MOVING TO THE 'LAND DOWN UNDER'

A brief guide to financial issues facing

British immigrants

Contents

Before you get started

This digital handbook contains general and factual information only, and is part of the Wealth Adviser library, published by:

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Before acting on any information contained herein you should consider if it is suitable for you. You should also consider consulting a suitably qualified financial, tax and/or legal adviser.

Information in this handbook is no substitute for professional financial advice.

We encourage you to seek professional financial advice before making any investment or financial decisions. We would obviously love the opportunity to have that conversation with you, and at the rear of this handbook you will find information about our authorised representative and how to go about booking an appointment.

If ultimately you decide not to meet with us we still encourage you to consult with another suitably licensed and qualified financial adviser.

In any circumstance, before investing in any financial product you should obtain and read a Product Disclosure Statement and consider whether it is appropriate for your objectives, situation and needs.

Letter from the Wealth Adviser Library

Dear Reader

Welcome to the Wealth Adviser Library

This library was built specifically to facilitate the provision of sound financial information to everyday Australians.

Our mission is to build an accessible, comprehensively supported team of members who share our vision and commitment to providing tailored financial advice and a new foundation of financial understanding and security for everyone.

With a national network of likeminded experts, we have the potential to provide the financial building blocks for future generations.

Knowledge gives you a huge advantage

We believe that knowledge gives you a huge advantage in creating and effectively managing wealth; in planning to reach your goals; and in being prepared for whatever unexpected twists and turns life may present.

That's why our team of experts has created this series of digital handbooks and manuals that seek to inform you of not only the benefits but also the potential risks and pitfalls of various strategies and investments.

We trust you enjoy this publication and find it informative and professionally presented. Of course, your feedback is always welcome as we strive to continually offer content in a format that is relevant to you.

Take the next step

Wealth Adviser (a division of WT Financial Group Limited) supports more than 400 privately owned and operated advice practices around the country. We invite you to engage with one of our advisers to discuss what it was you were hoping to achieve when you obtained this handbook, and to establish if they can help you achieve your goals and objectives.

At the rear of this handbook you will find details on how to book an appointment.

Wealth Adviser Library

Introduction

Moving between countries can be a difficult and daunting experience, but many people cope with the initial phases of culture shock by reminding themselves that they made the move in order to secure a better future for themselves and their children. However, it will be very difficult to achieve this 'better future' if it is not built on a solid financial foundation. It is with this in mind that we offer you this brief guide to help you 'settle down' financially as soon as possible after your arrival.

This guide is not designed to give final answers on all financial issues facing UK citizens in Australia. It will however flag some of the most important issues you will have to consider and point you in the right direction in your quest for more information.

Transferring money out of the UK

Transferring money between the UK and Australia is relatively straightforward; however, you will still have to make some decisions about the best method for your circumstances. The first thing to say is that you should give the storefront transfer services as wide a berth as possible. They normally cater for people who do not have access to the normal range of financial instruments and charge their customers an arm and a leg to make transfers. They may be very efficient in getting funds to a remote village somewhere but there are almost certainly cheaper options available to you.

The most accessible of these options are:

1. Your bank
2. An internet based transfer service

The advantage of making use of a bank is convenience, as you should be able to make use of your local branch. The major disadvantage is price. It is well known that banks do not always offer the best exchange rates and that they charge relatively high transfer fees. If this is a major concern for you, an internet based transfer service is your best bet. These services are often able to offer much better rates as they do not have the same costs as traditional 'bricks and mortar' banks.

It goes without saying that you should pick a reputable service with a proven track record. XE.com (http://www.xe.com) and FC Exchange (http://www.foreign-currency-uk.com) are good places to start your search.

Whatever transfer option you choose, it would be advisable to open an Australian bank account before leaving the UK. You can then transfer the money into it so that it is 'waiting for you' when you get to Australia.

The four major banks (ANZ, Commonwealth, NAB and Westpac) all offer a service that allows you to open an account online. You will be able to make transfers into such an account straight away but it will have to be 'activated' (i.e. turned into a fully functional account) by presenting yourself at a branch of the relevant bank as soon as possible after arrival.

