Current British Expat Pensioners

A tax benefit available to you.

**The Un-deducted Purchase Price (UPP) of UK pension, is an allowable deduction from your Australian taxable income.**

Detailed in the 2011 Tax Pack, **Supplementary section**, at **Income Item 20 Part B, page s22,** there is reference to your British age pension income. This income has an “un-deducted purchase price” [UPP] component. In completing your Supplementary tax return, include TOTAL UK State age pension income for the year, **at section 20 “Foreign sourced income” item D**. Then in the DEDUCTIONS Section at **D11, calculate and enter 8%** of your UK State National Insurance Category A [basic] or B [widow’s] age pension income, you received in the year. This method is accepted by the Australian Taxation Commissioner and generally results in the maximum deduction to which you are entitled. There is another method but if you are not sure how it works or have another type of British pension and you are not sure of its UPP value; phone the ATO Superannuation hot line on 13 10 20.

This UPP benefit is dealt with in the 2011 Tax Pack supplement, re Deduction D11 on page s36 and relates to line D11 in the Supplement’s “Deductions” section. It is the “D***eductible amount of undeducted purchase price (UPP) of a* *foreign pension or******annuity*”**. Tax ruling TR 93/13 applies. We suggest that you would be wise to take this matter to a tax agent for if you have not claimed this deduction previously then it is possible you can backdate your claim for a maximum of five (5) years. This could be worth a considerable initial tax benefit to you depending on the level of income you are receiving from the UK.

From past Tax Pack Supplements, it appears that a UPP tax deduction may be claimable in regards to other pensions you may receive from abroad. This UPP amount is your own personal contributions made to that pension in your working life and is free of Australian tax. On Tax Pack Supplement page s36 you are advised that if you do not know this UPP deductible amount, then exclude it from space D11 but complete form NAT 16543 “***Request for a determination of the deductible amount of the UPP of a foreign pension or annuity”***. Complete and attach this form, NAT 16543, to page 3 of your tax return. This form is available from the ATO website or from BPiA. Again take advice from your tax accountant or agent in this regard.