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Leaving Australia

An employee's tax guide

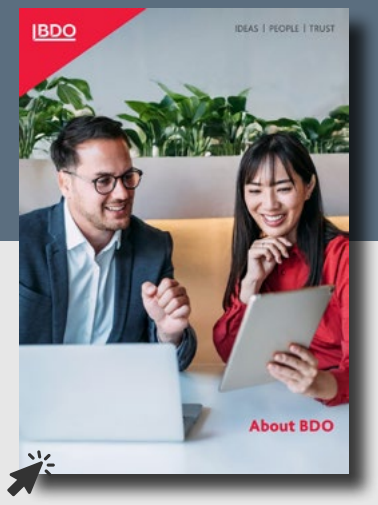
2026

About BDO

BDO is a trusted adviser to clients looking for audit, tax and advisory services.

As one of the world's leading audit and accounting organisations, we have clients of all types and sizes from large corporate organisations to private business, entrepreneurs and individuals across an array of industry sectors.

We are guided by our values that are the foundation of what we deliver – **IDEAS I PEOPLE I TRUST**. This is about: delivering ideas and advice that create value; quality-driven people who are motivated by providing exceptional client service; and being trusted to get the job done.



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BDO in Australia

With 345 Partners and over 2,920 staff, BDO has 14 offices located across the country.

14 offices

341 partners

3,039 people

Figures taken on 01 April 2026

Our global network

BDO's global network extends across 169 countries and territories, with over 94,900 people working out of more than 870 offices. We're all working towards one goal: to provide you with exceptional client service. That means local resources who understand your business and industry, backed by a truly global network. No matter where you do business, we have people who know your business.

- 870 offices across the globe
- 169 countries and territories
- US$16 billion global revenues
- +94,900 highly skilled partners and staff worldwide

Contents

1.

Introduction

This guide is intended for individuals leaving Australia for employment purposes.

It aims to provide an overview of the main Australian tax considerations and issues that affect Australian employees working overseas and is current as at July 2025.

BDO in Australia's global expatriate services offer a full range of services to employees moving to Australia – whether on a temporary or permanent basis. We would be pleased to discuss any aspect of this guide and provide you with further information.

This guide is general in nature and you should not act upon information contained in it without seeking professional advice based upon your personal circumstances.

Details of our specialist contacts throughout Australia are listed at the end of this guide and details of our offices in your home country can be found at www.bdo.global/en-gb/home.

Find out more about our global expatriate services

2.

Residence

The main factor which impacts your Australian tax liability while you are working overseas is your Australian tax residence status.

Australian tax residence is assessed on a case by case basis, using criteria in Australian legislation, Taxation Rulings and case law.

While living overseas you will either:

- Remain an Australian resident and be taxable on your worldwide income, subject to the possible Foreign Earnings Exemption, and/or claiming Foreign Income Tax Offsets; or
- Remain an Australian resident under Australia domestic law but be considered a non-resident of Australia for the purposes of applying a Double Taxation Agreement ('DTA'). Generally, 'DTA non-residents' of Australia are exempt from Australian tax on salary relating to their overseas employment although this exempt income affects the tax rate of taxable income; or
- Become a non-resident under Australian domestic law and only be taxable in Australia on income and certain gains from Australian sources.

The resides test

A person who 'resides' in Australia (i.e. lives in Australia in a settled manner) is considered a tax resident of Australia. As a general rule, an individual is considered to reside somewhere when they have an intention to live in that location for six months or more, together with other factors such as;

- Family and business/employment ties
- Maintenance and location of assets
- Social and living arrangements.

The domicile test

Broadly, a person whose 'domicile' is in Australia is a tax resident unless the Australian Taxation Office (ATO) is satisfied that their 'permanent place of abode' is outside Australia:

- 'Domicile' is a legal concept which refers to a country or state that is a person's permanent home. A person usually acquires a domicile at birth but can change their domicile by intending to make a home indefinitely in another country and taking steps to do so.
- In this context, 'permanent place of abode' does not mean that the person has to intend to live there indefinitely. If a person is living somewhere in more than a temporary manner, this place can be a 'permanent place of abode'.

The following factors should be taken into account when determining whether or not you are an Australian resident for this test:

- Your intended and actual length of time overseas. The ATO considers a period of two years or more to be a substantial period for the purpose of determining tax residence
- Your intention to return to Australia
- Whether you establish a home overseas
- Whether your family has accompanied you overseas
- Whether you rent out your home in Australia or cancel a lease
- The duration and continuity of your presence overseas
- Your continuing ties to Australia (personal and economic).

The 183 day test

A person who is in Australia, continuously or intermittently, for more than half of an income year is also considered to be a tax resident, unless the ATO is satisfied that their usual place of abode is outside of Australia and they do not intend to take up residence in Australia.

