Buying property in Australia: Tax impacts for non-residents

Fact Sheet, August 2025

Are you a foreign investor considering buying real estate in Australia? This fact sheet explains how property is taxed if you are a non-resident of Australia.

Australia has double tax agreements with over 40 countries, preventing double taxation and tax evasion. In particular, Australia's agreement with China states that tax income and gains from property and land in Australia is taxed in Australia. Changes in legislation have significantly raised the price of real estate for foreign investors.

In respect to these tax impacts, the term non-resident does not include Australian citizens, whether or not they ordinarily reside in Australia. It includes individuals, foreign corporations, governments, trustees. If you are unsure of your legal status as a foreign investor, Accru can provide you with individualised advice on your tax obligations.

Foreign Investment Review Board (FIRB)

If you are a non-resident of Australia or a temporary visa holder, you are legally required to obtain permission from the FIRB before buying property in Australia. You need to ensure that you have not signed the purchase contracts before receiving foreign investment approval unless the contract is conditional on such approval. The Australian Government cannot give approval after you have signed the contract.

The application forms are available on the Foreign Investment Review Board website: www.firb.gov.au.

Temporary Ban on Established Dwellings

In Australia, a temporary ban on foreign purchases of established dwellings is in effect from April 1, 2025 to March 31, 2027. This ban, as part of a broader effort to address housing affordability , restricts foreign persons, including temporary residents and foreign-owned companies, from buying existing homes.

Stamp Duty

Stamp duty is a tax levied by the state governments of Australia upon various transactions which include the agreement contract land transfer of real estate. The amount of stamp duty payable on the purchase of a property will vary depending on the value of the property and which state of Australia the property is located in.

Stamp duty is calculated using a sliding scale of taxation, depending on the value of the property. Most states have a similar system which will apply a sliding rate scale based on your property value.

For example, in NSW for a property over $351,000, there is a base amount of $10,530 plus $4.50 for every $100 that the value of the property exceeds $351,000 up to $1,168,000. If a residential property is over $3 million a premium duty rate is applied.

In addition to stamp duty, some states apply a stamp duty surcharge (NSW: 9%) on non-residents when acquiring Australian residential land.

Capital Gains Tax (CGT)

Australia has the right to tax the owner on the gains they make on the disposal of an investment property, known as capital gains tax. This also applies to the disposal of a contract to purchase Australian property that is under construction.

A capital gain or loss from the sale of a property is generally ignored for CGT purposes if the owner is an individual and the property was the owner's main residence throughout the entire time that they owned it. However, if the property was used for income producing purposes, the owners will be liable for capital gains tax upon the sale of the property. As an individual selling a rental property, the net capital gain on the sale of the property will be added to their taxable income, which will be subject to tax at their marginal tax rates. If held for over 12 months a general 50% discount is available.

Non residents are not able to claim any main residence exemption or be able to access the 50% discount on disposing of a property. These concessions are only available to Australian resident taxpayers.

The net capital gain is calculated as the capital proceeds on the disposal less the cost base of the property. The cost base of the property includes the original purchase price, any incidental costs such as stamp duty and legal costs on both the purchase and sale of the property, capital expenditure to improve the property's value, and any costs to preserve or defend title to the property. Other non-capital costs of ownership such as interest, repairs and maintenance, insurance, council rates etc may be included in the cost base if they haven't previously been claimed as a tax deduction in special circumstances.

Prior to the Australian Budget released back on 8 May 2012, both residents and non-residents were entitled to a 50% discount on any capital gains derived in Australia for assets held for 12 months or more. However, the Australian Government announced in the 2012 Federal Budget that the CGT discount will be no longer available to individuals and beneficiaries of trusts who were non-residents in respect of taxable capital gains accrued on CGT assets after 8 May 2012.

Since 1 January 2025, a non-resident disposing of taxable Australian property is subject to a withholding tax of 15% of the purchase price, which the *buyer* must pay to the Commissioner of Taxation before or on the day when ownership is transferred. If applicable, for the purposes of calculating the purchase price, that price includes GST less input tax credits, as well as any adjustments under the contract. It is mandatory for the vendor to provide the purchaser with a tax clearance certificate from the ATO for contracts entered into on or after 1 July 2016.

Note: Please refer to Accru Tax App to find non-resident personal tax rates applicable to capital gains.

Land Tax

Land tax is payable if the combined value of all the taxable land owned is greater than the land tax threshold of the state which the property is located in.

For example, in NSW the amount of tax payable in 2021 is calculated by adding $100 plus 1.6% of the land value between the threshold (currently $1,076,000) and the premium rate threshold (currently $6,571,000), upon which the rate increases to 2% and a flat $88,036 is paid.

On top of the standard land tax, some states impose a surcharge land tax (NSW: 5 %) on residential land owned by non-residents.

Income Tax

Non-residents who are deriving income from property in Australia are obligated to lodge an Australia income tax return at the end of each financial year however they will only be taxed on their Australian sourced income. The tax year in Australia starts on 1 July and ends on 30 June the following year. If you are renting out your property you will be required to declare the rent received in your Australian income tax return. The types of expenses that can be deducted from the rental income include:

+ Advertising for tenants
+ Bank charges
+ Body corporate fees
+ Borrowing expenses
+ Council rates
+ Depreciation (the decline in value of depreciation assets)
+ Insurance
+ Interest on a loan
+ Land Tax
+ Property agent fees
+ Repairs and maintenance
+ Water rates.

From 1 July 2017 you are no longer able to claim travel to residential rental properties relating to inspections, repairs or collecting rent .

If you are a non-resident for tax purposes and continue to make a loss on an investment property in Australia, you are required to declare the losses in your Australian tax return so that they can be accumulated in your tax return. You can then use these losses to offset against future income that you are required to declare in Australia or carry them forward to reduce the capital gain made upon the sale of your property.

Non-compliance with your tax obligations carries heavy monetary and civil penalties, and up to three years or criminal penalties. Consult Accru for best practice advice on your tax obligations. The ATO will require the details of foreign investors applying to the Foreign Investment Review Board to purchase residential or agricultural land, obtaining data that will enable the closer monitoring of compliance.

GST

From 1 July 2018, purchasers of new residential premises or subdivisions of potential residential land are required to withhold a portion of the purchase price, for payment to the ATO. This amount is meant to be an approximation of the GST that would be payable by the seller and will depend on the type of contract. The amount must be specified by the seller and no GST registration is required from the purchaser.

Accru specialises in taxation for companies doing business in Australia and overseas, their executives and high net worth individuals.

Disclaimer: This fact sheet is of a general nature only and is not intended to be relied upon as, nor to be a substitute for, specific professional advice. No responsibility for loss occasioned to any person acting or refraining from action as a result of this information can be accepted.
Author: Accru Felsers