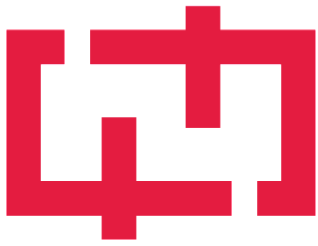


# FILIPPO



AUSTRALIA | ASIA

## Australia

Lower Ground, 395 Collins Street  
Melbourne, Victoria Australia 3000

PO Box 66, Collins Street West  
Victoria Australia 8007

Ph: 1300 FILIPPO  
Intl: + 61 3 9614 8777  
Fax: +61 3 9614 4944

## Hong Kong

17/F, Wheelock House  
20 Pedder Street  
Central, HONG KONG

Ph: +852 3973 6405

[www.filippo.com.au](http://www.filippo.com.au)



Chartered Accountant

Liability limited by a scheme approved  
under Professional Standards Legislation

DISCLAIMER © 2011 Filippo Pty Ltd trading as Filippo Chartered Accountant and Business Advisory. All rights reserved. The information contained in this publication is of a general nature only. It is not meant to be comprehensive and does not constitute legal or tax advice. Filippo Pty Ltd trading as Filippo Chartered Accountant and Business Advisory [FCA] has no obligation to update the information as law and practice change. The application and impact of laws can vary widely based on the specific facts involved. No reader should act or refrain from acting on the basis of any material contained in this publication without obtaining advice specific to their circumstances from FCA.

## Funding of Investments in Australia by non-residents

With the funding of most acquisitions or the repayment of debt, not much thought is put into how it is done. It must be asked – can it be done in a better way? Most people buy an investment and do not specifically structure the funding of that acquisition.

Investments in Australia are not all taxed in the same manner. Some are exempt whilst others are not. For those that are subject to income tax, consideration needs to be given to the deductibility of expenses against such investments, including interest bearing debt, or, making investments that produce income which is subject to capped rate of tax.

Whilst the objective is to accumulate wealth, such an act can have the opposite effect if you are a non-resident and there is no gearing on the investment. Accordingly, investments not subject to tax should be acquired with no gearing. Investments subject to tax should be acquired with gearing.

Net income from property is one such scenario. If a non-resident has net rental income then that non-resident will be subject to income tax at non-resident rates in respect of net Australian property income.

Non-resident income tax rates in Australia are currently as follows:

Taxable Income (AUD)	Tax Payable
0 – 37,000	29%
37,001 – 80,000	\$10,730 plus 30% on excess over \$37,000
80,001 – 180,000	\$23,630 plus 37% on excess over \$80,000
180,001 plus	\$60,630 plus 45% on excess over \$180,000

As you can see from the above table the taxation of non- residents can indeed be quite taxing.

Since the objective is to accumulate wealth then it is necessary to arrange matters in such a way where as much of the asset accumulated is maintained. Paying income tax is one expense which reduces one's wealth.

Considering that a non-resident has the ability to structure their affairs to accumulate such wealth then it should be considered to interpose a foreign entity in between yourself - the non-resident - and the asset. The foreign entity acts as a financier, your own bank it is were. The funds provided to acquire the asset or reduce the debt will be provided in the form of debt. The debt should be secured so that the asset is protected. The interest charged by this entity will be deductible in Australia against the income generated from the asset being funded and may, in certain circumstances, depending on the country one resides in, not be assessable or subject to a lower income tax rate than those provided above.