



Tax exempt income from foreign employment

Employment income from certain types of international work may be exempt from Australian tax.

Exempt income from foreign service

Your income may be exempt from Australian tax (under section 23AG) if you're engaged in foreign service.

Working on an approved overseas project

Your foreign income may be exempt from tax (under section 23AF) if you work on an approved overseas project.

Working for certain international organisations

Income from working for certain international organisations may be exempt from tax in Australia.

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QC 72094

Exempt income from foreign service

Your income may be exempt from Australian tax (under section 23AG) if you're engaged in foreign service.

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Eligibility

Your foreign employment income is exempt from tax (under section 23AG of the *Income Tax Assessment Act 1936*) if you meet all 4 of the following conditions:

1. you're an Australian resident for tax purposes
2. you're engaged in [continuous foreign service](#) as an employee for 91 days or more
3. your foreign service is directly attributable to any of the following
 - delivery of [Australian Official development assistance](#) by your employer (except if your employer is an Australian government agency)
 - activities of your employer in operating a public fund declared by the Minister to be a [developing country relief fund](#)
 - activities of your employer in operating a public fund established and maintained to provide monetary relief to people in a developed foreign country impacted by a disaster (a [public disaster relief fund](#))

- activities of your employer as a [prescribed charitable or religious institution](#) exempt from Australian income tax because it's located outside Australia, or the institution is pursuing objectives outside Australia
- deployment outside Australia as a [member of a disciplined force](#)

4. you're not excluded from exemption by the [non-exemption conditions](#).

If your foreign service is not directly attributable to these activities, you need to include the [foreign employment income](#) in your tax return as assessable income.

You may be entitled to a [foreign income tax offset](#) for amounts of foreign tax you have paid.

Your foreign employment income may also be exempt if it is paid for [Working on an overseas project approved by Austrade](#). There are different rules for this exemption.

Australian Official development assistance

Australian Official development assistance (ODA) is assistance delivered through the Australian Government's overseas aid program administered by the Department of Foreign Affairs and Trade (DFAT).

DFAT also contracts aid work to Australian and international entities. As a result, individuals involved in the delivery of Australian ODA can include both employees of an Australian government agency and people who are not government employees.

Employees of an Australian government agency who earn foreign income while delivering Australian ODA are not eligible for exemption from Australian income tax on their foreign employment income.

An 'Australian government agency' means:

- the Commonwealth, a state or a territory
- an authority of the Commonwealth or of a state or territory.

Example: employed by Australian government agency

Michelle is an Australian resident employed by the Department of Education and Training. She is posted to the Solomon Islands for 190 continuous days as a project advisor on an Australian ODA project aimed at improving the quality of early childhood education.

Michelle's foreign service is directly attributable to the delivery of Australian ODA by her employer.

As an Australian government employee delivering ODA, her foreign earnings are not exempt from Australian income tax. Michelle's foreign income from her service will be taxed in Australia, and she may be entitled to claim a foreign income tax offset for any foreign tax paid on that income.

Example: contracted by Australian government agency

Eric is an Australian resident motor mechanic. He is employed by a private company contracted by DFAT to provide vocational training in Vanuatu. He is posted to Vanuatu for 180 continuous days.

Eric's foreign service is directly attributable to the delivery of Australian ODA by his employer. Therefore, his foreign earnings are eligible for exemption, subject to the non-exemption conditions.

For more information, see [List of departments and agencies](#) .

Developing country relief fund

A developing country relief fund is a fund established by an organisation solely to provide relief to people in a developing country.

The organisation must be an approved organisation as declared by the Minister for Foreign Affairs. The country must be a developing country as declared by the Minister for Foreign Affairs.

Example: developing country relief fund

Maria is a social worker employed by Peace Group, a charitable organisation that provides assistance to developing countries. Maria is posted to Nigeria for 120 days to help provide relief to people in distress.

Peace Group is an organisation that has been approved as operating a developing country relief fund. This means Maria's foreign employment income is eligible for the exemption.

If you're unsure if your work relates to a developing country relief fund, ask your employer.

Public disaster relief fund

A public disaster relief fund is a fund established and operated by a public benevolent institution in response to an event recognised as a disaster by the Minister for Foreign Affairs.

If you're unsure if your work relates to a public disaster relief fund, ask your employer.

Prescribed institution exempt from Australian income tax

You may be eligible for exemption if your foreign service is directly attributable to working for a prescribed charitable or religious institution that is exempt from Australian income tax.

