SW

Accountants & Advisors

Take the lead

Doing business in Australia

Australia's best kept accounting secret

YEARS

1935–2025

Doing business in Australia

Australia is a premier destination for global investment and business, offering a stable government, a resilient economy, and a highly skilled, multilingual workforce. With a robust legal framework, strong trade relations, and a thriving innovation ecosystem, Australia provides significant opportunities for international investors.

Beyond business, Australia is known for its exceptional quality of life. It has one of the world's highest life expectancies—84 years for females and 79 years for males—alongside world-class healthcare, education, and infrastructure.

As of 2024, Australia's population stands at approximately **27.2 million people**, with nearly 40% residing in Sydney or Melbourne, two of the country's key business and financial hubs. Australia is also one of the most culturally diverse nations, home to people from over 200 countries, enhancing its globally connected business environment.

Located in the southern hemisphere, Australia experiences summer from December to February and winter from June to August.

The northern regions have a tropical climate with warm, rainy summers from November to March, while the southern states enjoy dry, warm summers and mild winters, with average temperatures ranging from 16°C in winter to 28°C in summer.

Key sectors for investment

Australia attracts investment across a range of high-growth sectors, including:

- **Mining & resources** – As one of the world's leading exporters of minerals such as iron ore, coal, and lithium, Australia is a hub for mining technology and sustainable resource management.
- **Renewable energy** – With vast natural resources, Australia is investing heavily in solar, wind, and hydrogen energy to drive its clean energy transition.
- **Agribusiness & food production** – Known for its high-quality produce, Australia is a major exporter of beef, dairy, wine, and grains, benefiting from strong trade partnerships in Asia.
- **Technology & innovation** – As fast-growing tech sector, particularly in fintech, cybersecurity, AI, and biotechnology, is attracting global investment and talent, Australia continues to attract talented professionals.
- **Tourism & hospitality** – With world-renowned attractions, diverse landscapes, and a vibrant cultural scene, Australia continues to be a top global tourism destination.
- **Education & research** – Home to some of the world's top universities and research institutions, Australia is a leader in education and innovation-driven industries.
- **Health & MedTech** – Advanced medical research, biotech development, and healthcare services offer significant opportunities for investment and expansion.

Doing business in Australia

Australia has a business-friendly regulatory environment, strong intellectual property protections, and competitive corporate tax rates. Investors benefit from a skilled workforce, advanced infrastructure, and access to high-growth Asia-Pacific markets. The country consistently ranks highly for ease of doing business, offering a transparent legal system and robust financial markets.

Among Australia's states, **New South Wales (NSW)** is often considered the most attractive for business and investment. Home to Sydney—Australia's largest city and financial capital—NSW offers a dynamic economy, a thriving start-up ecosystem, and a strong presence of multinational corporations. It leads in sectors such as finance, technology, infrastructure, and professional services, supported by world-class universities and research institutions. Additionally, NSW is a major hub for international trade and has strong government incentives for businesses, making it a prime location for both local and foreign investors.

With its strong economy, strategic location in the Asia-Pacific, and business-friendly policies, Australia continues to be an attractive destination for investors looking to expand in a stable and high-growth environment.

Language and currency

English is Australia's official language, however there are over 200 different languages and dialects spoken in Australia including over 50 indigenous languages.

The official currency is the Australian dollar.

Political system

Australia's political system is based on a constitutional monarchy with a separation of powers at the federal level between the legislature, the executive and the judiciary. The head of state is currently His Majesty King Charles III, who is represented by a Governor- General at the federal level and Governors at the state level. The nation comprises six states—New South Wales, Victoria, Queensland, Western Australia, South Australia, and Tasmania and two self-governing mainland territories—the Australian Capital Territory and the Northern Territory.

Legal system

The Australian Legal system was developed from British Law principles and encompasses a system of courts at both the State and Commonwealth level. The Judicial power of the Commonwealth Government is vested in the Federal Court and, ultimately, in the High Court of Australia. In addition, each State has a Supreme Court.

Work force

Australia offers a highly educated and skilled workforce, benefiting from a world class education and training system. Around 50% of Australia's workforce has some form of tertiary qualification and enjoys a 99% literacy rate.

Financial year

Australia's financial year runs from 1 July to 30 June, however it is possible to synchronise a financial year end with an overseas parent company.

Economy

Australia has a strong and competitive economy with low inflation of around 2.5% over the last 15 years. At the same time, the unemployment rate has remained at below 6%.

Australia's key trading partners are China, India, Japan, the US, Korea, Singapore, New Zealand, Germany and the United Kingdom with major exports including natural resources, livestock, food, motor vehicles, chemical products and industrial equipment.

Australia's major industries include agriculture, manufacturing, wholesale and retail trade, finance, construction, transport and storage, mining, education and health and community services.

Australia is a member of the G20, OECD, WTO, APEC, UN, Commonwealth of Nations, ANZUS, and the Pacific Islands Forum.

Australia is a strong supporter of reductions to trade barriers as well as the concept of open and multilateral trading systems. Australia has entered into free trade agreements with a number of countries.

Regulatory environment

Australia has a transparent and efficient regulatory environment. A number of regulatory bodies oversea various functions in Australia.

Australian Taxation Office (ATO)

The ATO is the principal revenue collection agency of the Australian government. Its role is to administer the Australian federal taxation system that supports and funds services for Australians, including collecting revenue and governing a range of programs which result in transfers and benefits back to the community.

Australian Securities and Investments Commission (ASIC)

ASIC is an independent Government body responsible for enforcing company and financial laws to ensure market integrity and consumer protection. It administers the Corporations Act 2001, and its function is to ensure fair play in the corporate environment, protecting investors and consumers.

Australian Prudential Regulation Authority (APRA)

Banking regulation is split between ASIC and APRA. All financial institutions are regulated by APRA and have to report to it on a periodic basis. Financial intermediaries on the other hand have to obtain licenses under the Corporations Act 2001 or other Commonwealth or State legislation.

Australian Securities Exchange (ASX)

The ASX is Australia's primary national stock exchange for equities, derivatives and fixed interest securities. All trading of shares between ASX members is conducted by electronic trading using comprehensive, high quality, information technology systems.

Australian Competition and Consumer Council (ACCC)

The ACCC is an independent statutory authority dealing with competition matters and responsible for enforcing the Trade Practices Act 1974 and the Prices Surveillances Act 1983 and associated legislation. Consumer protection measures are aimed at prohibiting unfair trade practices such as misleading or deceptive conduct, false representation and various advertising practices.

Regulatory environment

Reserve Bank of Australia (RBA)

The central bank in Australia is the RBA. It is responsible for setting Australia’s official interest rate and for maintaining a stable and efficient monetary policy and framework.

It is responsible for foreign exchange control, maintaining a general oversight of dealers in the foreign exchange market and setting conditions and prudential standards.

