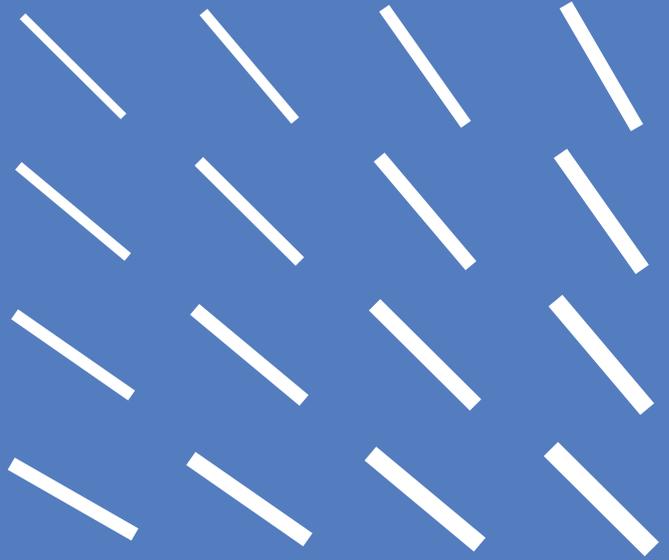


ALERT:

Change to CGT Implications for Foreign Residents – Legislation to be delayed



Don't delay understanding the tax impact for you and formulating a tax strategy.

The Bill was flagged in last year's Budget announcements and proposes to remove the Capital Gains Tax (CGT) exemption on the sale of a main residence for foreign residents. This will affect Australian citizens, permanent residents and New Zealand citizens who are not residents of Australia for tax purposes.

When do changes take effect?

The proposed law will apply immediately to properties acquired after 9 May 2017, however properties acquired on or before this date will not have the new law applied until after 30 June 2019. This gives foreign residents a grace period to take advantage of the main residence exemption.

The date of disposal will generally be the date that the contract for sale is entered into. If the seller is a foreign resident for Australian tax purposes on this date they will not be eligible for the exemption.

The proposed legislation does not allow for the apportionment of the main residence exemption for the days that the dwelling was owned as an Australian tax resident. It is essentially all or nothing depending on tax residence status at the time of the CGT event.

Does absence rule still apply?

Individuals can still rely on the main residence 'absence rule' allowing them to continue treating a dwelling as their main residence while they are foreign residents, to the extent that they are once again tax residents of Australia when they sell the property.

The 'absence rule' cannot be relied upon by foreign residents who meet the conditions if they sell their property before they become an Australian tax resident again.

Current delay in legislation

The government has agreed to delay implementation and review the proposed changes.

What next?

Individuals who are foreign residents or expecting to become foreign residents should:

- Be aware of the Australian tax implications and the 30 June 2019 deadline to apply the transitional rules and how this impacts you (before May 9 2017).
- Consider Australian tax residency status and the impact on the proposed legislation.
- Formulate a tax strategy on any proposed or upcoming property acquisition or sale.

As with any Bill this still needs to pass through Parliament before becoming law and is currently being delayed by the government while it reviews the proposed changes.

For more information about how these changes may affect you or your business, please contact Justin Batticciotto or your ShineWing Australia representative.

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