

## GLOSSARY

### Foreign source income

Income you receive from overseas including rent, interest, dividends, pensions, annuities and income from foreign employment is known as foreign source income. All foreign income, deductions and foreign tax must be converted to Australian dollars before you include it on your tax return.

### Depreciation

Some items in your rental property will decline in value or depreciate over time such as furniture, carpets and curtains. There are two methods you can use to calculate your depreciation. Depreciation can be claimed as a tax deduction on your rental property.

### Capital works

You can deduct certain kinds of construction expenses including a building or extension, for example, adding a room, garage or patio. The amount of your deduction will depend on the type of construction and the date the construction started.

### Capital gains and capital losses

When you sell your property for more than what you paid for it you make a profit or capital gain. Generally, when you sell your property for less than what you paid for it you have made a capital loss. Capital gains and capital losses are included at the **Capital gains** item on your tax return.

### Residency

Generally, you will be considered to be an Australian resident for tax purposes if:

- you have always lived in Australia or you have come to Australia and live here permanently, or
- you have been in Australia continuously for six months or more and for most of that time you worked in the one job and lived at the same place, or
- you have been in Australia for more than half of the income year 2005–06 – unless your usual home is overseas and you do not intend to live in Australia.

## ➤ WHERE TO FIND MORE INFORMATION

- Visit the Tax Office website at [www.ato.gov.au/individuals](http://www.ato.gov.au/individuals)
- Phone the Personal Tax Infoline on **13 28 61** between 8.00am and 6.00pm, Monday to Friday (a translating and interpreting service is also available by phoning **13 14 50**).
- Refer to the publications listed below.
- See a registered tax agent.

### Publications

The following publications are available FREE from the Tax Office:

- *Rental properties* (NAT 1729)
- *Guide to capital gains tax* (NAT 4151)
- *Guide to depreciating assets* (NAT 1996)
- *How to claim a foreign tax credit* (NAT 2338)
- *Introduction to capital gains tax* (on our website).
- *Are you a resident?* (on our website)

To obtain any of our publications, you can:

- download from our website
- phone our Publications Distribution Service on **1300 720 092** and quote the NAT number shown after the title of the publication
- visit one of our shopfronts.

# Tax-smart investing

## Australian residents with overseas real estate

If you are an Australian resident for tax purposes you will have entitlements and tax obligations if you own real estate overseas.

Don't pay more tax than you need to.



**Australian Government**  
**Australian Taxation Office**

## RENT

### Do you know?

- You must include the total rental income from your overseas real estate on your Australian tax return – even if it has or will be taxed in a foreign country.
- 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 tax credit.
- You are only entitled to a foreign tax credit for tax you have actually paid.
- Your foreign tax credit is also included at the **Foreign source income and foreign assets or property** item on your tax return.

## RENTAL DEDUCTIONS

### Do you know?

- 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.
- Foreign income losses cannot be used to reduce your Australian income; however, you may be able to use your losses to reduce similar foreign income.

## CAPITAL GAINS TAX

### Do you know?

- 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 in a foreign country.
- Capital losses can be used to offset capital gains made on other assets.
- Capital gains and capital losses are included 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 declare on your tax return by 50%.
- Similarly to rent, if you have paid foreign tax on your capital gain, you may be entitled to a foreign tax credit.

**! BE PREPARED: Keep proof of all you spend on your property from the beginning to ensure you don't pay more tax than you need to.**