The superannuation test

A person who is a member or an eligible employee of specific Commonwealth superannuation schemes or the spouse or child of such a person is also considered to be a tax resident.

Ceasing Australian residence

Generally, you are likely to cease to be an Australian tax resident if you:

- Intend to live abroad in a settled manner for a minimum period of two years
- Your family (spouse and children) have accompanied you
- You have rented, sold or otherwise abandoned your Australian home.

The following actions may also support an argument that you will become a non-resident of Australia while you are overseas:

- Shutting any unused Australian bank accounts and advising your bank that you will not be an Australian tax resident for a certain period and that tax should be withheld from any interest payments until advised otherwise
- Writing to the share registrars for any shares that you own to advise that you will not be an Australian tax resident for a certain period and that tax should be withheld from any dividend payments until advised otherwise
- If you have a rental property or are renting your home, ensure that this is properly managed. It may be prudent to engage a real estate agent for this purpose
- Writing to the Electoral Commission and advising them that you require an overseas vote
- Resigning from or suspending any social/sporting clubs and associations.

Once you have determined your Australian tax residence status, you may consider what types of income remain taxable in Australia and what tax rates apply.

3.

Tax compliance

Australian residents

You are required to continue to lodge tax returns annually if your assessable income exceeds the tax-free threshold.

Australian non-residents

You are required to lodge a tax return to declare any Australian sourced income or gains and certain statutory income items that are taxed on a basis other than source (e.g. capital gains made from certain from certain capital gains tax assets held on departure).

If you do not expect to have a requirement to file Australian tax returns following the tax year of your departure, you may advise the ATO when you file your last tax return.

In addition, if you are leaving Australia permanently and will not derive any subsequent income from Australian sources, you can lodge an early paper return in order to release any refund due to you or confirm any final income tax that is payable.

Liability to Australian tax

Australian residents

You will remain taxable on your worldwide income and gains.

Employment income

Your employment income is considered foreign sourced where it relates to services you perform overseas. This is regardless of whether it is paid from Australia or not.

If you have an Australian employer, they are required to report your foreign sourced employment income to the ATO and continue to withhold Pay-As-You-Go taxes from your foreign sourced employment income.

Foreign income tax offsets (FITO)

If your foreign sourced income or gains are also taxed by another country, you may be subject to double taxation. To alleviate this, you may be entitled to claim an offset (credit) for the foreign tax paid on such income.

Foreign earnings exemption

A foreign earnings exemption is available to persons engaged in the following employment activities, subject to certain conditions:

- The delivery of Australian official development assistance
- The activities of their employer in operating a developing country relief fund or public disaster relief fund
- The activities of their employer if their employer is a charitable or religious institution that is undertaking charitable activities and is exempt from income tax
- Deployed overseas as a member of a disciplined force.

Interest income

As an Australian resident, you are subject to Australian income tax on interest income from worldwide sources. You may be able to claim a FITO for foreign taxes paid on foreign sourced interest income.

Dividend income

As an Australian resident, you are subject to Australian income tax on dividend income from worldwide sources. You may be able to claim a FITO for foreign taxes paid on foreign sourced dividends.

Rental income

As an Australian tax resident, you are subject to Australian income tax on rental income derived from properties owned worldwide. You must declare the full amount of any rent and rent-related payments that you receive, or become entitled to, when you rent out your property whether it is paid to you or your agent. You may claim deductions against your rent for items such as mortgage interest, repairs and maintenance, utilities paid and depreciation.

Capital gains

As an Australian tax resident you will remain subject to capital gains tax ('CGT') on capital gains tax assets held anywhere in the world, subject to certain exemptions and the operation of DTAs.

Your net capital gains are included in your assessable income and taxed together with your other assessable income at your marginal income tax rate.

CGT applies to assets acquired after 19 September 1985 but not to winnings from betting, lottery, other forms of gambling or games with prizes. There are also exemptions for a gain made by selling your family home (main residence) and on sale of most motor vehicles.

If the asset disposed of was held for at least 12 months, a reduction in the taxable gain is determined by one of two methods:

- If the asset was purchased after 21 September 1999, the gain is reduced or 'discounted' by 50%
- If the asset was purchased before 21 September 1999, you have a choice to use either the 50% discount method, or claim 'indexation' which increases the cost base of the asset for inflation for periods of ownership up to 30 September 1999.

Capital losses that arise on the disposal of assets may be used to reduce taxable capital gains made on other assets or carried forward indefinitely to offset future capital gains.

Capital losses cannot be used to reduce other assessable income. Losses on personal use items are not allowed, except for certain specified exceptions.

DTA non-residents

If you remain a resident of Australia and become a resident of your host country, you may be able to consider whether you are a non-resident of Australia under the provisions of a DTA that Australia has with your host country. Generally where this is the case, your foreign sourced employment income will be exempt from Australian income tax although this exempt income affects the tax rate on taxable income. Please refer to section 7 for further information.