The websites of the 'big four' banks can be found at:

- ANZ (Australia and New Zealand Banking Corporation): http://www.anz.com.au
- Commonwealth Bank: http://www.commbank.com.au
- NAB (National Australia Bank): http://www.nab.com.au
- Westpac: http://www.westpac.com.au

It is not recommended that you carry large amounts of cash on your person while travelling, however if you do choose this option, please note that you will have to declare all currency worth more than AUD$10 000 upon your arrival in Australia.

UK tax status

Taxation law can be very complex and ideally you should get some professional advice on your tax status before leaving the UK. As a general rule you will only be taxed on UK sourced income once you become a non-resident. You will still be able to claim a personal allowance and all tax that you have to pay can be offset against your Australian tax bill (this prevents double taxation -see below).

More information on UK tax issues for non-residents can be found at: http://www.hmrc.gov.uk/nonresidents/

Many UK migrants are owed a repayment on taxes already paid prior to leaving the United Kingdom. Make sure that you send in form 'P85' ('Leaving the United Kingdom') to HM Revenue, then your tax situation will be automatically assessed and you will be sent a refund if applicable.

The form can be downloaded from: http://www.hmrc.gov.uk/cnr/p85.pdf

Australian tax status

One of the first things you should do after settling in is to go and see a competent tax adviser to explain some of the major features of the Australian taxation system to you.

Some of the things that you, as a new immigrant, will have to take note of are:

- All tax related transactions in Australia are recorded using a Tax File Number (TFN) and you should get one as soon as possible after your arrival. You can apply for it at: https://iar.ato.gov.au
- You will become liable to pay income tax in Australia as soon as you become a 'tax resident' of Australia. For most people this will coincide with the date of their arrival in the country. You should take care to reflect this date on your first tax return otherwise you might be taxed for the whole tax year.
- Under the Australian tax system, you are theoretically liable to pay tax on income anywhere in the world if you are an Australian tax resident. This sounds worse than it actually is since 'double taxation' is prevented by 'offsetting' tax already paid in the country where the income was generated. In most cases this leads to no additional tax being payable in Australia.
- Many migrants have questions about the Capital Gains Tax implications of the sale of a property in the United Kingdom after they have already moved to Australia. It is always best to get professional advice in a case like this but there would generally be no tax payable in Australia if the property was bought before you moved here. This is because the 'Capital Gains Tax Event' (in this case the purchase of the property) took place before you became an Australian tax resident.
- It is important to quickly come to terms with the difference between the two tax systems regarding investments e.g. Negative Gearing. Ask one of our advisers for our Guide to Gearing.

Double taxation relief for UK pension income – what are your options?

Australian residents receiving UK pension income have two main options to avoid double taxation:

Claim Relief at Source (Preferred Method):

- Under the Double Tax Agreement between Australia and the UK, you can apply to HMRC to have your UK pension income paid gross, i.e., without UK tax withheld at source.
- To do this, you must submit the appropriate HMRC forms (such as the DT-Individual or Australia-Individual 2003), along with proof of your Australian tax residency.

- If granted, you will pay tax only in Australia on the pension income, subject to Australian rules and thresholds. This is often the most effective way to avoid any UK tax being withheld, especially if you expect to be under the Australian tax-free threshold or if your Australian tax rate is lower than the UK rate.

Claim a Foreign Income Tax Offset (If UK Tax Is Withheld):

- If your UK pension is paid with tax deducted, you can claim a credit for that tax in your Australian tax return through the foreign income tax offset.
- However, this credit can only offset Australian tax payable on that income and cannot result in an overall refund if your total Australian tax is less than the UK tax withheld.
- If your Australian taxable income is under the tax-free threshold, you may get no benefit from the UK tax paid.

Practical Guidance:

- Migrants should apply for relief at source as soon as they become an Australian tax resident to ensure their UK pension is paid gross.
- Consult both UK and Australian tax advisers to ensure forms are correctly lodged and relief obtained.
- For more information, see official UK government guidance: Tax if you get income from the UK but live abroad and Double Taxation - Form Australia-Individual 2003.

