, or if you go **on rotation (FIFO)** from your Australian home base, you will usually remain an **Australian tax resident** while you are overseas. This is the case even if you spend more than 183 days outside Australia. So your remuneration (salary, etc) will still be taxable in Australia while you are living overseas. Foreign tax credits (“FITO’s”) will prevent most double taxation.
- Merely living overseas does not necessarily make an Australian national a non-resident for tax purposes. Case law shows that an Australian with the wrong facts can live overseas for several years and still remain Australian tax resident (and taxed in Australia on their worldwide income).
- **Current Rules** : For you to become a non-resident of Australia for tax purposes, **you must pass all four tests** in law. **But these residence rules will change completely under proposed new laws** (expected from 1 July 2025 or later, once draft legislation is issued). The **current rules** to become a non-resident are :
 - (a) You generally have to leave Australia for **at least two years**;
 - (b) you and your spouse/de facto partner **cannot be an employee of the Australian Federal Government** while you are overseas (there are some exceptions);
 - (c) you **cannot “reside” or live in Australia** (ie. the *ordinary, narrow* meaning of the word) **nor rotate FIFO from an Australian home base** where you still live (e.g. FIFO roster of say 2 months overseas and 1 month back home in Australia), so you must **move your life substantially** to the foreign country; and
 - (d) if you are “domiciled” in Australia, you must have a **“permanent place of abode” (i.e. a specific foreign country) overseas** where you live on a non-temporary basis.
- **Proposed New Rules** : We are still waiting for draft legislation so these proposed new residence rules will only be effective from 1 July 2025 *at the earliest*. These are a **once-in-a-century complete overhaul** of Australia’s residence rules and are specifically stated to **make it much harder** for Australians to *become* non-resident (and hence non-taxable).
- If you have a **HELP debt** (i.e. an Australian Government student loan), and you are leaving Australia for more than 6 months, you must advise the ATO of your new contact details **within 7 days** of leaving. Anyone living overseas and earning above the minimum repayment threshold must make HELP debt repayments towards their student loan – just as if they were living in Australia. So you will have to **declare your non-taxable foreign salary here** (even as a non-resident) in order to calculate the HELP repayment amount each tax year.

2. Tax rates for tax residents of Australia (incl. “temporary residents”)

Taxable income	Tax on this income (2024-25)
0 - \$18,200	Nil
\$18,201 - \$45,000	16c for each \$1 over \$18,200
\$45,001 - \$135,000	\$4,288 plus 30c for each \$1 over \$45,000
\$135,001 - \$190,000	\$31,288 plus 37c for each \$1 over \$135,000
\$190,001 and over	\$51,638 plus 45c for each \$1 over \$190,000

These tax rate rates **do not** include the **2% Medicare Levy** nor the Medicare Levy Surcharge (1% – 1.5%). So the **highest 2024-25 marginal tax rate is 47%** for a tax resident (i.e. 45% + 2% ML = 47% for taxable income exceeding \$190,000 pa). Plus 1.5% ML Surcharge if incorrect / no *qualifying Australian* private health insurance in place. Higher tax rates apply to most working holidaymaker visas. Australian citizens, Permanent Resident visa holders and most UK nationals on a 482 working visa (and some others) are liable to pay the 2% Medicare Levy.

Two illustrative examples of Australian tax for a tax resident (2024-25 rates) :