Non-residents

If you become a non-resident of Australia for tax purposes, you will only be taxable on Australian sourced income and certain gains.

Employment income

Income you receive in respect of employment services you perform overseas while you are a non-resident will generally be exempt from Australian income tax.

Interest income

Interest income is generally sourced in the country where a requirement to pay the interest arises.

If you are a non-resident, Australian sourced interest should have tax withheld by your financial institution before payment to you. Generally, the withholding tax rate is 10%. However, this may vary depending on whether Australia has entered into a DTA with your host country and the rate stipulated within the relevant DTA. Withholding tax is a final tax.

You should notify your financial institution of your non-residency status so they withhold tax from your interest income. Where your financial institution does not withhold tax on your interest income, you will be required to pay the withholding tax at the time your tax return is completed.

Dividend income

Dividends are generally sourced in the country where the profits of the paying company are sourced. This can be very difficult to determine and it is usual to source the dividends in the country where the paying company is listed.

If you are a non-resident:

- You have no further tax to pay on Australian franked dividends
- Any Australian unfranked dividends should have 30% tax withheld before payment to you. This is a final tax, so you will not need to declare this dividend in your Australian tax return if you need to lodge an Australian tax return for any other reason (unless tax has not been withheld from the dividend)
- The withholding tax rate may be reduced if you are resident in a country with which Australia has a DTA that allows for this.

Rental income

As a non-resident, you are subject to Australian income tax on rental income derived from properties owned in Australia. You must declare the full amount of any rent and rent-related payments that you receive, or become entitled to, when you rent out your property whether it is paid to you or your agent. You may claim deductions against your rent for items such as mortgage interest, repairs and maintenance, utilities paid and depreciation.

Travel costs incurred to inspect rental properties as well as depreciation calculated on previously used/second hand assets are not allowed as a deduction against rental income.

Capital gains tax

When you cease Australian tax residency, you are deemed to have disposed of most of your assets at their market value at the date before you become a non-resident (i.e. the day before your departure date). This does not include certain 'Taxable Australian Property' which includes real property, amongst other items.

This means that effectively, you are subject to CGT based on the increase in value of these assets at the date you leave, even though you have not actually disposed of these assets.

You may choose to opt out of the deemed disposal rules described above, by electing to treat all of your assets as 'Taxable Australian Property.' In doing so, the assets will be subject to CGT upon actual disposal, regardless of your residency status at that time.

The 50% CGT discount does not apply for non-residents who dispose of 'Taxable Australian Property' or assets they have elected to treat as 'Taxable Australian Property' on or after 8 May 2012.

You can only apply the discount to part of your capital gain if either of the following happened:

- You acquired the asset on or before 8 May 2012
- You had a period of Australian residency after 8 May 2012.

The main residence exemption is not available to non-residents unless they satisfy the requirements of the life events test.

Employee share schemes

The following section applies to Australian tax residents and non-residents.

The taxation of employee share scheme (ESS) interests is complex and your exposure to Australian income tax and possibly CGT will depend on several factors once you have acquired an 'interest' in an ESS. This may be an interest in shares directly, rights to acquire shares or options over shares.

The factors to consider are:

- Your residence status when you first acquire the interest and any changes in residence until the taxing point
- Whether the ESS interest qualifies for a reduction in the taxable amount
- The taxing point of your ESS interest which may be at:
  - Grant
  - Vesting
  - Exercise
  - Disposal
- The taxable value of the ESS interest.

5.

Taxes and levies

Income tax

Resident tax rates

The following rates apply from 1 July 2025:

Taxable income	Tax rate	Tax on income below this bracket
$18,201 - $45,000	16%	$0
$45,001 - $135,000	30%	$4,288
$135,001 - $190,000	37%	$31,288
$190,001 and over	45%	$51,638

*The tax free threshold level is prorated for part year residents.

The rates above do not include the Medicare levy of 2% (see the following paragraph for more information).

Non-resident rates

The following rates apply from 1 July 2025:

Taxable income	Tax rate	Tax on income below this bracket
0 - $135,000	30%	$0
$135,001 - $190,000	37%	$40,500
$190,001 and over	45%	$60,850

Non-residents are not required to pay the Medicare levy.