Situation	UK tax withheld	What to do	Outcome
Relief at source application successful	No	Pay tax only in Australia	No double tax, no need for offset
Did not apply or relief is denied	Yes	Claim foreign tax offset	Can only offset Australian tax, no refund
Under Australia's tax-free threshold	Yes	Claim foreign tax offset	No benefit, UK tax "stranded"
UK pension transferred (lump sum)	Varies	Superannuation rules apply	Seek specialist advice

Transferring your UK pension to Australia

It is possible to transfer the lump sum of a 'preserved' UK pension fund to Australia. A 'preserved fund' (also sometimes referred to as 'paid up', 'frozen' or 'deferred') is a fund in which an entitlement has accrued but from which no payments are currently made. UK tax rules stipulate that a transfer should be made into a 'Qualifying Recognised Overseas Pension Scheme' in Australia. If the fund into which the transfer is made is not recognised as such, a 55% tax bill may be levied!

There are many benefits associated with transferring your UK pension to Australia. Most significant among these are:

Control

Your pension will be transferred into your Australian superannuation fund (see below) which means that you will have much more control over the overall investment strategy and also over your retirement options (in the UK you would be required to purchase an annuity whereas you will have a variety of options in Australia).

Return on Investment
The fact that you will have a wider range of investment options available to you should, in most cases, lead to better long term results.

Death Benefits

The full value of a superannuation fund will be paid out upon your death. This contrasts favourably with the UK situation where fund rules often lead to monies tied up in annuities being lost upon death.

Minimising Currency Risks

Having your retirement funds in the currency of the country where you plan to retire makes a great deal of sense. This will facilitate better long term planning and will shield you against the possible negative effects of currency fluctuations.

If you do decide to transfer your UK pension, it is recommended that you commence the process as soon as possible after your arrival. This is to avoid any possible tax charges on increases in the value of the fund. Transfers usually take around 12 weeks to complete.

It is vital that you do your homework before making any final decisions on pension transfers.

You may also find it easier to use one of the many services that will guide you through the process in exchange for a small commission. Whatever you do, it is highly recommended that you speak to a competent an independent financial adviser to assist you in making the right decision.

Medical cover

The Australian healthcare system could perhaps be best described as a hybrid system, as services are provided by both government and private institutions.

Government Funded Healthcare Institutions

Medicare is Australia's universal, publicly funded, health-care system. Every taxpayer pays a 2% Medicare levy (high earners without private insurance pay an additional 1-1.5% depending on income level). To this the government adds significant extra funding. Under the Medicare system all members (in effect all citizens and permanent residents) are entitled to free in-patient hospital treatment in government hospitals and subsidised out-of- hospital medical treatment.

Patients are often required to pay for out-of- hospital treatments themselves, after which they can claim a refund from Medicare. This can be quite inconvenient since you will often have to go to a Medicare office to claim the refund.

It is therefore always better to look for service providers who do 'bulk billing'. This means that claims are submitted directly to Medicare by the health care practitioner's office, without you having to take any further action.

As a British citizen, you will automatically be eligible for membership in Medicare under the terms of a reciprocal healthcare agreement between the United Kingdom and Australia.

For more information about Medicare, and how to apply, see:

http://www.medicareaustralia.gov.au

In addition to Medicare the Australian Government also runs the Pharmaceutical Benefits Scheme (PBS), under which prescription medicines are subsidised. More information about PBS can be found at: http://www.medicareaustralia.gov.au/public/services/scripts/index.jsp

Private Health Insurance

There are a number of private health insurance funds operating in Australia and the government is actively encouraging people to join one of them. Premiums are surprisingly affordable when compared to UK rates and will ensure treatment in private hospitals and faster access to service providers.

The largest private health insurer is Medibank (http://www.medibank.com.au).

Medibank operates nationally but many other funds restrict their activities to a particular state. The database hosted by the Private Health Initiative of the Australian government will help you to find a provider in your local area. It can be accessed at http://www.privatehealth.gov.au

Superannuation

The Australian pension system is quite different from what you were used to in Britain (where you probably belonged to a company pension scheme or contributed to a private annuity).

At the heart of the Australian system are private superannuation funds (in the sense that it is not managed by your employer but by a third party nominated by you), into which your employer is required to make regular contributions (currently at least 12% of gross salary). You can also make private contributions if you wish and there are numerous tax advantages to doing so. Furthermore, it is possible to combine certain other financial service products (e.g. life insurance) with your superannuation. This can be highly advantageous and you should certainly investigate the different possibilities.