These organisations are either located outside Australia or have a physical presence in Australia but incur their expenditure and pursue their objectives principally outside Australia.

If you're unsure if you work for a prescribed charitable or religious institution, ask your employer.

Foreign deployment as a member of disciplined force

You may be eligible for exemption if your foreign service is directly attributable to deployment outside Australia as a member of a disciplined force.

When we say:

- 'disciplined force', we mean the Australian Defence Force (ADF), Australian Federal Police (AFP) and state and territory police forces.
- 'member', we mean you have taken an oath or affirmation required to perform operational duties of the disciplined force you are employed in.

The exemption will apply if you are a part of an international peacekeeping force in your capacity as an ADF, AFP or state or territory police force member.

If you obtain civilian employment directly with an international peacekeeping force you are not deployed as a member of a disciplined force. Your income will not be exempt from tax in Australia.

As a member of a defence force, the exemption applies to your deployment outside Australia as part of a non-warlike operation. (For warlike operations see [Australian defence force members performing overseas duty](#)).

Continuous foreign service

To be eligible for exemption from Australian tax, your foreign service must be for a continuous period of 91 days or more.

Any period of absence from foreign service breaks the continuity of your foreign service, unless either:

- the absence does not exceed [one-sixth](#) of your total period of foreign service
- the [absence counts as foreign service](#) and so does not break the continuity of foreign service.

The continuous service rules for foreign service are different from the continuous service rules for qualifying service on an [approved overseas project](#).

One-sixth test

Absences that would otherwise break the continuity of your period of service for the purposes of the '91 days or more' requirement can be bridged by applying the one-sixth test.

The one-sixth test means that as long as your absence does not exceed one-sixth of your period of service up to that point, the

absence won't break the continuity of your service.

Example: one-sixth test – continuous service

Kate is engaged in foreign service that is broken by an absence as follows:

First period of foreign service	185 days
Absence	24 days
Second period of foreign service	50 days

The absence does not exceed one-sixth of Kate's first period of foreign service of 185 days. This means the 2 periods of foreign service are treated as continuous foreign service. However, the 24 days absence does not count as foreign service, so Kate's period of foreign service is 235 days (185 + 50).

Example: one-sixth test – broken service

David is engaged in foreign service that is broken by an absence as follows:

First period of foreign service	185 days
Absence	38 days
Second period of foreign service	50 days

After 31 days, the absence exceeds one-sixth of David's first period of foreign service of 185 days. The absence therefore breaks the continuity of service. David's second period of foreign service after the absence is treated as a separate period to the first. The number of days of continuous service in the new period starts from the first day of that period.

Foreign service straddling income years

Foreign service is not measured on a year-of-income basis. If your foreign service begins in one income year and continues into the next, you take into account the entire period of your service.

Absences that still count as foreign service

Some temporary absences during a period of foreign service still count as foreign service and will not affect your continuity of service. These are periods where you are absent:

- within your scheduled period of foreign service
- in accordance with the terms and conditions of your foreign service
- for any of the following reasons
 - recreation leave on full pay that is attributable to the period of foreign service
 - an accident or illness you suffer
 - an accident or illness of a person other than you, or the death of another person
 - you carry out duties or undertake training in Australia (work-related trips directly related to your foreign service), provided the absences are not excessive compared to the scheduled period of your foreign service
 - short breaks such as weekends, public holidays, rostered days off, days off due to part-time arrangements, compulsory lay-off or layover days, grounded days, flex days and days off in lieu – provided the break is part of the normal working conditions for your foreign service.

Longer absences during a period of foreign service will affect your continuity of service and not count as foreign service. An example of this is maternity leave and long service leave.

Example: absence counting as foreign service

Tim is employed on a 12-month contract to work in China.

In exchange for forgoing public holidays, rostered days off and working weekends, he is given a 2-week break for days off in

lieu. He takes this break part way through his period of foreign service and spends it in Australia.

The 14-day break spent in Australia is part of the normal working conditions of Tim's scheduled 366 days foreign service. So it forms part of Tim's period of foreign service, even though that time is spent in Australia.

Person dies while on foreign service

If a person dies while on foreign service, they are taken to have been engaged in that foreign service for a continuous period of 91 days or more if the period of service would have been at least that long had they not died.