Medicare levy

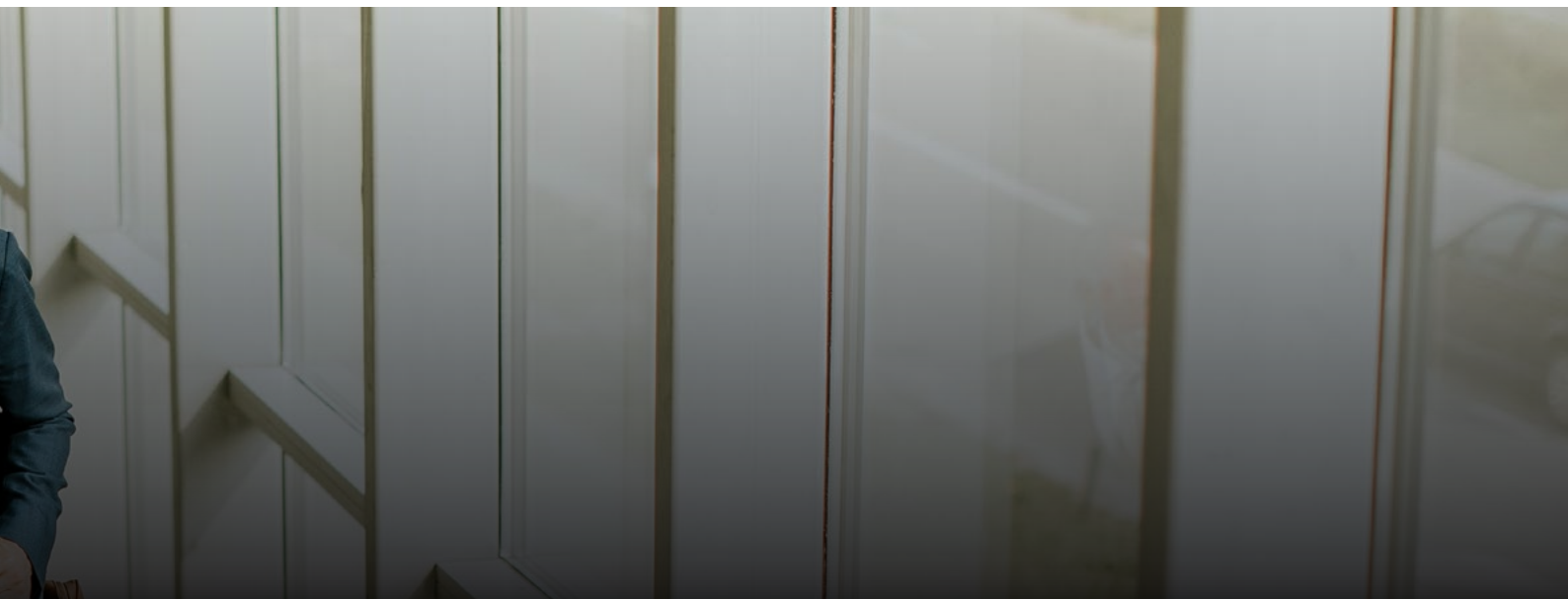
Medicare is a government scheme that gives Australian residents and certain non-residents access to public health care. In addition to income tax, if you are a resident and entitled to access Medicare, you need to pay the Medicare levy at a rate of 2% on taxable income, subject to exemptions for low-income earners.

Medicare levy surcharge

A further Medicare levy surcharge may be charged if your adjusted taxable income for surcharge purposes (which includes taxable income, reportable fringe benefits, net investment losses and reportable superannuation contributions) exceeds $101,000 (singles) or $202,000 (couples) and you do not hold qualifying private medical insurance. The income threshold increases by $1,500 for each dependent child after the first. The Medicare levy surcharge is income tested against the following income tier thresholds:

	TIER 1	TIER 2	TIER 3
Singles	$101,001 - $118,000	$118,001 - $158,000	$158,001 or more
Couples	$202,000 - $236,000	$236,001 - $316,000	$316,001 or more
Rates	1.0%	1.25%	1.5%

The surcharge is only calculated on a taxpayer's taxable income and reportable fringe benefits.