Australian Transaction Reports and Analysis Centre (AUSTRAC)

AUSTRAC is Australia’s financial intelligence agency with regulatory responsibility for antimony laundering and counter-terrorism financing.

There are few restrictions to moving funds in and out of Australia except for movements of cash. Movements of cash in excess of AUD10,000 must be reported under the Financial Transaction Reports Act.

Foreign Investment Review Board (FIRB)

The FIRB is a non statutory body established in 1976 to advise the Treasurer and the Government on Australia’s Foreign Investment Policy (the Policy) and its administration.

The role of the FIRB is to:

- Examine proposed investments in Australia that are subject to the Policy, the Foreign Acquisitions and Takeovers Act 1975 (the Act) and supporting legislation
- Make recommendations to the Treasurer and other Treasury portfolio ministers on these proposals
- Monitoring and ensuring compliance with the Policy and the Act.

Foreign persons may be required to notify the FIRB and receive a no objections notification before acquiring an interest in land in Australia.

Different rules apply depending on whether the land is vacant or not, whether the proposed acquisition falls into the category of sensitive commercial land that is not vacant, and the value of the proposed acquisition.

Digital ID

myGovID is the Australian Government's Digital ID app which allows you to prove who you are when accessing government online services such as ATO.

Business structures

A variety of structures are used in Australia to carry on business and each type of structure offers different advantages and limitations.

Companies

The most common form of business entity in Australia is a company limited by shares. There are 2 types of companies in Australia - proprietary companies and public companies. Companies are regulated by the Corporations Act 2001 (Cth) and overseen by the Australian Securities and Investments Commission. Every company carrying on business or deriving property income in Australia must appoint a public officer—an Australian resident individual responsible for the company's tax obligations—within three months of commencing operations or first deriving income.

Additionally, every company director must obtain a Director ID, a unique identifier issued by the Australian Business Registry Services (ABRS), which is applied for once and retained for life across all directorships.

Proprietary companies

Proprietary companies, which are often referred to as private companies, are often used for private ventures or as subsidiaries of public companies.

A proprietary company cannot have more than 50 non-employee shareholders and typically cannot undertake fundraising activities in Australia.

A proprietary company must have at least one Australian director who ordinarily resides in Australia.

There is no requirement to appoint a company secretary, but if one is appointed, at least one must ordinarily reside in Australia.

Generally, proprietary companies have simpler reporting and disclosure obligations compared to public companies. For example small proprietary companies generally do not need to lodge financial reports with ASIC unless directed.

Public companies

Public companies are used for larger ventures where funds will be raised from the public. Only public companies can list on the ASX, raise funds from public and can have an unlimited number of shareholders.

Public company must have at least 3 directors with at least 2 of ordinarily residing in Australia. A public company must also have at least one secretary who must also be Australian resident.

Partnerships

A partnership involves 2 or more entities doing business together with a view to making a profit. Each partner is 'jointly and severally' liable for the partnership's debts which means each partner is liable for their share of the partnership debts as well as being liable for all the debts of the partnership.

Each Australian states or territory has legislation governing partnerships and written agreements between partners are not legally required but are highly recommended. In the absence of a partnership agreement, these Acts provide default provisions.

Beyond general partnerships, Australia also recognises limited partnerships (LPs) and incorporated limited partnerships (ILPs).

Joint ventures

Joint ventures are similar to a partnership but are distinguished by the fact that they share output rather than profits. Joint venturers can limit their exposure to liabilities incurred in the venture. Joint ventures are commonly used in the mining and property development industries.

Trusts

Trusts are commonly used in Australia as an investment vehicle and not commonly used for carrying on a business. Trusts are effective at providing asset protection and can provide tax advantages in certain circumstances. Trusts can take on a number of different forms and are classified as discretionary, fixed or hybrid.

- Discretionary trusts, often used for family wealth management, allow the trustee to decide how income and capital are distributed among beneficiaries, providing flexibility in tax planning and asset protection.
- Fixed trusts, such as unit trusts, have beneficiaries with fixed entitlements to income and capital, making them suitable for investment purposes where interests are clearly defined.
- Hybrid trusts combine elements of both discretionary and fixed trusts, allowing for both fixed entitlements and discretionary distributions.

While trusts offer significant benefits, they require careful establishment and administration to comply with legal obligations and to ensure the intended advantages are realised.

Business structures

A variety of structures are used in Australia to carry on business and each type of structure offers different advantages and limitations.

Australian branch

An alternative to incorporating an Australian subsidiary is for a foreign company to establish an Australian branch. If a foreign company carries on a business in Australia through an Australian branch, the foreign company must register as a foreign company with ASIC. The company needs to register an Australian registered office and must appoint a local agent.

Australia can only tax the profits of a foreign company if it carries on its business in Australia through a “permanent establishment” in Australia. A permanent establishment is, generally, a fixed place of business other than a storage or display facility.

Where there is a permanent establishment in Australia, the profit attributable to that permanent establishment is subject to tax in Australia at the corporate rate.

An Australian branch will generally be a permanent establishment for tax purposes.

Establishing an Australian branch can offer certain administrative efficiencies compared to setting up a subsidiary, such as streamlined reporting and consolidation of financial results. However, it may expose the foreign company to direct liability for the branch's operations and obligations in Australia.

Representative office

A representative office will generally be appropriate when a foreign company sends a person to Australia to investigate the market, to find potential clients and to promote its products. The person does not sell or generate income in Australia.

A representative office is not considered to have a taxable presence in Australia.

The representative office cannot be seen to be carrying on business in Australia for the foreign company. Otherwise, it would immediately be considered to be a permanent establishment (refer to comments on branch office above).

By way of example, if the representative office commences to sign contracts with customers, or makes sales, it would be considered to be carrying on business in Australia.

A representative office can be a marketing office for the foreign company in that it identifies opportunities and potential sales and refers them to the foreign company.

A representative office is usually not required to be registered with the Australian Securities and Investments Commission (“ASIC”). However, it is required to register with the Australian Taxation Office (“ATO”) if it has employees in Australia.

Choosing the Right Business Structure

Selecting the appropriate business structure depends on various factors:

- Liability Exposure: Consider the level of personal liability you are willing to accept.
- Taxation Implications: Different structures have varying tax obligations and benefits.
- Capital Requirements: Assess the need to raise capital and the most suitable structure to facilitate this.
- Control and Management: Determine the desired level of control over business decisions.
- Regulatory Compliance: Be aware of the compliance obligations and costs associated with each structure.
- Future Plans: Consider long-term goals, such as expansion, succession planning, or selling the business.

Tax

Income Tax

Australia has a self-assessment tax system which requires taxpayers to lodge an annual tax return disclosing their assessable income and allowable deductions. The ATO oversees compliance and may review returns to ensure accuracy.

Resident taxpayers are subject to income tax on their worldwide income. Non-residents are only taxed on Australian sourced income.