Non-exemption conditions

Your foreign employment income is not exempt from Australian tax if you did not have to pay tax in the country where you earn that income because of any of the following:

- a [tax treaty](#) with Australia or a law giving effect to a treaty agreement
- the foreign country does not impose tax on employment or personal services income or categorises income of this type as generally exempt
- a law of the foreign country that corresponds to the *International Organisations (Privileges and Immunities) Act 1963* or an international agreement to which Australia is a party that deals with either
 - diplomatic or consular privileges and immunities
 - privileges and immunities for people connected with international organisations, such as the United Nations
- a law of the foreign country that gives effect to an agreement to which Australia is a party, which deals with either
 - diplomatic or consular privileges and immunities
 - privileges and immunities for people connected with international organisations, such as the United Nations.

Your foreign employment income may still qualify for exemption if it was not taxable in the foreign country for a reason other than, or in addition to, the non-exemption condition reasons. This may be because:

- the amount of income you earned is less than the amount at which you must start paying tax in the foreign country
- the income falls into a special category that the foreign country exempts – for example, payments to visiting aid project workers
- a memorandum of understanding (MOU) exempts the payments – for example, an MOU between Australia and a developing country for Australians to assist that country
- the foreign country levies a tax on employment income but does not have a collection system – for example, it does not have a collection system like the Australian pay as you go (PAYG) withholding system.

For more information about the eligibility rules for foreign service, see:

- [TD 2012/8](#) *Income tax: what types of temporary absences from foreign service form part of a continuous period of foreign service under section 23AG of the Income Tax Assessment Act 1936.*
- [TR 2013/7](#) *Income tax: foreign employment income: interpretation of subsection 23AG(1AA) of the Income Tax Assessment Act 1936.*
- [CR 2012/16](#) *Income tax: assessable income: Australian Federal Police personnel deployed to the republic of South Sudan as part of the United Nations peacekeeping force.*
- [ATO ID 2013/27](#) *Income tax: application of section 23AG of the Income Tax Assessment Act 1936 to sick leave accrued during a period of foreign service and taken after the period of foreign service has ceased.*

How exempt foreign employment income affects your tax

If your income is exempt foreign employment income from foreign service (section 23AG) or working on approved overseas projects (section 23AF), you must still include it in your tax return. Although you have to include this income, it will not be taxed. But it will affect the tax you are liable to pay on any other income you earn.

This is to ensure that taxpayers with exempt foreign employment income pay a similar rate of tax on their other income as taxpayers who earn the same overall income.

You should [convert your foreign employment income to Australian dollars](#).

Apportioning deductions

If you have both assessable income and exempt foreign employment income, you must apportion certain deductions between the assessable and exempt foreign employment income.

The deductions you must apportion are those that can't be appropriately related to earning your assessable income, such as deductible gifts. You apportion the deduction between the exempt and assessable income based on the amount of each you received.

Deductions for tax agent fees and superannuation contributions are not apportionable. You treat these as relating exclusively to your assessable income.

For more information, see [TD 2000/12](#) *Income tax: Do allowable deductions in respect of tax agents' fees and superannuation contributions relate exclusively to assessable income, for the purposes of the 'other taxable income' calculations in sections 23AF and 23AG of the Income Tax Assessment Act 1936?*

Income not exempt from tax

Australian resident individuals are taxed on their worldwide income. This means you must include all foreign-source income in your tax return. If you have paid foreign tax on this income, you may be entitled to a non-refundable [foreign income tax offset](#) for the foreign tax you paid.

You are not entitled to a foreign income tax offset for any foreign tax you pay on your exempt foreign employment income.

If your Australian employer is still paying you while you are working overseas, they must withhold tax from any non-exempt foreign employment income. This also applies to any foreign employer that is registered for Australian PAYG withholding.

If you are employed by a foreign employer that is not registered for Australian PAYG withholding, it is unlikely that any amount will be

withheld for Australian tax purposes.

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Working on an approved overseas project

Your foreign income may be exempt from tax (under section 23AF) if you work on an approved overseas project.

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Eligibility

Your income from an approved overseas project is exempt from tax in Australia (under section 23AF of the *Income Tax Assessment Act 1936*) if you satisfy the following 2 conditions:

- you are employed, or perform personal services as a contractor, on an [approved overseas project](#) for a [continuous period of 91 days or more](#)
- your income from working on the project is not excluded by any of the [non-exemption conditions](#).

Your income won't be exempt for working on an approved overseas project (23AF) if it is already exempt from working in [foreign service](#) (23AG).

Approved overseas projects

An approved overseas project is a project that is in the national interest and is approved in writing by [Austrade](#)  (Australian Trade and Investment Commission). Austrade should provide a project number to your employer or contractor.