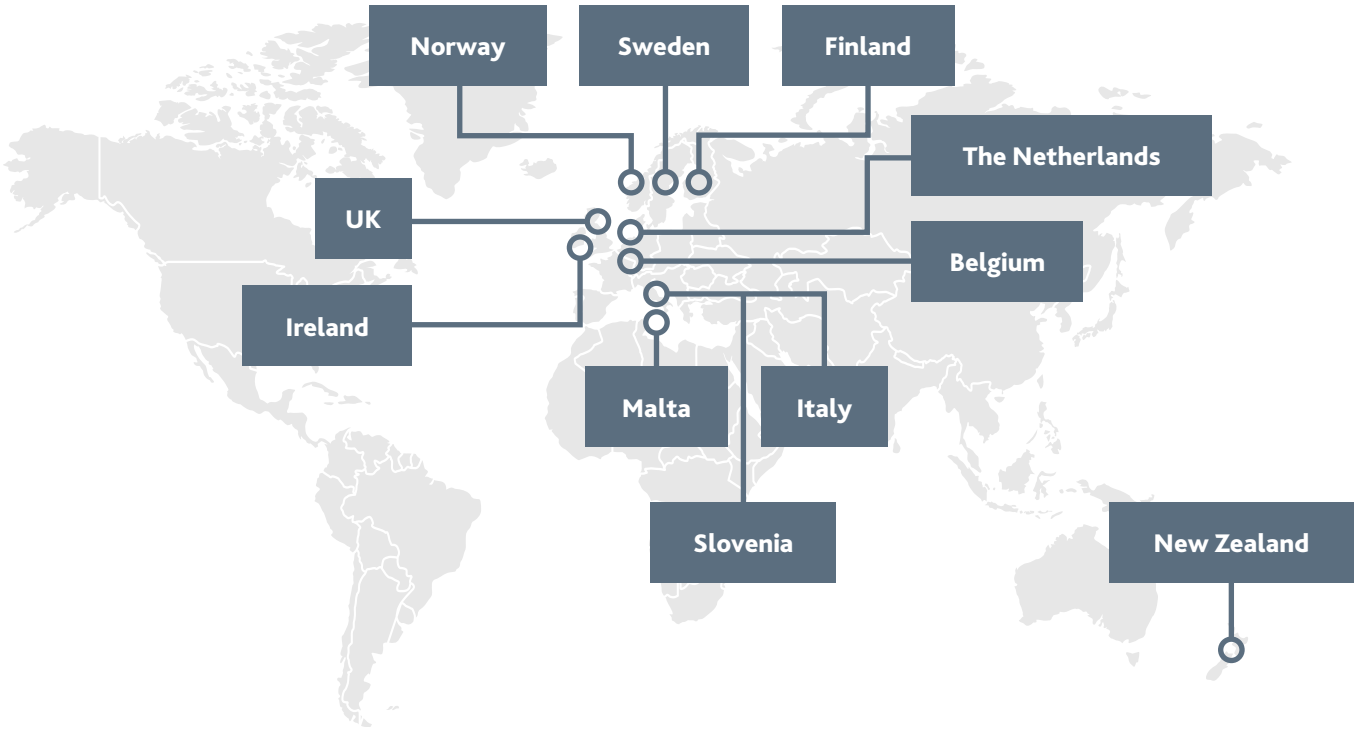
Reciprocal healthcare agreements

While overseas, you will generally not be entitled to receive public health services from the country you are living in.

However, Australia has signed several Reciprocal Healthcare Agreements with selected overseas countries, which entitle Australians to receive similar benefits and treatment in the overseas country as would be received in Australia.

These agreements typically do not cover items such as private hospital treatment and accommodation, glasses, contact lenses, most dental work and chiropractic treatment.

Australia has signed reciprocal healthcare agreements with the following countries:



Australian residents

Australian tax residents are liable to pay a Medicare levy of 2%, even if they are working overseas. If they do not hold adequate Private Health Insurance for themselves and their dependents with an Australian registered health care fund, they may also be subject to the Medicare levy surcharge as noted above.

Where you remain a tax resident, it is important that you ensure your private health insurance is adequate to exempt you from the Medicare levy surcharge. Alternatively, you may choose to suspend your private health cover, where you believe your adjusted taxable income will not exceed the relevant thresholds for the Medicare levy surcharge to apply. Suspending instead of cancelling your cover will allow you to avoid being subject to additional premiums upon repatriation. If you wish to retain your private health insurance you may consider retaining hospital cover only.

Non-residents

As a non-resident, you are not subject to the Medicare levy. In the year of your departure and repatriation, you will be subject to the Medicare levy for the days you are a resident. You may therefore also be subject to the Medicare levy surcharge if your income is above the relevant threshold and you do not hold qualifying Australian private health insurance for your residency period.

Superannuation

As a general rule, employer contributions to a qualifying superannuation fund will still be due if you remain an Australian resident and are employed by an Australian employer at the rate of 12% on July 2025 up to the 'Maximum Contributions Base' (currently $62,500 per quarter for the year ending 30 June 2026).

Superannuation contributions will no longer be compulsory if you become a non-resident, or you remain a resident but are employed by a non-resident employer, and perform employment services outside Australia. However, an Australian employer may voluntarily decide to continue with contributions if the fund permits it.

Concessional superannuation contributions

Concessional contributions include employer contributions (including contributions made under a salary sacrifice arrangement) and personal contributions claimed as a tax deduction.

Concessional superannuation contributions into a superannuation fund are usually taxed at a rate of 15% on payment into the fund.

Contributions up to $30,000 per annum can be contributed into Australian superannuation and count towards an individual's concessional contributions cap. As long as the sum of their total income and concessional contributions is less than $250,000 (see. Division 293 tax below).

