



**National
Liaison
Committee**

For International Students
In Australia Inc.

NLC Fact Sheet - International Students and Income Tax in Australia

Last updated – 24/08/05

The Australian tax system is confusing at the best of times, and this fact sheet is prepared to help international students work out their tax obligations and rights in Australia with regard to personal income tax.

Residency

The first point of confusion for most students is their residency status. In terms of personal tax, this is completely different to immigration residency status. For tax purposes, an international student is a resident for tax purposes if they are staying in Australia and enrolled in a course for **six months** duration or longer.

This means that these international students pay the same rate of tax as other Australian residents. Students who are enrolled in a course for less than six months duration pay tax at a higher rate. The tables for these rates are below.

Tax File Number

If you want to work in Australia you will need a Tax File Number (TFN) or you will be taxed at 47 cents in the dollar by your employer.

The TFN is a unique number the Tax Office issues you. It remains your number for life¹. You can apply for a TFN through the Tax Office and will need identification for this application. It takes about 6 weeks for a TFN application to be processed and you will be notified of this number by mail. For more information on TFN applications and the necessary documents you need to go to: <https://iar.ato.gov.au/iarweb/default.aspx?pid=4&sid=1&outcome=1>. This website will give information on applying, why you need a TFN and how to apply.

TFN Declaration

When you start working you will be asked to fill out a TFN declaration form by your employer. This form asks you many questions that help the employer determine how to tax you.

For the question that asks if you are a resident for tax purposes, if you are a student here for a course longer than six months as discussed above, you tick yes. If not, you tick no.

The other question that is very important is the one that asks if you are claiming the tax free threshold. If you are a resident for tax purposes you tick yes if this job is your main source of employment income. If you are a non resident for tax purposes or you have more than one

¹ ibid. <http://www.ato.gov.au/individuals/content.asp?doc=/content/12333.htm>

job, you tick no. This question is referring to the tax tables below and helps the employer decide which table to use when taking tax out of your pay.

When you start work you have 28 days to provide your tax file number to your employer. If you don't supply a tax file number, your employer will take tax out of your wages at the highest rate instead of the normal rate that applies to your [income bracket](#).

When you stop working, ask your employer for a [payment summary](#)²

For a copy of this form or further information about filling out the form go to:
<http://www.ato.gov.au/individuals/content.asp?doc=/content/6360.htm>

Medicare levy

As international students in Australia, you will be very aware that you are not entitled to Medicare benefits like Australian citizens. To pay for this government provided health system, Australian taxpayers pay a compulsory Medicare levy as part of their tax each pay period. Most employers take an extra 1.5% tax out of the employee's wages each pay period to pay the Medicare levy.

1. You can fill out a Medicare Levy Variation Declaration form and give it to your employer. This will stop your employer from taking the extra 1.5 % from your pay each pay period. The form is available either from your employer or on the ATO website. Go to: <http://www.ato.gov.au/corporate/content.asp?doc=/content/34908.htm>
2. You can claim the exemption and any refund when you do a Tax Return at the end of the financial year, i.e. after June 30th.

On the Medicare Levy Variation Declaration and on the Tax Return form you will note that there are Medicare levy exemption categories.

Medicare levy exemption categories

You are in a Medicare levy exemption category and entitled to a full or partial Medicare Levy exemption if:

1. *you are a blind pensioner, receive a sickness allowance or are entitled to full free medical treatment under the Veterans' Entitlements Act (if you also received other income, you may have to increase the amount withheld from your earnings)*
2. *you are a Defence Force member or a repatriation beneficiary and entitled to full free medical treatment*
3. **you are not a resident of Australia for income tax purposes**
4. *you are a resident of Norfolk Island*
5. *you are a member of a diplomatic mission or consular post in Australia or a family member of such a person's family and you were living with them and you were not an Australian citizen and you do not ordinarily live in Australia, or*

² *ibid* <http://www.ato.gov.au/individuals/content.asp?doc=/content/12333.htm>

6. ***you have a certificate from the Levy Exemption Certification Unit of the Health Insurance Commission showing you are not entitled to Medicare benefits (a letter from Medicare is not sufficient).***³

If you are not a resident for tax purposes, you are in category 3. You should not have the Medicare levy taken out of your pay, you also should not be charged a Medicare levy when you do your Tax Return.

If you are a resident for tax purposes, you are category 6 and you will need to obtain a certificate from the Levy Exemption Certification Unit of the Health Insurance Commission. The contact details for this unit are below. You will need this certificate for your Tax Return. You are not able to obtain this certificate until after the end of the financial year.

If you choose to give your employer the Medicare Levy Variation Declaration form, you will still need to make a note in the relevant section on your Tax Return that you are in a Medicare levy exemption category and submit a copy of the certificate of exemption. If you don't note on your Tax Return that you are exempt you will then be charged the levy when the Tax Office reconciles your tax and income. (*see Tax Returns below*) The Medicare Levy Variation Declaration form is not sent to the Tax Office, the employer keeps this form.

Health Insurance Commission (HIC)	13 20 11
Levy Exemption Certification Unit (HIC)	1300 300 271 (all of Australia except QLD) 07 3004 5333 (Qld)
HIC Website	www.hic.gov.au

When you contact the HIC, you will be asked to apply for the Certificate of Exemption. You will need to fill out an application form and send it to the HIC. You can either have an application form sent to you or download one from the website.

http://www.hic.gov.au/yourhealth/resources/forms/medicare_levy_exemption.pdf

The completed form will take approximately 6-7 weeks to process and for your exemption certificate to be sent to you. You will need certified copies of your passport and visa information to go with the application form. The certificate of exemption can only be issued at the end of the financial year, unless you are leaving Australia permanently prior to the end of the financial year.