- If you are tax resident for all of 2024-25, and you earn say **\$100,000 of taxable income** with no deductions, you will fall into the \$45,000 - \$135,000 income band. Assume in this example that you are liable to the 2% Medicare Levy.
- Your total tax payable for the year will be : **\$4,288** + [30% x (\$100,000 - \$45,000) = **\$16,500**] + [2% ML x \$100,000 = **\$2,000 ML**] = **\$22,788**.
- Your **marginal** tax rate is 30% + 2% Medicare Levy = **32%**. So every extra dollar you earn between \$100,000 and \$135,000 will be taxed at 32%. And at 39% if between \$135,000 and \$190,000. And at 47% if above \$190,000.
- If you earn \$100,000 of taxable income, your **average** tax rate will be **22.8%**.
- If you are tax resident for all of 2024-25, and you earn say **\$200,000 of taxable income** with no deductions, you will fall into the \$190,000 and above income band. Assume in this example that you are liable to the 2% Medicare Levy.
- Your total tax payable for the year will be : **\$51,638** + [45% x (\$200,000 - \$190,000) = **\$4,500**] + [2% ML x \$200,000 = **\$4,000 ML**] = **\$60,138**.
- Your **marginal** tax rate is 45% + 2% Medicare Levy = **47%**. So every extra dollar you earn above \$190,000 will be taxed at 47%.
- If you earn \$200,000 of taxable income, your **average** tax rate will be **30.0%**.

3. Tax rates for (full-year) non-residents of Australia

Taxable income	Tax on this income (2024-25)
0 - \$135,000	30c for each \$1
\$135,001 - \$190,000	\$40,500 plus 37c for each \$1 over \$135,000
\$190,001 and over	\$60,850 plus 45c for each \$1 over \$190,000

Full-year non-residents do *not* get the \$18,200 pa tax-free threshold so their first dollar of taxable income is taxed at 30% (previously at 32.5%). Non-residents do not pay the 2% Medicare Levy nor the 1% - 1.5% Medicare Levy Surcharge. So the **highest 2024-25**

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marginal tax rate for a non-resident is 45% + 0% ML + 0% MLS = **45%** (for taxable income exceeding \$190,000 pa).

Two illustrative examples of Australian tax for a full-year non-resident (2024-25 rates) :

- If you are a **non-resident** and you earn say **\$100,000 of taxable income** in 2024-25, your total tax payable for the year will be : 30% x \$100,000 = **\$30,000** + [nil Medicare Levy + nil MLS] = **\$30,000**.
- As you can see, a non-resident usually pays more tax than a resident.
- At \$100,000 of taxable income, your **marginal** tax rate is **30%** and your **average** tax rate is also **30%**. And every dollar you earn between \$135,000 and \$190,000 will be taxed at 37% (and at 45% if above \$190,000).
- If you are a **non-resident** and you earn say **\$200,000 of taxable income** in 2024-25, your total tax payable for the year will be : \$60,850 + [45% x (\$200,000 – \$190,000 = \$10,000) = \$4,500] = **\$65,350** + [nil Medicare Levy + nil MLS] = **\$65,350**.
- At \$200,000 of taxable income, your **marginal** tax rate is **45%** and your **average** tax rate is **32.7%**. Every extra dollar you earn >\$190,000 will be taxed at 45%.

4. Your Australian tax return deductions

- In Australia, you can deduct almost any expense that you incur in the production of your taxable income. **But you need to keep receipts.** For example :
 - depreciation on assets you use to earn your salary (e.g. laptop, iPad, iPhone)
 - your home office expenses if you work partly from home (but *not* your mortgage or rent) e.g. 10 hours per week. Work portion of electricity, gas, etc
 - home internet costs if you work partly from home
 - use your own car for work purposes and are not reimbursed (but *not* home to work travel / private commuting, unless you work mainly from home)
 - stationery (including calculator, batteries for calculator, apps for iPad, printer cartridges, paper, gold pen, etc)
 - professional journals and subscriptions
 - self-education expenses (incl. cost of tuition fees, textbooks, travel, etc).
 - tools of your trade
 - global work-related membership and union fees
 - protective clothing (e.g. work portion of RayBans if you work outdoors, sunscreen, hat, protective shoes, weather-proof jacket, etc, but *not* a business suit, jeans or normal clothes) and laundry of such protective clothing
 - unreimbursed work expenses including from business trips
 - *Australian* charitable donations (even if non-resident), such as World Vision sponsor child, Good Samaritans, Salvation Army, etc. Keep your receipts.



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