Concessional superannuation contributions over the $30,000 cap are included in the individual's assessable income and taxed at their marginal tax rate up to a maximum of 47% less a 15% tax offset to the account for contributions tax already paid by your super fund. If you have unused concessional cap amounts from the previous five financial years, you may be able to carry them forward to increase your contribution caps in later years. You're eligible to do this if you have both:

- A total super balance of less than $500,000 at 30 June of the previous financial year, and
- Unused concessional contributions cap amounts from up to five previous years.

Non-concessional superannuation contributions

Non-concessional contributions include personal contributions for which you do not claim an income tax deduction (i.e. post tax contributions). Non-concessional superannuation contributions are not taxed upon contribution up to a cap of $120,000 per annum (or $360,000 per annum where the cap is brought forward for two years). Contributions above this cap are taxed at an individual's marginal tax rate up to a maximum of 47%.

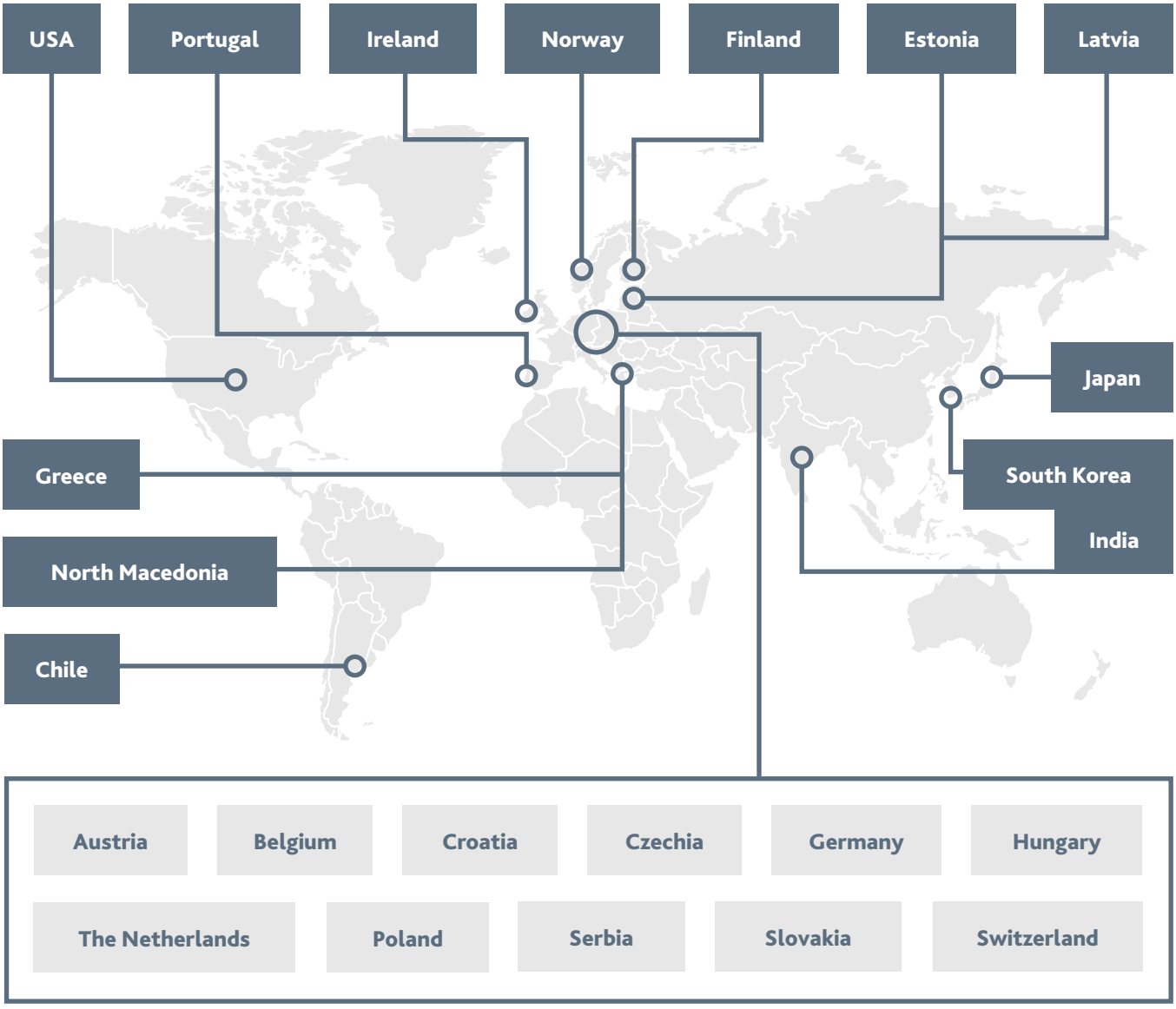
Division 293 tax

An individual is generally liable to pay 'Division 293 tax' if the sum of their income and concessional superannuation contributions is greater than a threshold of $250,000. Division 293 tax is charged at 15% of the lesser of (i) the excess of income and concessional contributions over the threshold and (ii) the taxable super contributions.