Individuals

Individuals can be classified as residents, nonresidents or temporary residents.

A temporary resident is an Australian tax resident who is in Australia on a temporary visa, and does not have a spouse who is an Australian citizen or permanent resident. Temporary residents are taxed at resident individual tax rates, but are subject to Australian tax only on Australian sourced income and certain foreign employment income.

Australia has a progressive tax system for individuals meaning that the rate of tax which is levied upon income increases as the level of income increases. The 2024/25 income tax rates for resident and non-resident individuals are:

Foreign resident tax rates 2024/2025

Taxable income	Tax on this income
$0 - $135,000	30c for each $1
$135,001 - $190,000	$40,500 plus 37c for each $1 over $135,000
$190,001 and over	$60,850 plus 45c for each $1 over $190,000

Companies

Resident and non-resident companies are taxed at the same rate. For the 2025 income year the rate of corporate tax for companies carrying on a business with an aggregate turnover less than $50 million is 25% if they satisfy certain conditions. All other companies are taxed at 30%.

An imputation system applies to Australian companies, whereby companies can pass through credits for tax paid to their Australian shareholders. The imputation credits (or franking credits) are passed to shareholders via the payment of a dividend to which the imputation credit is attached.

As with individuals, it is essential to determine whether a company is an Australian resident for tax purposes as this affects several tax aspects. Australian resident companies are taxed on their worldwide income, while foreign resident companies are taxed only on Australian-sourced income and specific other amounts.

Under general law, a branch of a company is not a separate legal entity from the company itself and shares the same residency status. However, a special tax regime provides limited separate entity treatment to Australian branches of foreign banks and foreign financial entities.

All Australian resident companies that earn income, whether from Australian or foreign sources, and foreign resident companies with Australian-sourced income are required to lodge a tax return. Companies involved in significant international dealings must provide additional documentation, such as an International Dealings Schedule, and significant global entities must submit annual statements under the country-by-country reporting regime. Public or foreign-owned companies that exceed certain income thresholds are also required to lodge a Reportable Tax Position schedule.

Resident tax rates 2024/2025

Taxable income	Tax on this income
$0 - $18,200	Nil
$18,201 - $45,000	16c for each $1 over $18,200
$45,001 - $135,000	$4,288 plus 30c for each $1 over $45,000
$135,001 - $190,000	$31,288 plus 37c for each $1 over $135,000
$190,001 and over	$51,638 plus 45c for each $1 over $190,000

Note

- The rates do not include the Medicare levy of 2%
- The Medicare levy is imposed on residents at a rate of 2% of taxable income to help fund the country's public healthcare system.
- Low-income earners may be exempt or pay a reduced levy.
- There is also a Medicare levy surcharge of 1% to 1.5% for high-income earners who do not have appropriate private health insurance coverage.

Tax

Trusts

Trusts in Australia are required to lodge an annual income tax return regardless of the amount of income they derive. Although trusts are not separate taxable entities, the tax liability generally flows through to the beneficiaries who are entitled to receive the trust income; these beneficiaries are taxed on their share of the trust's net income. Trustees may be taxed on any portion of the net income to which no beneficiary is presently entitled or if the beneficiary cannot receive the income due to legal incapacity.

Trustee responsibility

Trustees are responsible for ensuring compliance with tax obligations, including retaining sufficient funds to pay any taxes due. If there is no resident trustee and the trust conducts business or derives property income in Australia, the trust must appoint a public officer within 90 days to handle tax responsibilities.

Complex Trust arrangements

Trusts involved in complex arrangements, such as those with foreign source income or capital gains, may have additional tax considerations. Special rules also apply to managed investment schemes (MIS) and certain types of trusts, which can affect how income is taxed and reported.

Managed investment schemes

MIS is a common trust structure used to pool funds to collectively invest in assets or ventures. Depending on the underlying investors a MIS can be wholesale or retail. If the trust is registered as a MIS, it faces stricter regulatory and compliance requirements. Additionally, there will likely be disclosure and compliance obligations if the investors are retail clients.

Partnerships

Partnerships are required to lodge an income tax return but are not liable to pay tax on their taxable income. The partners will be liable to pay tax on their share of the partnership income. Losses made by a partnership can be passed on to partners.

Division 7A

Division 7A is an anti-avoidance measure aimed at preventing private companies from distributing profits tax-free to shareholders or their associates through payments, loans, or forgiven debts.

Tax

Capital Gains Tax (CGT)

Overview

- CGT applies to gains from disposing of assets like land, business assets, and intangibles.
- Net capital gains, after applying concessions or exemptions, are included in taxable income.

Key CGT provisions

- Taxpayers pay CGT based on their marginal tax rate.
- Foreign residents are only taxed on disposals of Taxable Australian Property (TARP), including:
  - Direct holdings in Australian real property.
  - certain Indirect holdings through land-rich entities.

Common CGT exemptions & concessions

- Principal place of residence (family home) may be exempt
- Small business concessions may reduce or defer CGT obligations.

Understanding the timing of a CGT event, how to calculate capital gains and losses, and the availability of any concessions or exemptions is crucial for taxpayers to accurately assess their tax obligations under the CGT regime.

Withholding tax

Non-resident entities receiving Australian sourced dividends, interest and royalties will generally have tax withheld from their payments. The rate of withholding will depend on whether the non-resident entity is a resident of a country that has signed a DTA with Australia.

Withholding Tax rates

	No DTA	With DTA
Interest	10%	0% - 10%
Unfranked dividend	30%	Up to 15%
Royalties	30%	Up to 15%

Special cases

Franking Credits: Dividends with franking credits reduce or eliminate withholding tax.

Conduit Foreign Income: Certain foreign-sourced profits passed through an Australian entity may also qualify for reduced withholding.

MITs

- Fund payments to investors from countries with exchange-of-information agreements are taxed at 15%.
- Clean Building MITs enjoy a reduced 10% withholding tax.
- Property disposals by non-residents trigger a withholding tax of 12.5% (rising to 15% from 1 January 2025).

Tax

Tax consolidation

The tax consolidation regime enables a single income tax return to be lodged in respect of a wholly owned group. When a tax consolidated group is formed all the members of the group are treated as parts of the head company for Australian income tax purposes and transactions between members of the group are ignored for income tax purposes.

Key Features of Tax Consolidation

- Forming a tax consolidated group is optional but irrevocable.
- A consolidated group can offset profits of one member with losses of another.
- Assets can be transferred between group companies without triggering income tax consequences.

Tax cost Reset

The head company of the consolidated group automatically becomes the owner of the assets of its subsidiaries for income tax purposes on formation of a tax consolidated group. As a result the tax cost of the assets must be reset. This is achieved by effectively pushing down the head company's investment in the subsidiary to the assets of the subsidiary.

