

Foreign Source Income



Written by Melanie Toye.

The Australian Taxation Office is cracking down on people who do not provide all the relevant information that is required in their tax return. Foreign investments and income earned outside the country can be hard to track. However not declaring all your assessable income knowingly, can result in penalties and even possible jail time.

Although foreign investments can provide a great source of income, sometimes one needs to measure the true amount that will be received after paying possible multiple taxes and expenses, before signing the contract. Below are some common questions, you may have about income received from foreign investments. As every circumstance is different, it is always best to contact our team of tax and business professionals to provide the right information to your situation.

Question: If you pay tax from an investment in another country, do you also have to pay tax in Australia from the amount of foreign income received?

Answer: The simple answer is yes. However if you do pay foreign tax in another country, you may be entitled to an Australian foreign income tax offset.

How does it work?

To be eligible for the foreign income tax offset you must include this information in your Australian tax return as assessable income. You can claim for the foreign tax paid from income, profits or gains as well as capital gains.

The offset can only be claimed after the foreign tax has been paid.

Question: If you have expenses in relation to travelling overseas to manage your investment, will you be able to claim these deductions in Australia?

Answer: Foreign losses and deductions are treated in the same way as all other deductions and losses in Australia. Deductions claimable depend on the particulars of the claim, such as foreign property, income, investments, shares etc all have specific items that can be claimable.

It is always in your best interest, to speak with a tax professional. Our experts in tax and business are ready to meet with you. Contact Tax Matters and Business Affairs Pty Ltd on (03) 9416 1679 or email info@taxmatters.net.au