³ *ibid*, <http://www.ato.gov.au/content/downloads/n0929.pdf>, page 3.

Superannuation

There are rules in Australia with regard to payment of superannuation. If you work in any form of paid employment, you may be entitled to receive superannuation payments from your employer. The minimum superannuation payments are 9% of your taxable income. You are entitled to receive these payments if your taxable income exceeds \$450 in a calendar month. The superannuation payments will be paid into an approved superannuation fund. For all Australian residents, this money is usually not accessible until the person reaches retirement age.

However for international students, superannuation paid to a fund in their name is accessible when they are departing Australia.

For information on claiming this money, go to the Tax Office website:

<http://www.ato.gov.au/super/content.asp?doc=/content/23499.htm&page=5>

This page will give you information on the two different types of claim forms, depending on the amount of superannuation you have accumulated. If you have less than \$5000, you can apply online, whereas if you have more than \$5000 you will have to apply through DIMIA and this will cost an application fee for verification from DIMIA.

Tax Returns

Every person who has earned over \$6000 or who has paid income tax from their income in Australia is legally bound to complete a Tax Return for that financial year.

The Tax Return should be lodged with the Tax Office by October 31st following the end of the financial year. There are three ways you can lodge a Tax Return, paper lodgment, online lodgment(Etax), or through a tax agent.

Forms

Paper lodgment involves using a Tax Pack. This can be obtained either through the Tax Office, by calling them, or from one of their offices, or from a newsagent. Most newsagents stock them. Also if you have done a paper lodgment the year earlier, the Tax Office will send you a new one each year to the address you used on the previous return.

It is always advisable to keep a copy of your return and any documents accompanying the return.

Etax

Etax is online lodgment. You can do this by downloading the program from the Tax Office website at : <http://www.ato.gov.au/individuals/pathway.asp?pc=001/002/014>

It is very easy to use and has a much faster processing time than the paper lodgment method. To lodge a Tax Return via Etax, if you have lodged a Tax Return before, via any method, you need a previous Tax Assessment notice sequence number. If you have not lodged before via any method you only need your TFN.

You should always keep a soft and hard copy of your return.

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Time for processing

The average time for processing returns lodged online is about 2 weeks, however if you haven't received any correspondence for three weeks after lodgment you should call the Tax Office to make sure your return was received and there are no problems.

Paper lodgment will take around six weeks. Again if you hear nothing by the seventh week you should call to check that the return was received.

If you use a tax agent, they will tell you the processing time, however this is usually 2 weeks.

Sections to look for:**Part Year Threshold – Leaving Or Arriving In Australia During A Financial Year.**

Please take note that the tax free threshold applies if you have been in Australia for the full financial year. If you have been in Australia for less than this, the tax free threshold will be reduced pro rata.

Medicare Levy Exemption

You will need to make sure that you fill in the section on the return stating that you are eligible for the Medicare levy exemption. If you don't fill this out, you will be charged the levy. You will need to provide a copy of the Medicare Levy Certificate of Exemption. (*see details above in Medicare levy*)

Deductions

Please note that you must have receipts for most deductions. You are not able to claim the self education deductions unless you were working in the employment prior to becoming a student and the study is directly related to your course.

For more information on tax and international students please contact the Tax Office on 13 2861, or go to www.ato.gov.au or speak with a registered Tax Agent.

TAX TABLES

Residents

Tax rates 2004-05

TAXABLE INCOME	TAX ON THIS INCOME
\$0 – \$6,000	Nil
\$6,001 – \$21,600	17c for each \$1 over \$6,000
\$21,601 - \$58,000	\$2,652 plus 30c for each \$1 over \$21,600
\$58,001 – \$70,000	\$13,572 plus 42c for each \$1 over \$58,000
Over \$70,000	\$18,612 plus 47c for each \$1 over \$70,000

Tax rates 2005-06

Please note that these rates are not yet law.

TAXABLE INCOME	TAX ON THIS INCOME
\$0 – \$6,000	Nil
\$6,001 – \$21,600	15c for each \$1 over \$6,000
\$21,601 - \$63,000	\$2,340 plus 30c for each \$1 over \$21,600
\$63,001 – \$95,000	\$14,760 plus 42c for each \$1 over \$63,000
Over \$95,000	\$28,200 plus 47c for each \$1 over \$95,000

The above rates **do not** include the [Medicare levy](#) of 1.5%.

Non-residents

If you are a non-resident for the full year, the following rates apply:

Tax rates 2004-05

TAXABLE INCOME	TAX ON THIS INCOME
\$0 – \$21,600	29c for each \$1

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\$21,601 - \$58,000	\$6,264 plus 30c for each \$1 over \$21,600
\$58,001 – \$70,000	\$17,184 plus 42c for each \$1 over \$58,000
Over \$70,000	\$22,224 plus 47c for each \$1 over \$70,000

Tax rates 2005-06

Please note that these rates are not yet law.

TAXABLE INCOME	TAX ON THIS INCOME
\$0 – \$21,600	29c for each \$1
\$21,601 - \$63,000	\$6,264 plus 30c for each \$1 over \$21,600
\$63,001 – \$95,000	\$18,684 plus 42c for each \$1 over \$63,000
Over \$95,000	\$32,124 plus 47c for each \$1 over \$95,000

Non-residents are not required to pay the Medicare levy.⁴

⁴ ATO Website, 2005 <http://www.ato.gov.au/individuals/content.asp?doc=/content/12333.htm>