Multiple Entry Consolidated (MEC) Groups

The consolidation regime also accommodates MEC groups, allowing Australian resident subsidiaries of a foreign parent company to consolidate for tax purposes under similar principles.

Overall, consolidation provides a streamlined approach to group taxation, offering flexibility and potential tax benefits for eligible corporate groups.

Double Tax Agreements (DTAs)

Australia is a signatory to a number of DTA's, based upon the OECD Model. DTAs are treaties between Australia and other countries designed to prevent double taxation and combat fiscal evasion. These agreements allocate taxing rights over different types of income based on specific circumstances, ensuring that income is not taxed twice in two different jurisdictions. Australia has entered into DTAs with numerous countries, including China, India, Japan, Canada, New Zealand, the United States, the United Kingdom, and various nations in South-East Asia and Europe.

Taxation of business profits

Under most of these DTAs, business profits earned by a foreign entity are taxable in Australia only if the entity conducts business through a permanent establishment within Australia.

Residency & Tie-Breaker rules

DTAs contain provisions to determine a person's residency status, resolve cases of dual residency through "tie-breaker" rules, and define key terms to allocate taxing rights appropriately.

Conduit Foreign Income (CFI)

The CFI rules make Australia an attractive location for regional headquarters in the Asia Pacific region.

What is CFI?

CFI is basically foreign income that is not assessable in Australia when derived by an Australian company.

CFI rues allow certain income to be distributed from an Australian company to a non-resident in the form of an unfranked dividend without attracting any Australian tax.

This includes income derived from a foreign branch and dividends from wholly owned foreign subsidiaries. Such income is able to pass through an Australian company to its foreign parent with no Australian tax arising.

Tax

Transfer pricing

Australia's transfer pricing rules are designed to prevent profit shifting from an Australian taxpayer to a related party in a foreign jurisdiction.

Arm's Length principle

The rules broadly apply an 'arm's length' test to a resident taxpayer's transactions with a non-resident related party. Where non arm's length transactions result in an artificial reduction in Australian income tax base, the transfer pricing rules provide a statutory power to adjust Australian income tax base to align with an arm's length amount. Self-assessment of 'arm's length' position is a key expectation of the ATO.

Compliance & reporting

Taxpayers with international related party dealings (IRPDs) that exceed AUD$2 million in an income year are required to complete an International Dealings Schedule as part of their income tax return. The Schedule requires disclosures on the level of arm's length self-assessment made to support the relevant IRPDs.

Significant Global Entities (SGE)

An SGE broadly includes any member of an accounting consolidated group with a global turnover of AUD$1 billion or more.

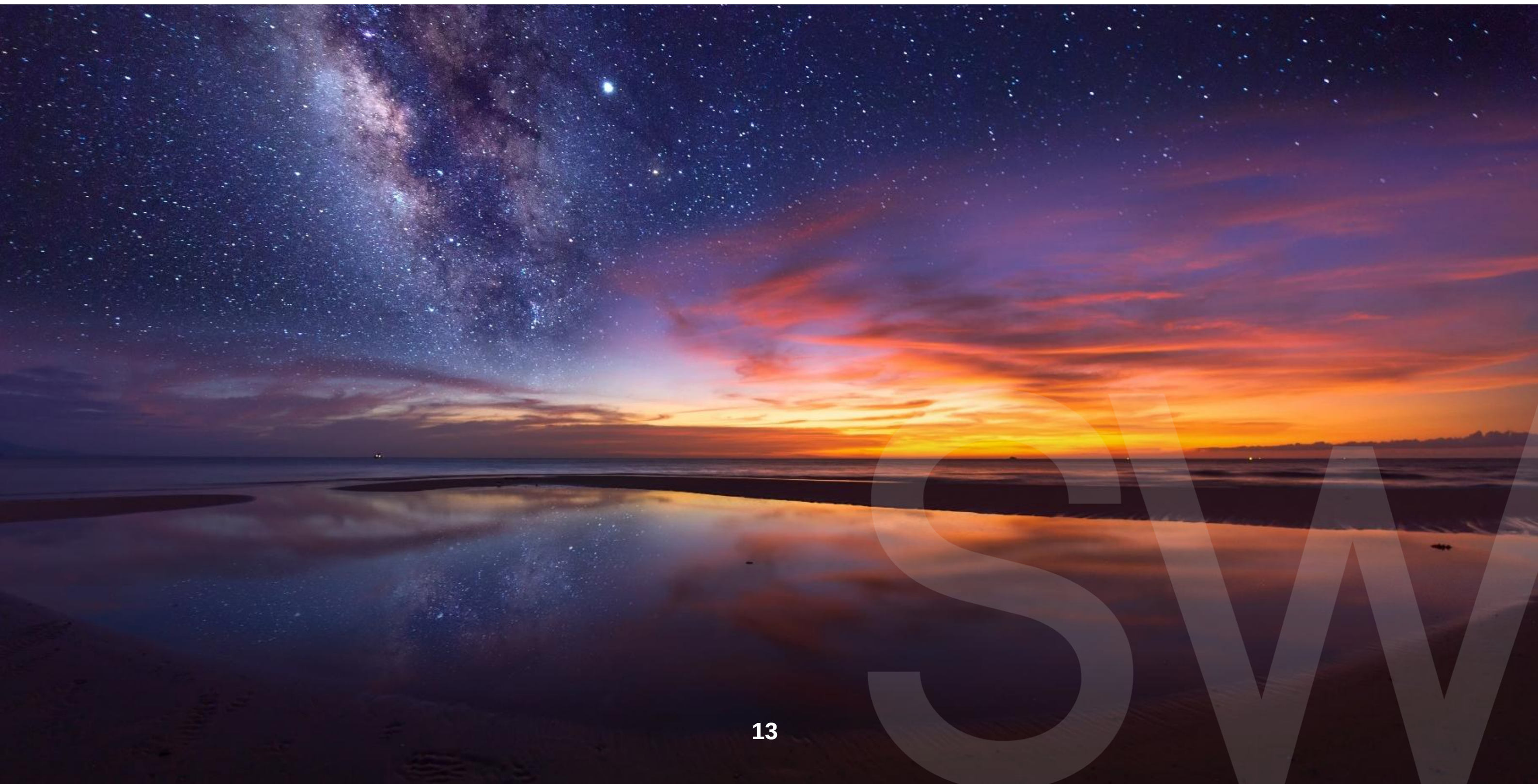
Compliance & penalties

SGEs are subject to significant failure to lodge penalties and are required to lodge three-tiered documentation to the ATO on an annual and confidential basis:

- Tier 1 - a Master File, containing specific group level information in a highly narrative manner.
- Tier 2 - a Local File, focusing on detailed information with respect to the relevant Australian taxpayer's operations and IRPDs.
- Tier 3 - a Country-by-Country (CbC) Report, containing high-level data with respect to the global allocation of the group income and taxes and certain measures of economic activity (note: the global group parent may also be required to lodge a 'public' CbC report in Australia).