Approved overseas projects include projects that are:

- for the design, supply or installation of equipment or facilities

- for the construction of works
- for the development of an urban area or a regional area
- for the development of agriculture
- giving advice or assistance for the management or administration of a government department or public utility
- in a class of projects approved in writing by the Trade Minister, such as projects for the
 - development of natural resources
 - supply of agricultural services carried out on behalf of the government, public utility or a corporation owned by the government or operating under government authority
 - development, installation, management or administration of medical programs and facilities.

Continuous period of service

To be eligible for the exemption from Australian tax, you must have [qualifying service](#) for a continuous period of 91 days or more.

A period of absence breaks the continuity of your qualifying service, unless:

- the absence does not exceed [one-sixth of your total period of qualifying service](#)
- the absence is one that still [counts as qualifying service](#).

Qualifying service is not measured on a year-of-income basis. If your qualifying service begins in one income year and continues into the next, you take into account the entire period of your service.

The 'one-sixth test'

Absences that would otherwise break the continuity of your period of service for the purposes of the '91 days or more' requirement can be bridged by applying the one-sixth test.

The one-sixth test means that as long as your absences don't exceed one-sixth of your period of qualifying service, your absences won't break the continuity of your service.

Example: one-sixth test with continuous service – approved overseas project

Noral is engaged on an approved overseas project that is broken by an absence in Australia:

Period of qualifying service 1:	185 days
Absence:	31 days
Period of qualifying service 2:	55 days

Noral's total period of qualifying service is 240 days (185 + 55). Noral's absence of 31 days does not exceed one-sixth of her total service. Therefore, the 2 periods of qualifying service on an approved overseas project are treated as a continuous period. The 31-day absence does not count as foreign service, so Noral's period of qualifying service is 240 days (185 + 55).

Example: one-sixth test with broken service – approved overseas project

Bob is engaged on an approved overseas project that is broken by an absence in Australia:

Period of qualifying service 1:	185 days
Absence:	60 days
Period of qualifying service 2:	55 days

Bob's total period of qualifying service on an approved overseas project is 240 days (185 plus 55). As Bob's absence of 60 days exceeds one-sixth of the total period, Bob's second period of qualifying service after the absence is treated as a separate period. The number of days of continuous service in the new period starts from the first day of that period.

Qualifying service on an approved project

Your period of qualifying service on an approved overseas project includes:

- the time that you are outside Australia working on the approved project
- the time you spend travelling between Australia and the site of the approved project (provided that the travel time is reasonable)
- any occasions you are absent from work due to an accident or illness during the period you are working on the approved project, provided you resume your service immediately after the incapacity ceases
- any occasions you are on paid leave (other than long service leave or sick/personal leave) that accrues while you are working on the approved project
- any breaks that are a normal part of your work arrangements, such as weekends, public holidays and equivalent time off.

If your service ends early due to unforeseen circumstances

If your period of service on an approved project ceases due to unforeseen circumstances, your period of service is taken to also include the period you would have been on the project but for the unforeseen circumstances.

Non-exemption conditions

Your income is not exempt if any of the following apply:

- You're an employee and your income is already exempt foreign employment income.
- The income is exempt from income tax in the foreign country solely because of the existence of a tax treaty between Australia and that country.
- The payment is for long service leave or is a superannuation or pension payment.

Completing your tax return

Although exempt foreign employment income is not included in your assessable income, you still need to show it in your tax return because it affects the rate of tax payable on your taxable income.

If your foreign employment income is not exempt, include it in your tax return. If you paid foreign income tax, include the amount of tax that you paid in your assessable foreign source income. You may be eligible to [claim a foreign income tax offset](#).

QC 72096

Working for certain international organisations

Income from working for certain international organisations may be exempt from tax in Australia.

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If you work for an international organisation that is covered by the *International Organisations (Privileges and Immunities) Act 1963* (IOPI Act), your income may be exempt from tax in Australia if:

- regulations specify that the organisation is an international organisation for the purposes of the IOPI Act
- your engagement with the international organisation is connected in a way that enables the income you receive to be exempt from income tax.

These conditions are provided in the regulations applicable to the international organisation.

For further information see [TR 2024/D2](#) *Income tax: exempt income of international organisations and persons connected with them*.

QC 72097

Australian defence force members performing overseas duty

Reporting income for members of the ADF performing overseas duty.

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Eligibility

You don't pay income tax on the salary and allowances you receive while you are serving as a member of the Defence Force, if:

- there is a [certificate in force](#) issued by the Chief of the Defence Force in writing to the effect that you are on [eligible duty](#) with a specified organisation in a specified area outside Australia
- the eligible duty is not as, or under, an attaché at an Australian embassy or legation.