It is your responsibility to choose your own superannuation fund and investment strategy and this is therefore another area where it is highly recommended that you seek professional advice before making any final decisions.

Buying a home

Buying your own house is one of the biggest financial steps that you are ever likely to take. It is therefore imperative that you do some solid research before ‘taking the plunge’. This can be quite difficult if you are new to a country! Some of the things that you may want to take into account are:

- As a new migrant you will generally have to wait for at least six months after your arrival before you can apply for a mortgage. This is because the banks will consider your Australian credit record before making a decision and it will take at least half a year to build up a favourable record.
- It is generally very difficult and expensive to buy a property if you do not have permanent residence. This is because banks will often require very large deposits before lending to work permit holders. You will also not be eligible for the grants and concessions available to citizens and permanent residents (see below). Therefore, it is probably better to wait until you have been granted permanent residence before applying for a mortgage.
- There are several different programs designed to help first time home buyers ‘get on the property ladder’. The most important of these are the First Home Owner’s Grant (FHOG), administered by the states and territories, as well as the waiving of stamp duty under certain circumstances. The FHOG is usually a substantial payment that can be offset against the cost of buying your first Australian home. It is only available to citizens and permanent

residents. More information about the scheme (including amounts and application procedures) can be found at: http://www.firsthome.gov.au (Click on the icon representing your state or territory)

Deciding on the right property will require a lot of solid research, regardless of whether you plan on renting or buying. Here are some tools to help you to 'do your homework' properly:

Global Property Guide (http://www.globalpropertyguide.com) will help you put your pending property transaction into a wider perspective. The site is full of penetrating analyses of market conditions, long term trends, taxes and costs, rental yields etc.

It is definitely worth your while to spend some time reading the Australian section of this very informative website before beginning your property search. It can be found at: http://www.globalpropertyguide.com/Pacific/Australia

There are several websites, with Australia-wide coverage, that will allow you to do detailed searches of properties by suburb, price or specification. Spending some time on these sites will give you a good idea of what is available, and at what cost, before you even set foot in a particular suburb.

Two good places to start are:

- RealEstate.Com: http://www.realestate.com.au
- Domain: http://www.domain.com.au

Each state or territory has its own Real Estate Institute. The websites of these institutes will help you form a much clearer picture of the property market in your local area. Some of the sites will also allow you to search for properties marketed by institute members.

The website for the different states and territories can be found at:

- New South Wales: http://www.reinsw.com.au
- Victoria: http://www.reiv.com.au
- Tasmania: http://www.reit.com.au
- South Australia: http://www.reisa.com.au
- Western Australia: http://reiwa.com.au
- Northern Territory: http://www.reint.com.au
- Queensland: http://www.reiq.com.au
- Australian Capital Territory: http://www.reiact.com.au

Retirement and general financial planning

Immigration has huge financial implications and many new arrivals have questions about their long term financial prospects.

One of the first steps toward securing your financial future should be to speak to a competent financial adviser who can help you navigate both the pitfalls and opportunities of the unfamiliar Australian financial environment.

Taking the time necessary to plan properly, using the best possible information and resources, could be one of the most important financial steps that you will ever make.

Conclusion

It is not possible to answer every question you may have in a brief such as this. It is our sincere hope however that we were able to sketch the outlines of some of the issues and strategies that you will have to be aware of as you put down roots here in Australia.

We wish you every success in doing so and we stand ready with help and advice should you require it!

Take the next step

We trust you enjoyed this publication and found it informative and professionally presented. Of course, your feedback is always welcome as we strive to continually offer content in a format that is relevant to you.

We now invite you to take the next step and meet with an adviser to discuss what it was you were hoping to achieve when you downloaded this handbook and to establish if we can help you achieve your goals and objectives.

Next you will find details on how to book an appointment with an adviser.

We look forward to meeting you soon.

Appointment booking request form

About the Adviser

Our services

Contact details

Please complete the Appointment Booking Request below and scan and email to:

Appointments are available Monday-to-Friday.

Please nominate your preferred day, date and time to meet with us. One of our client services representatives will call you to confirm your appointment.

Preferred appointment day and time

Day

Date

Time am/pm

If you would like us to contact you via email to confirm your appointment or to answer any questions you have, please provide a valid email address for our records.

Email

Your Details

Title

First name

Last name

Mobile

Reader Notes

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