General Purpose Financial Statements (GPFS)

In addition, certain SGEs are required to lodge GPFS with the ATO by the lodgement date of their income tax return unless it has already been lodged with the ASIC.



Tax

Thin capitalisation

The thin capitalisation regime is intended to prevent profit shifting within multinational groups where Australian operations are financed through high debt levels thereby reducing their taxable income through high interest deductions.

Gearing ration & deductibility limits

The rules effectively limit the tax deductibility of interest paid when the gearing ratio exceeds a certain level.

The rules are complex and there are a number of different methods for calculating the maximum level of debt allowed. The thin capitalisation rules apply to entities and their associates whose total annual debt deductions exceed AUD 2 million but exclude entities whose Australian operations represent at least 90% of their total operations, among other exemptions.

Methods for calculating maximum debt levels

The regime categorises entities based on their investment activities and type. Different methods are used to calculate the maximum allowable debt depending on the entity type. General class investors, for instance, typically apply the fixed ratio test by default, which limits net debt deductions to 30% of their tax EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortisation). They may also choose to apply the group ratio test or the third-party debt test.

Recent amendments

Recent amendments have introduced debt deduction creation rules to address risks of excessive debt deductions arising from transactions with associated entities, further tightening the regime to enhance its effectiveness in preventing profit shifting.

Taxation of inancial arrangements (TOFA)

The TOFA regime establishes comprehensive rules for the taxation of gains and losses from certain financial arrangements.

Scope of TOFA rules

While it primarily targets large taxpayers, its scope is not limited to them and can apply to any entity involved in qualifying security, including individuals in some cases.

These rules aim to provide consistent tax treatment for financial instruments such as loans, bonds, derivatives, and certain equity interests.

Key Compliance Considerations

Taxpayers need to assess whether they are subject to the TOFA rules, determine if their arrangements qualify as financial arrangements, understand how gains and losses are taxed, and choose the appropriate method for recognising these amounts.

Foreign income tax offsets

Australia has a system of foreign tax credits for the purpose of preventing double taxation on income that is taxed in both Australian and a foreign country.

Eligibility for a foreign tax offset

A taxpayer will be entitled to a foreign income tax offset where they have paid foreign tax on income that is also taxed in Australia. The offset cannot result in the taxpayer receiving a tax refund and generally cannot be carried forward to future income years. It is important to note that if only a portion of the foreign income is taxable in Australia—such as when capital gains are discounted—only the corresponding proportion of the foreign tax paid can be claimed as an offset.

Employee share schemes (ESS)

Employees are generally subject to tax on shares or options received from their employer in relation to their employment in Australia when the amount that they paid their employer to acquire the shares or options is less than the market value of the shares.

The taxable amount of any discount on the shares issued will be included in the employee's assessable income and the employee will be taxed at their marginal tax rate.

Taxation for Australian and non-resident employees

For Australian residents, this tax treatment applies regardless of whether the employment was in Australia or overseas, although double tax agreements and temporary resident rules might influence the tax obligations. Non-resident taxpayers are only subject to Australian tax on ESS discounts to the extent that the discount relates to employment performed in Australia.

Concessional & deferral rules

Concessional rules apply to the issue of shares and options and in some circumstances, it is possible to defer the payment of tax.

Relationship Authorisation Manager (RAM)

In Australia, the RAM enables businesses to authorise local representatives or agents to act on their behalf when accessing government online services.

To use RAM, individuals need to set up a **myGovID** – a secure digital identity for verifying your identity online.

For non-residents, only a Basic myGovID is generally available, which comes with certain limitations. While it provides access to certain online services, users are restricted from managing authorisations, linking businesses, or lodging forms with financial implications on behalf of the business.

Tax

Goods & Services tax (GST)

Australia's GST system is a broad base consumption tax applying at a rate of 10%.

GST registration

An enterprise is required to register for GST where its taxable supplies exceed, or are likely to exceed, $75,000 per annum. An enterprise that is not likely to exceed these thresholds may voluntarily register.

Benefits of GST registration

Registration entitles enterprises to an input GST credits on business inputs. It also requires the enterprise to account for GST on all goods and services that it supplies within Australia unless the supply is GST free and remit the net amount due on a monthly, quarterly or annual basis.

Classification of GST activities

Activities are classified as subject to GST, input taxed or GST free. Most goods and services are subject to GST. Input taxed transactions are items such as financial supplies, residential rent and supplies of residential real estate, other than new residential properties. GST free supplies include:

- health supplies and services
- exports
- unprocessed food.

In order for a supply to be taxable in Australia it must be connected with Australia. The sale of goods in Australia by a foreign entity will generally be connected with Australia where the entity imports the goods or where goods are assembled in Australia. Where the customer imports the goods, the GST obligation will generally fall on the customer.

GST on imported goods

GST is payable on the importation of goods into Australia and is required to be paid before the goods will be released by Australian Customs. Importers that are registered for GST may be able to defer the payment of GST until the first BAS lodged after the goods are imported.

Non-resident businesses who import and sell low value goods and/or services to Australian consumers also need to register and charge GST if they meet the registration threshold of AUD$75,000 per annum.

Non-resident businesses can register for GST using Australia's standard GST system or can register electronically for simplified GST registration. While simplified GST registration is a quicker process and does not involve an identification process, GST credits cannot be claimed on any Australian purchases under this registration.

Fringe Benefits tax (FBT)

FBT is a federal tax levied on resident and non resident employers on benefits provided to employees or their associates in relation to their employment. Benefits are defined very broadly and include such things as the provision of a car, loans, meals, entertainment or the payment of expenses.

The FBT year runs from 1 April to 31 March and employers that are provide benefits are required to lodge an FBT return annually. The tax rate on fringe benefits is generally set at the highest marginal tax rate for individuals. Employers are able to claim a deduction for FBT that they have paid.

Payroll tax

Each Australian state and territory levies payroll tax on wages and other payments made to employees and certain contractors that exceed the payroll tax exemption threshold.

Payroll tax rates and thresholds

The threshold amount and tax rate vary between the different states and territories, with the threshold amount generally being between AUD575,000 and 2,000,000 and the tax rate between 4.75% and 6.85%.

Additional surcharges in Victoria & Queensland

Victoria has introduced a mental health and wellbeing payroll tax surcharge, which applies to entities with Australian wages of over $10 million per year.

- The surcharge is 0.5% of an entity's Victorian taxable wages over $10 million, plus an additional 0.5% of the entity's Victorian taxable wages over A$100 million.

Queensland has introduced a similar regime which is in force from 1 January 2023 and will be imposed at:

- 0.25% on Queensland wages more than $10 million, plus an additional 0.5% on Queensland wages over $100 million.
- It is important to note that the thresholds are reduced proportionately in both states by interstate wages.