Bilateral social security agreements

Australia has entered into agreements with a number of countries which address the problem of international assignees being required to make social security contributions in both their home and host countries at the same time. Superannuation is treated as social security for this purpose. If this does arise and an agreement is in place, your employer may obtain a certificate of coverage from the ATO which will exempt you and your employer from having to make social security contributions in your host country.

Australia currently has bilateral social security agreements with the following countries:



Self managed superannuation funds

In order for a Self Managed Superannuation Fund ('SMSF') to remain a complying superannuation fund, it needs to meet the following three tests at all times:

1. Be established in Australia
2. Have central management and control exercised 'ordinarily' in Australia
3. The 'active member' test must be satisfied.

If the fund stops being a complying fund because it does not satisfy the tests noted above, an amount equal to the market value of the fund's total assets (less any contributions the fund has received that are not part of the taxable income of the fund) may be included in the fund's assessable income. This amount is taxed at the highest marginal tax rate.

For every year that the fund remains non-complying, its assessable income is taxed at the highest marginal tax rate.

Where you have a SMSF, it is strongly recommended you seek further professional advice to ensure the fund is considered a complying superannuation fund.

Fringe benefits tax (FBT)

If you remain an Australian resident, your employer may continue to be liable to FBT on fringe benefits provided to you and your associates unless your foreign sourced employment income is exempt from Australian income tax.

Employers of non-residents or DTA non-residents are not liable to FBT on benefits provided to them while they are working abroad.

Living away from home benefits for Australian residents

FBT concessions exist in relation to benefits provided to employees who are required to live away from their usual place of residence for work purposes.

In order to qualify as living away from home (LAFH), you generally need to have an intention to return to your usual place of residence at the end of your assignment.

If you are LAFH for work purposes, your employer may provide you with tax free housing and a tax free food allowance or reimbursement of actual costs. Please note these expenses cannot be claimed as a deduction in your tax return.

Qualifying criteria

In order to qualify for tax free food and accommodation allowances or benefits, you need to meet the following three criteria:

- The duties of your employment require you to live away from a home in Australia where you usually reside and it is reasonable to conclude that you intend to return to that property
- You have an ownership interest (this includes a lease) in the place you are living away from
- The home you are living away from must continue to be available for your use throughout the LAFH period. It cannot be let or sublet to a third party.

If you qualify, the LAFH tax concessions will be available for the first 12 months that you are required to live away from home to perform the duties in a particular location.

Accommodation

This can be provided by direct payment to the landlord or agent or reimbursement to you of your actual accommodation costs. However, there are strict requirements to substantiate actual costs incurred.

Food

This is a cash allowance paid by your employer directly to you to cover additional food costs above a statutory amount whilst you are LAFH. The ATO publishes maximum amounts that it considers reasonable for this allowance on an annual basis.

If the allowance is equal to or below the amount that the ATO considers reasonable, substantiation of your expenses will not be required. However, if your allowance is greater than the amount the ATO considers reasonable, you will have to substantiate the expenses in full.

Children's education costs

If you are LAFH from a home that is in a different country to where you are working, your employer can pay the costs of your children's education FBT free if your child is under 25 years of age and subject to this being 'industry custom'. The exemption applies to full-time education only, whether in Australia or abroad. This covers the costs of fees, books, uniforms, excursions and other education costs.

Home leave

If you are LAFH from a home that is in a different country to where you are working, a 50% reduction may apply to the FBT taxable value of travel expenses paid by your employer for one holiday trip back to your home country, or to another country, per year for yourself and your family.

6.

Tax planning for employees

Australian residents

Opportunities to reduce your Australian tax liabilities arise by:

- Considering the social security exemption rules of countries with bilateral social security agreements with Australia
- Considering whether your Australian private health insurance should be suspended or reduced to hospital cover only
- Considering your eligibility under the LAFH rules.

Non-residents

Opportunities to reduce your tax liabilities arise by:

- Considering the social security exemption rules of countries with bilateral social security agreements with Australia
- Ensuring that remuneration in respect of foreign and non-taxable duties is delivered to you before you arrive back in Australia
- Non-Australian sourced investment income will not be taxable in Australia while you are not a tax resident of Australia. It may be beneficial to crystallise all overseas investments prior to coming back to Australia and resuming Australian tax residence
- Generally, your private medical insurance should be suspended and not cancelled, in order to ensure that you do not have additional loading included in your premium once you return to Australia
- Considering your liability to the Medicare levy surcharge on your adjusted taxable income if you suspend or cancel your private medical insurance.

