

BETTER TARGETING THE INCOME TAX EXEMPTION FOR AUSTRALIANS WORKING OVERSEAS

The Rudd Government today announces important new measures to ensure that workers who earn income overseas do not have an unfair advantage over workers who earn income and pay tax in Australia.

The measures help improve the fairness and integrity of the tax system by better targeting the tax exemption for income earned by Australians earning income overseas.

The measures will also protect Commonwealth revenues needed to support jobs and invest in vital nation-building in the face of the global recession.

The new measures are expected to provide an additional \$675 million over the forward estimates.

Currently, Australians working overseas for over 90 consecutive days are eligible for a general exemption which means they do not pay any Australian income tax on their foreign employment income.

This general exemption was provided to ensure that foreign employment income was not double-taxed, first in the country where the income was earned and then again in Australia.

However, many foreign countries are lower tax jurisdictions which means some Australians who earn income overseas are paying much less tax than if they earned income solely in Australia.

In addition, workers can use the general exemption to lower their taxable income for the purposes of accessing a range of government benefits.

Under the new measures announced today, the Government will amend the general exemption to provide a better targeted exemption which is only available for income earned:

- as an aid or charitable worker employed by a recognised non-government organisation; or
- as a government aid worker; or

- as a specified government employee (for example, defence and police force personnel deployed overseas).

Further, income earned by an individual employed on an overseas project approved by the Minister for Trade as being in the national interest will remain exempt, as provided for by existing rules.

To avoid Australians paying double-taxation, a tax offset will be available for any foreign tax paid on their foreign employment income.

Treasury will undertake stakeholder consultations concerning the legislation and administrative arrangements for these changes.

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