Tax

Stamp duty

Stamp duty is levied by most states and territories on the acquisition of various assets, including land, shares and business assets. The rate of duty varies amongst the different states and territories and is generally between 0.6% and 7% depending on the type and value of the asset being acquired.

Duty on shares and business assets have been abolished in some states and most of the remaining states are in the process of doing so, although duty may apply to shares where the company owns significant interests in land.

Several states impose an additional duty (surcharge) on foreign individuals acquiring residential land or indirect interests in such land.

Exemptions

However, exemptions may apply to certain property developments that meet specific criteria, as well as to alternative asset classes like retirement villages, hotels, and student accommodations.

Concessions

Additionally, concessions are available upon application for residential developments that significantly contribute to the state's housing supply or economy, with some concessions also extending to Build to Rent projects.

Land tax

The states and the Australian Capital Territory (excluding the Northern Territory) impose land tax on the unimproved capital value of land, with rates reaching up to 2.75%. Taxpayers receive concessions for their primary residence, and the tax calculation excludes the value of any structures or improvements on the land.

Additional surcharges for foreign owners

New South Wales, Tasmania, and the Australian Capital Territory have introduced an additional surcharge of up to 4% annually for foreign residential property owners. In Victoria and Queensland, this surcharge applies to all taxable land.

Victoria

Additionally, Victoria enforces a 1% tax on vacant residential land.

Victoria has also implemented a windfall gains tax (WGT) on land rezoned with a taxable value increase from 1 July 2023.

- A rate of 62.5% applies to the portion of the increase above A$100,000 when the uplift is between A$100,000 and A$500,000
- For uplifts of A$500,000 or more, a 50% tax rate applies to the total increase.

Build-to-Rent (BTR) land tax concessions

Both Victoria and New South Wales provide a 50% reduction in general land tax for qualifying BTR projects and offer waivers on surcharge land taxes.

Federal vacancy fee for foreign owners

At the federal level, foreign owners of residential property in Australia must pay an annual vacancy fee if their property is not occupied or available for rent for at least six months within a 12-month period

Excise

Excise duty is a tax levied on certain types of goods produced or manufactured in Australia. The goods on which excise duty is imposed are called excisable goods. Excisable goods include alcohol, petroleum, tobacco and coal.

Customs duty

Customs duties are levied on the most goods imported into Australia. The rate of duty depends on the type of good imported, but is typically 5%. Customs duties may not apply if a free trade agreement has been signed between Australia and the country of origin.

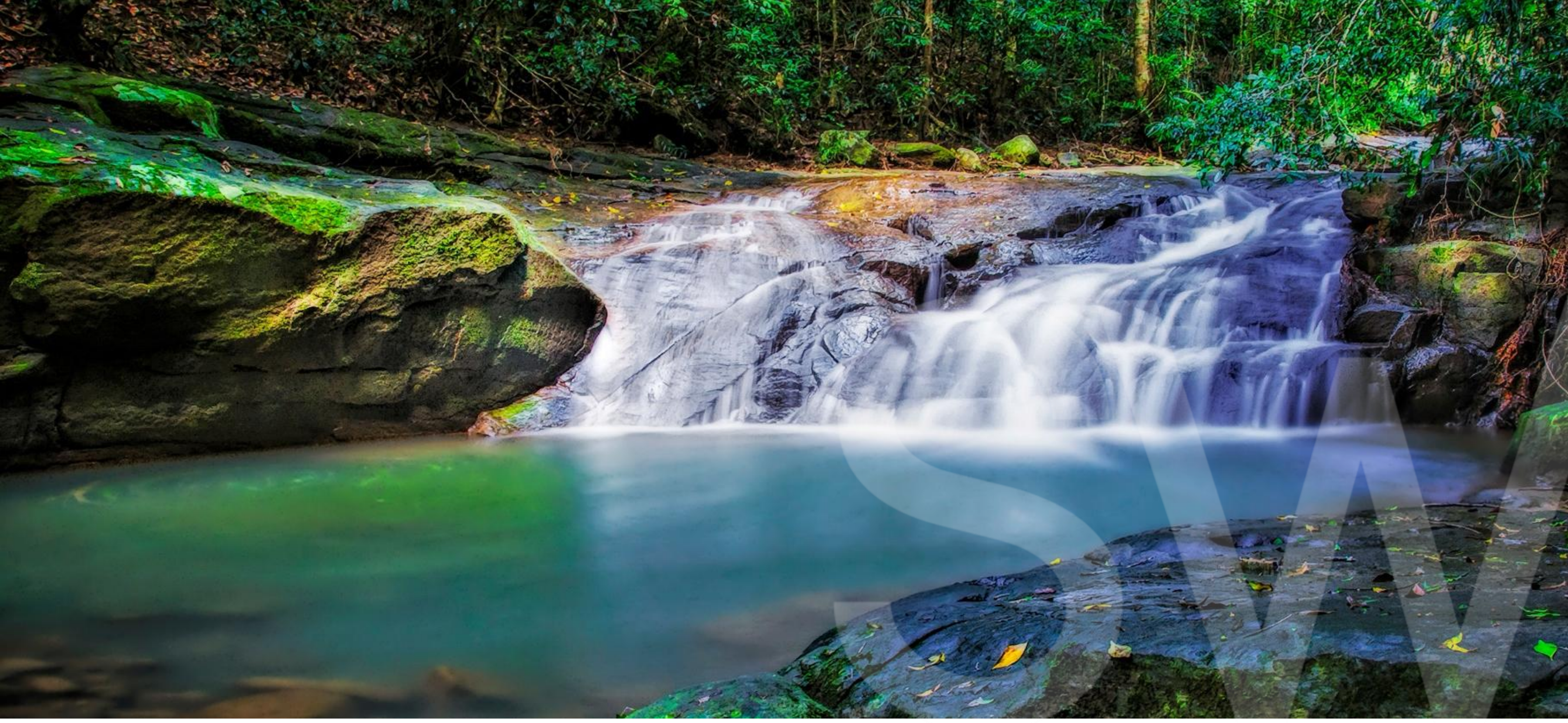
Gift duty

There is no gift duty in Australia however gift of assets may trigger stamp duty in certain circumstances.

Council rates

Rates are taxes charged by local councils on properties, usually billed quarterly.

The amount you pay depends on your property's value, with each council having its own rates, valuation methods, and payment schedules.



Government incentives

The Australian Government provides a number of incentives to encourage innovation in Australia. Some of these schemes are outlined below.

Early Stage Investment Company (ESIC)

In 2016, the Government introduced a number of tax measures that are designed to encourage investment in eligible start-up companies, including the following:

- A 20% non-refundable tax offset for investment in an ESIC
- A capital gains tax exemption for investment in an ESIC held for between 1 and 10 years.

