Leaving Australia – Don't forget your Super!

In the past decade, almost 100,000 Irish people have gone to Australia in search of work and to travel. As the Irish economy has now recovered from the economic recession which drove many to leave, many of those same people are now returning to Ireland.

Those who worked during their stay will more than likely have accrued a pension during that time as Australian employers are required to pay into a pension arrangement known as the superannuation scheme (often abbreviated to super) for their employees.

“...millions of dollars in unclaimed superannuation money is left behind by people who don't realise they are able to claim their contributions when they leave.”

The issue as to whether or not these pension benefits can be brought back to Ireland has been raised with ourselves in Zurich frequently in the last few years. Our experience has been that Australian providers will not allow for the direct transfer of these funds to a pension arrangement in Ireland. However they will provide a payment directly to the member in respect of the benefits accrued in certain circumstances. The payment in question is known as the Departing Australia Superannuation Payment (DASP).

Whether or not an individual may qualify for the payment depends on their residency status on leaving Australia.

A question of residency

Our understanding is that those individuals who become **citizens of Australia** will not qualify for a DASP and will be unable to access their Australian superannuation savings until they reach retirement age for the plan in Australia. This would also be the case for those leaving Australia who had previously held or obtained citizenship in New Zealand. There are some exceptions regarding this relating to health and financial circumstances – but it's best to contact your provider in Australia to discuss the specifics of the plan.

If the individual became a **permanent resident of Australia** before they moved back to Ireland then they will not qualify for a DASP immediately, however they may later become eligible for same if their permanent residency status in Australia expires. Our understanding is that permanent resident status can be held by those leaving Australia for 5 years after leaving the country therefore it may take up to 5 years to become eligible to receive the DASP in these circumstances.

If the individual was a **temporary resident** then the situation is different. Temporary residents who permanently leave Australia are immediately entitled to receive the DASP.

Generally, you can claim a DASP if the following apply:

- You qualified for superannuation contributions while working in Australia
- Your temporary visa has ceased to be in effect (for example, it has expired or been cancelled).
- Your status as a Permanent Resident (if you held same) of Australia has ceased to be in effect.
- You have left Australia.
- You are not an Australian or New Zealand citizen.

The DASP includes both a tax free and taxable component. The rates of taxation depend on the visa held during your stay in Australia. The provider in Australia will provide a net amount after the relevant taxes are deducted.

If you leave the country, and qualify for a DASP but haven't claimed the payment within 6 months of leaving then your provider will transfer the money to the Australian Tax Office. After that, you'll need to approach the Australian Tax Office, who can also process the payment.

The payment is therefore not an overseas transfer as such but instead a net payment received after taxation has been applied similar to a refund of contributions in this state but encapsulating the employer contribution received.

The individual will therefore need to determine how they wish to use these funds thereafter and their own personal circumstances will be a deciding factor in each case. Given the age profile of those returning it is likely that many will wish to use these funds towards a deposit on a property, however for those who wish to reinvest there are options available.

For those who wish to reinvest these funds for retirement or more short term goals, we have outlined two potential options for reinvestment below.

Option 1 – PRSA.

If the choice is made to reinvest this contribution into a Pension in Ireland, then a PRSA would be the most easily available route. The PRSA is open to those employee's not included in their employer's occupational pension scheme, self employed individuals and those not currently employed or economically active.

Our understanding is that tax relief on the contribution would not generally be allowable as the funds are not derived from relevant earnings in this state, however the pension route does have advantages as the amount invested will be able to grow tax free until retirement.

Upon retirement, the PRSA can provide a tax free lump sum of up to €200,000 and income for retirement thereafter which will be subject to taxation unless the individual is 65 or older and income in retirement is less than €18,000 if single or €36,000 if in a married couple.

Option 2 - Investment Bond.

An alternate route may be to invest these funds in an Investment Bond or Savings Plan where the capital invested will not be subject to further taxation but any gains accrued will be subject to Exit Tax at 41% either at encashment or on the 8th anniversary of the plan. This may be a more viable route for those who wish to invest the funds with a more short term goal in mind.

Conclusion

It is estimated that each year in Australia, millions of dollars in unclaimed superannuation money is left behind by people who don't realise they are able to claim their contributions when they leave. For any clients you encounter who have previously spent time in Australia or are considering returning home, make sure they check if they are entitled to a Departing Australia Superannuation Payment. This is their money so they should make every effort to claim it.

Further information

If you are concerned about any issues raised in this article or if you need to discuss any particular case you may have, contact the Technical Services on 01-2092020.

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