Eligible duty

The following organisations, areas and dates have been specified by Regulation.

Specified organisations, areas and duty dates

Organisation	Area	After the day	Before day
Australian Defence Force on Operation Accordion	The land area, territorial waters, airspace and superjacent airspace of the following countries: <ul style="list-style-type: none">• Bahrain	30 June 2014	n/a

	<ul style="list-style-type: none"> • Qatar • the United Arab Emirates. 		
Australian Defence Force on Operation Augury	<p>The following areas:</p> <ul style="list-style-type: none"> • the land area and superjacent airspace of Afghanistan • the land area, territorial waters, airspace and superjacent airspace of the following countries <ul style="list-style-type: none"> – Iraq – Jordan – Syria – the United Arab Emirates. 	3 July 2014	n/a
Australian Defence Force on Operation Highroad	The land area and superjacent airspace of Afghanistan.	31 December 2014	n/a
Australian Defence Force on Operation Manitou	The sea (including adjacent ports and the area within a 10 km	14 May 2015	n/a

	<p>radius of such ports) and superjacent airspace of:</p> <ul style="list-style-type: none"> • the Gulf of Aden • the Gulf of Aqaba • the Gulf of Oman • the Gulf of Suez • the Indian Ocean north of latitude 15°S and west of longitude 70°E • the Persian Gulf • the Red Sea • the Strait of Hormuz. 		
Australian Defence Force on Operation Okra	<p>The land area, territorial waters, airspace and superjacent airspace of the following countries:</p> <ul style="list-style-type: none"> • Bahrain • Cyprus • Iraq • Jordan • Kuwait 	9 September 2015	n/a

	<ul style="list-style-type: none"> • Qatar • Syria • Turkey east of longitude 35°E • the United Arab Emirates. <p>The waters and superjacent airspace of the Persian Gulf.</p>		
Australian Defence Force on Operation Orenda	The land area and superjacent airspace of Mali.	1 April 2020	n/a
Australian Defence Force on Operation Paladin	<p>The land area, territorial waters, airspace and superjacent airspace of the following countries:</p> <ul style="list-style-type: none"> • Egypt • Israel • Jordan • Lebanon • Syria. 	1 July 2020	n/a
United Nations – Assistance Mission in Afghanistan	The land area and superjacent airspace of Afghanistan.	26 June 2005	1 January

(Operation Palate II)			
Australian Defence Force on Operation Steadfast	The land area, territorial waters, airspace and superjacent airspace of Iraq.	9 September 2018	n/a

Certificate in Force

A certificate issued by the Chief of the Defence Force comes into force on the later of the time:

- specified in the certificate
- you arrive for duty in the specified area.

The certificate continues in force until the earlier of the time:

- you leave the specified area
- specified in the certificate or a certificate of revocation
- specified in the regulations.

The certificate continues in force if you are hospitalised from an illness or injury contracted or sustained during your eligible duty.

Other income

You have to pay income tax on any other income you make or receive. This includes [rent, interest, dividends and capital gains](#) and any other income you receive while on eligible duty.

The exemption from paying tax only applies to the salary and allowances you receive while on eligible duty with a specified organisation in a specified area.

For a guide to ADF members income and work-related deductions, see our occupation guide for [Australian Defence Force members](#).

Australia–United States Joint Space and Defence Projects

How employment income in connection with a joint space and defence project may qualify for special tax treatment.

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Eligible projects

A joint space and defence project may qualify for special tax treatment.

If you receive income in connection with the following projects, you may qualify for special tax treatment:

- North West Cape Naval Communication Station (Exmouth, Western Australia).
- Joint Defence Space Research Facility (Pine Gap, Northern Territory).
- Sparta Project.
- Joint Defence Space Communications Station.
- Force Posture Initiatives.

Project employment income

Under some circumstances, employment income for services at these facilities is exempt from Australian income tax if the same income is subject to tax in the United States. You will need to keep evidence such as a closing agreement with the [US Internal Revenue Service](#) .

Foreign contractor income

Income a foreign contractor gets from services performed at these facilities may be [exempt](#) if the income is not exempt in the US.

However, if the foreign contractor is a US entity that doesn't pay tax (such as a limited liability company), the US tax treatment of the entity

and its members will be considered when working out if the exemption applies.

This tax treatment doesn't apply to Australian citizens or residents of Australia for tax purposes.

QC 72099

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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