There are a number of strict criteria which need to be satisfied to qualify as an ESIC including:

- Had expenditure of $1,000,000 or less in the prior income year
- Had assessable income of $200,000 or less in the prior income year
- Is not listed on any securities exchange and was incorporated in Australia in the last 3 years, unless certain other criteria are satisfied, and
- Demonstrates innovation by meeting either the 100-point innovation test or the principles-based innovation test.

Investors in ESICs also need to satisfy various conditions to qualify for these tax incentives.

Research & Development (R&D)

Eligible companies that undertake R&D activities may be eligible claim a tax offset for their R&D expenditure. Eligible companies include Australian resident companies and non-resident companies that are resident in a country that has signed a DTA with Australia and carries on business in Australia through a permanent establishment.

Entities engaged in R&D may be entitled to:

- a refundable tax offset equal to the entity's company tax rate plus an 18.5% premium for eligible entities with an aggregated turnover of less than $20 million per annum, provided they are not controlled by income tax-exempt entities
- a non-refundable tax offset for all other eligible entities equal to the entity's company tax rate plus a two-tiered premium determined on the notional R&D expenditure as a proportion of total expenditure for the income year. The rates are the company tax rate plus
  - 8.5% for R&D expenditure up to 2% of total expenditure
  - 16.5% for R&D expenditure above 2% of total expenditure.

Taxpayers are required to submit their R&D Application within 10 months following the end of the income year.

Employment

Australia has a strong history in providing safe working conditions and rights to its workers. Employers have various obligations to employees and other workers which stem from a variety of sources.

Awards

Awards cover an industry or occupation and provide additional enforceable minimum employment standards including but not limited to minimum wages, types of employment, flexible working arrangements, hours of work, rest breaks, leave, superannuation and procedures for consultation, representation, and dispute settlement. They may also contain terms about industry specific redundancy entitlements.

Leave

Full time employees in Australia work approximately 38 hours per week and are entitled to 20 days annual leave per year. This is pro-rated for permanent part time employees, while casual employees are not entitled to annual leave. Unused annual leave is carried forward until it is either used or paid out on termination.

Full time and permanent part time employees are also entitled to 10 days sick leave per year and 2 days compassionate leave per occasion.

After 10 years full time service with one employer, an employee will generally be entitled to long service leave. The entitlement varies slightly from state to state, but in New South Wales an employee is entitled to 2 months long service leave after 10 years, and one month for each 5 years thereafter. However, in Victoria, this is calculated pro rata at the 7 year mark.

Superannuation

Under the Superannuation Guarantee Scheme, an employer is required to make superannuation contributions, currently 11.5% of gross wages, for most employees.

The contributions must be paid to the employee's chosen superannuation fund on at least a quarterly basis.

Workers compensation insurance

Workers compensation insurance provides protection for employees in the event of work related injuries. It is compulsory in all states. Premiums are calculated by applying a rate commensurate with the level of risk of the work to the employer's total wages, superannuation and fringe benefits expenses for the year.

Immigration requirements

It is important to check potential employee's work rights to ensure that only people entitled to work in Australia are legally employed. All immigration to Australia is controlled by the federal government through the Department of Home Affairs (DHA). There are numerous migrant work visas that have different selection criteria to qualify.

Financial reporting & audit

The following entities are generally required to prepare audited annual financial reports:

- Public companies (listed and unlisted)
- Large proprietary companies
- Small foreign controlled proprietary companies
- Australian Financial Services License holders

Financial reports can take the form of either Tier 1 General Purpose Tier 2 General Purpose Financial Statements – Simplified Disclosures. Tier 1 General Purpose Financial Statements must be prepared for reporting entities with public accountability requiring the application of all accounting standards.

Non-disclosing entities without public accountability preparing Tier 2 General Purpose Financial Statements – Simplified Disclosures are required to apply the recognition and measurement requirements of all accounting standards, but have a simplified disclosure requirement based on AASB 1060.

Australia's accounting standards are based on International Financial Reporting Standards.

Registered foreign company

A foreign company is required to lodge financial reports with ASIC at least once every calendar year as well as at intervals of not more than 15 months.

Public Company

An audit is required unless the company is a wholly owned subsidiary which has a specific class order. This class order requires cross guarantees from an Australian parent to be in place.

Large proprietary company

A proprietary company is classified as 'large' if two of the following conditions are satisfied:

- The consolidated gross operating revenue for the financial year of the company and the entities it controls is greater than $50 million
- The value of the consolidated gross assets at the end of the financial year of the company and the entities it controls is greater than $25 million
- The company and the entities it controls have more than 100 employees at the end of the financial year.

Generally large proprietary company require an audit unless an exception applies. In addition exceptions to lodge financial reports with ASIC maybe available even though an audit may still be required.

Small proprietary company controlled by a foreign corporation

If the parent company lodges consolidated financial reports with ASIC the subsidiary is not required to prepare a financial report.

If the parent company does not lodge financial reports with ASIC then a large variety of criteria need to be assessed to determine if either financial reports and/or an audit is required.

Small proprietary company controlled by shareholders other than a foreign corporation

An audited financial report is required if the company received a request to lodge an audited financial report from more than 5% of shareholders or ASIC.

About SW

SW is an Australian owned advisory and accounting firm with an 85+ year history that understands relationships make all the difference in delivering great outcomes.

12,000
people globally

19 + 120
combined jurisdictions with Praxity Alliance

95+
offices globally

400+
people nationally

90
years Australian owned

$685.9m
worldwide revenue 2022 (USD)

Purpose | Build lasting relationships with our clients and people to achieve shared success

Values | We are a values led firm with these values embedded into our everyday behaviour and language and are unique to our people. They also reflect the manner in which we work with you.

We have 400+ people across four locations, and are ranked 22nd largest firm by revenue in the 2024 AFR Top 100 Accounting Firms. Of all national practices in Australia, we rank 9th.

As a member firm of SW International, one of the world's leading member organisations of independently owned and managed accounting and advisory firms, we also have access to professionals across the globe to support our clients in their global aspirations.

Services

Advisory Services

Financial

- Acquisition and investments
- Capital raising
- Due diligence
- Financial modelling
- Grants and incentives
- IARs and IERs
- IPOs
- Merger integration
- Private wealth advisory
- Transaction advisory services
- Valuations

Strategic, operational and compliance

- Business and strategic planning
- Business planning tax advice
- Cloud accounting
- Compliance services
- Corporate advisory services
- Corporate governance
- Data analytics
- Information technology risk and security
- Outsourced accounting solutions
- Risk management

Assurance

- Compliance audits and reviews
- Expert accounting and audit opinions
- External audit
- Internal audit
- Review of financial reports
- Systems and controls reviews
- Technical IFRS, accounting advice and training

Tax

- Corporate tax risk management
- Employment taxes (FBT, superannuation and payroll)
- Expatriate taxes and global mobility
- Fuel tax credits
- GST and indirect taxes
- International tax
- Remuneration and benefits (share schemes)
- Research and development tax incentive
- Tax structuring
- Transfer pricing

Awards

beaton Client Choice Awards

Finalist Best Accounting Firm 2018 – 2024

Finalist Most Innovative Firm 2020 – 2022, 2024

Finalist Best CX Firm 2022 – 2024

GradConnection & AFR Top 100 Graduate Employers

Listed in the top 100 in 2018 – 2025

Top Graduate Employers

Ranked in the top 35 in 2017, 2019, 2020, 2021 & 2023, 2025 (AAGE)

Top Intern Program

Ranked in the top 10 for 2017 – 2022, 2024, 2025 (AAGE)

Our International Network

We deliver global solutions as a member of the SW International Network and Praxity Network Alliance.