Please contact our tax experts for further guidance.

7.

Double taxation agreements

Australia has entered into a Double Tax Agreement (DTA) with a number of countries, for the purposes of:

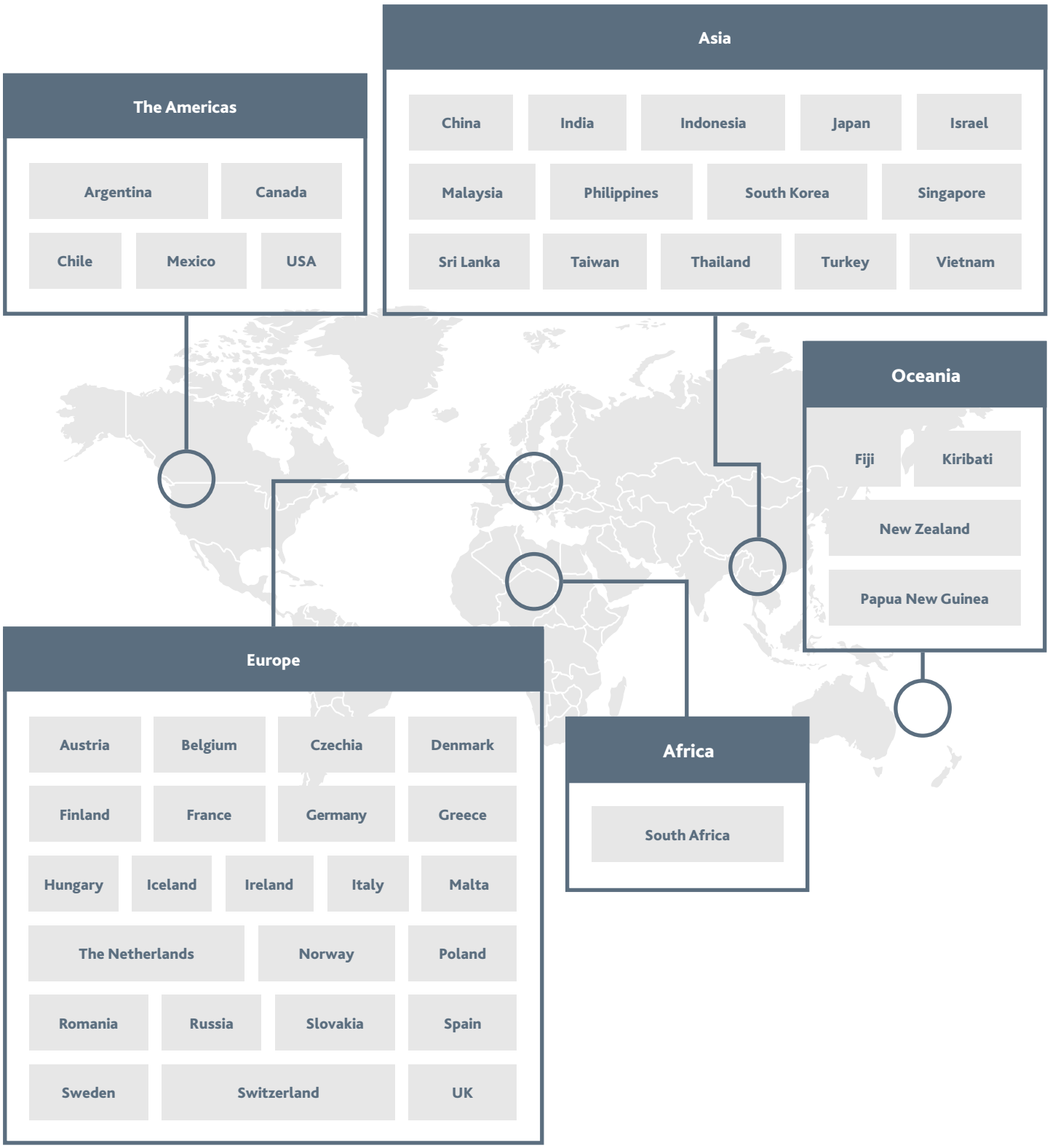
- Determining which country an individual is a tax resident of when both countries claim that the individual is a resident of their country
- Minimising double taxation by exempting certain income types from tax in one country, or allowing a country to credit tax paid in the other country against its own tax liability
- Determining which country has the right to tax certain income types or gains
- Restricting withholding tax applicable in one country when certain types of income are paid to residents of the other country.

DTAs generally prevail over domestic law in both countries in respect of income considered within the DTA.

Tax information exchange agreements

Australia has entered into a number of Tax information exchange agreements (TIEAs) with various countries that allow for Australia and the other country to exchange information that may be relevant to the administration and enforcement of tax laws.

Australia currently has DTAs with the following countries:



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