Taxable Australian Property & Non-Taxable Australian Property

Understanding the difference between TAP and Non-TAP and how it impacts Australian Expats.

RUNWAY WEALTH MANAGEMENT

As an Australian Expat, your assets in Australia are classified by the ATO as either:

1. Taxable Australian Property (TAP); or
2. Non-Taxable Australian Property (Non-TAP).

It's important to know which classification your Australian assets fall into, as it affects the Capital Gains Tax (CGT) outcome with the ATO at the time of sale.

Taxable Australian Property (TAP) can include:

- Australian real property, such as a house, apartment, commercial building or land;
- an indirect interest in Australian real property;
- a mining, quarrying or prospecting right in Australia;
- a CGT asset that you have used to carry on a business in Australia;
- an option or right over one of the above – for example, a contract to purchase property off the plan.

Non-Taxable Australian Property (Non-TAP) can include:

- Cash and foreign currency;
- Australian Direct Shares;
- Exchange-traded funds (ETFs);
- Managed funds;
- Real Estate Investment Trusts (REITs);
- Listed Investment Companies (LICs);
- Cryptocurrencies.

Generally, TAP assets remain subject to CGT with the ATO, regardless of your tax residency status in Australia. On the other hand, non-TAP assets may be exempt from CGT in some circumstances.

If you are considered a non-resident for tax purposes in Australia, non-TAP assets you acquire and dispose of are typically exempt from CGT in Australia.

If you owned non-TAP assets prior to becoming a non-resident, you are generally taken to have "disposed of" those assets for their market value, at the time you ceased being a tax resident. This forms part of the deemed disposal rules.

You have the option not to deem any non-TAP assets as "disposed of" when you become a non-resident. If you do this, your non-TAP assets will remain TAP and therefore subject to CGT with the ATO at the time of sale.

Understanding the classification of your Australian assets is critical to making informed decisions as an Expat. There are also opportunities for Expats to invest in non-TAP assets without a CGT liability in Australia.

Seeking advice from a tax professional or Financial Adviser familiar with Australian tax laws and regulations for Expats is advisable to effectively navigate these rules.

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Do you have further questions? Please send us an enquiry to speak with a Financial Adviser.

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