SW has real relationships and connectivity across our international network to provide integrated global services for our clients. With international headquarters in Hong Kong, SW International member firms provide assurance, business advisory, corporate finance and tax consulting services. Also a member of the Praxity Network Alliance, our combined global footprint and connections span over 120 jurisdictions across the USA, Europe, Asia Pacific and Middle East.

Australia | Chile | Mainland China | Egypt | Germany | Hong Kong | India | Indonesia | Japan | Macau | Malaysia | Pakistan | Saudi Arabia | Singapore | Spain | Taiwan | Thailand | Turkey | United Kingdom

SW

A global network of independent accounting and consulting firms.

13th in revenue in the Asia-Pacific Region in 2022

600+ Partners around the world

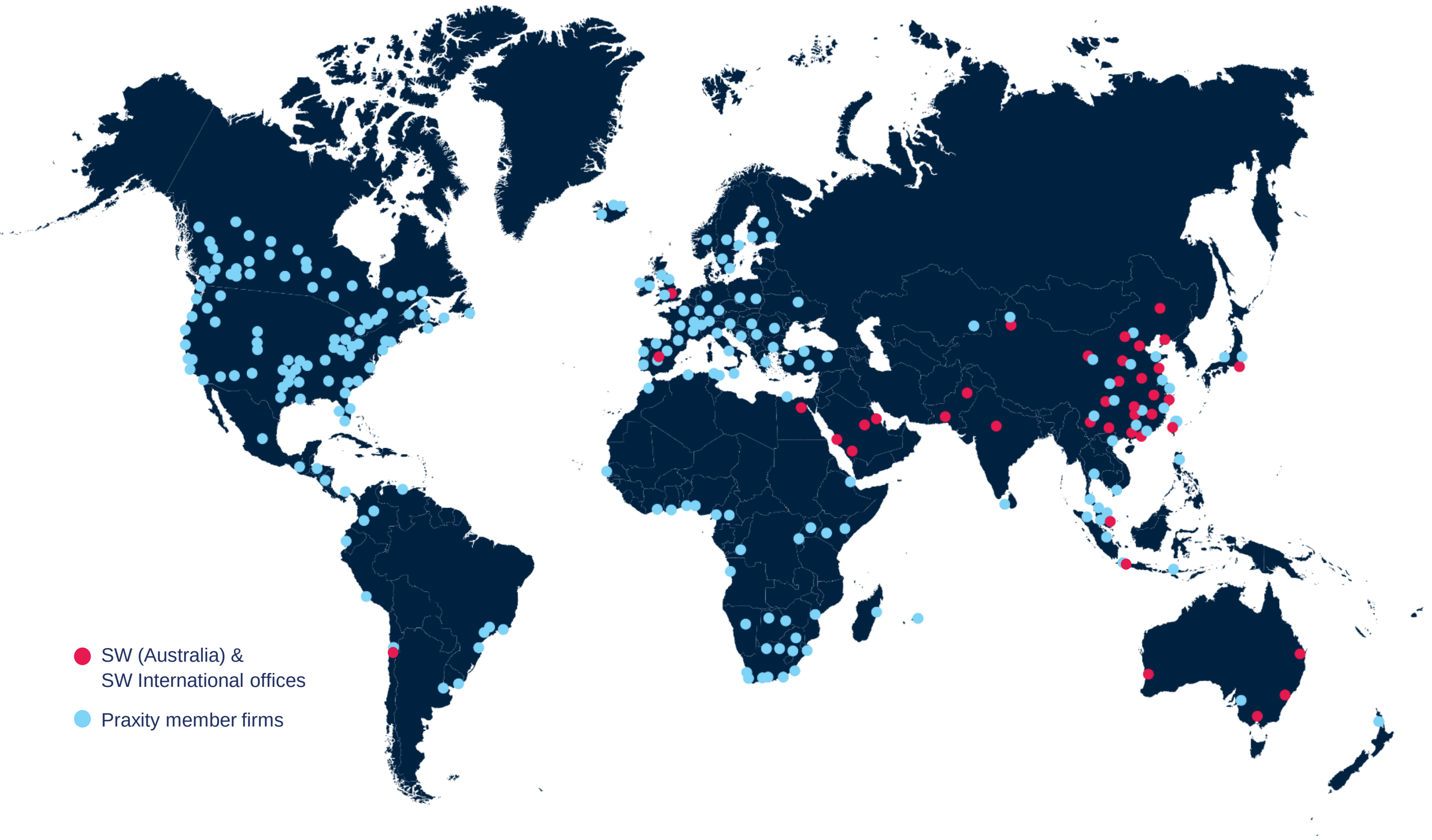
18th in terms of total headcount

21st in terms of fee income

according to the World Survey of International Accounting Bulletin (IAB) published in 2020, and in 2018 was recognised as the **fastest growing network globally**.

SW's premium advantage lies in its ability to provide foreign companies safe passage and premium market intelligence when establishing a business presence with or within China/Asia or Asia Pacific.

SW China is the largest indigenous and integrated firm in Mainland China, with 24 offices and 10,000 people.



PRAXITY™ Empowering Business Globally

55+
Firms worldwide with combined revenue of US$8.77bn

817+
Global member offices

70,000+
Partners and staff globally

Take the lead
Australia's best kept
accounting secret
SW
Accountants & Advisors
Yuggera Nation
Brisbane
Level 15
240 Queen Street
Brisbane QLD 4000
T +61 7 3085 0888
Kulin Nation
Melbourne
Level 10
530 Collins Street
Melbourne VIC 3000
T +61 3 8635 1800
Whadjuk Nation
Perth
Level 18
197 St Georges Terrace
Perth WA 6000
T + 61 8 6184 5980
Eora Nation
Sydney
Level 7, Aurora Place
88 Phillip Street
Sydney NSW 2000
T +61 2 8059 6800
sw-au.com
SW acknowledges and pays respect to the past, present and future Traditional Custodians and Elders of this nation and the continuation of cultural, spiritual and educational practices of Aboriginal and Torres Strait Islander peoples.
24250301