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DOING BUSINESS IN AUSTRALIA

Australia Business Services Overview	3
About Australia	3
Overview	3
The Economy	4
The Government	8
Laws, Regulations and Standards	9
Facts and Figures	9
The People	10
Business Practice and Etiquette	11
Setting up a Business in Australia	14
Our Services	14
Australian Companies	15
Company Requirements	16
Trusts	18
Taxation	18
Corporate Tax	19
Personal Tax	19
Other Taxes	21
Who to Contact	22





AUSTRALIAN BUSINESS SERVICES OVERVIEW

CRA (Australia) Holdings Pty Ltd provides complete professional services and solutions for foreign companies and entrepreneurs wishing to establish a presence in «the Lucky Country», a country that continues to enjoy strong economic growth (average annual real GDP growth of 3.3% since 1990) and has exceeded those of most OECD countries including the USA, Canada, the UK, Germany and Japan (www.dfat.gov.au).

Many foreign multinational companies are deciding that Australia presents the best business case for regional headquarters from which to target the dynamic Asia Pacific Region.

For further information about establishing and carrying on business in Australia, please contact Bart Dekker (Regional Managing Director - Asia Pacific). Please see last page for contact details.

ABOUT AUSTRALIA

Overview

The Commonwealth of Australia is a federation of six States (New South Wales, Victoria, Queensland, South Australia, Western Australia and Tasmania), two internal Territories (Northern Territory and the Australian Capital Territory) and a number of minor external Territories).

A written Constitution divides power between the central Federation Parliament, located in Canberra in the Australian Capital Territory, and eight State and Territory Parliaments. The Constitution gives the Federal Parliament legislative power over various areas relevant to foreign investment including corporations, taxation, international and interstate trade and commerce, communications, banking, insurance, bankruptcy and insolvency, intellectual property, immigration and industrial disputes. Each State has legislative power to make any laws it desires, except in relation to a few matters reserved to the Federal Parliament. Federal law prevails over State or Territory law to the extent of any inconsistency.

There are two sources of law in Australia, statute law and common law. Statute law is the body of legislation enacted by the various levels of Government, and includes subordinate legislation such as regulations, rules and by-laws. Common law is the body of decisions of the various Federal and State and Territory courts.

Each state has its own court system, consisting of a Supreme Court and a number of minor courts. The Federal Government has its own court system consisting of the High Court, the Federal Court and the Family Court. The High Court hears appeals (if leave is granted) from the Federal Court and



the State Supreme Courts. In addition, there are numerous panels and tribunals administering particular areas of law, such as industrial relations, equal opportunity and the Takeovers Panel.

The population of Australia is 21.5 million occupying a continent similar in size to that of the United States.

Australia is a prosperous, western style economy with a GDP per capita income similar to those of the UK, France and Germany. The Australian economy is dominated by its services sector which accounts for 70% of GDP. The agriculture and mining sectors, which account for 10% of the GDP, represent approximately 60% of the country's exports.

The legitimate goal of the Government is for Australia to become a competitive producer and exporter, and to this end the Government has implemented a program of economic reforms focusing particularly on the labour market, Union involvement, deregulation of industries and the privatisation of monopolies.

The influence of China and the Tiger economies has automatically helped export lead growth and the short to medium term outlook is for stable expansion, coupled with continuing economic reform.

The Economy

Australia is an industrial nation with a mixed economy, growing broadly along the lines of other OECD countries.

Traditionally, the nation's wealth came from agriculture with wool, meat and sugar topping the list. While an increasingly diversified agricultural sector continues to be important, manufacturing, minerals and services have all grown in value.

In fact the services sector is the fastest growing in Australia's economy. Finance, property, tourism and business services are attracting big investment both domestic and overseas.

Australia is rich in minerals and exports significant quantities of coal and aluminium, iron ore, copper, lead, zinc, gold, diamonds, nickel and minerals sands. Plentiful energy resources, coal, oil, natural gas and uranium- contribute to export earnings and allow low energy prices. In turn, this has encouraged the competitive development of energy-intensive industries, aluminium, iron and steel.

With the introduction of technology on a wide scale, Australia is now among the world leaders in areas of scientific application, such as fibre optics, micro-electronics, medical equipment and telecommunications.



Australia manufactures and exports a wide range of goods, including pharmaceuticals, information and communications technology, paper products, steel, chemical and plastics, machinery, motor vehicles, and processed food.

The robust construction industry is also a significant contributor to Australia's economic activity.

Australia is one of the largest economies in the Asia Pacific region after Japan, China and Korea. The European Union, as a single entity, is Australia's largest trading partner, followed by Japan and the USA.

Australia's time zones span the close of business in the USA and the opening of business in Europe.

Australia has an affluent domestic market. Home, vehicle and personal computer ownership is amongst the world's highest.

Prime office space in Australia is the lowest-priced in the developed region and amongst the most competitively priced in the world according to the Global Office Occupancy Costs Survey 2009. Australia's telecommunications costs are also amongst the lowest in the region.

Australia is a leading financial centre in the Asia Pacific region. Its stock exchange is the second largest in the region after Japan and its financial futures exchange is the region's largest. Its alliance with markets throughout the region is increasingly providing business people with a comprehensive range of financial services in the Asia Pacific region (cf. DFAT, Australia: The new centre of global finance and www.asx.com.au).

The official currency of Australia is the Australian dollar (AUD or AUST\$). It is a relatively free-floating currency.

Australia has exchange control regulations although since financial deregulation in the 1980s the regulations have had a restricted application and now have little impact upon most transactions. There are generally no restrictions on the transfer of funds into Australia but reporting requirements may apply to certain transactions under the Financial Transactions Reports Act (Austrac) in relation to cash movements.

The Reserve Bank of Australia is Australia's central bank, responsible for monetary and banking policy. It also supervises the Australian banking system in accord with international guidelines.

The banking sector in Australia comprises major Australian and International banks. Australian banks are well capitalised.



In addition, there are well over 100 merchant banks operating in Australia, and a substantial number of other financial institutions, such as credit unions, finance companies and building societies, providing a wide range of financial services.

The Commonwealth Development Bank and Primary Industry Bank of Australia support small business and the rural sector with development finance, while the Australian Industry Development Corporation offers finance to industry and participates in major development projects.

Finance may be raised in Australian capital markets by a wide variety of means and a number of innovative financing techniques have been used in recent years. International capital raisings are also common.

As a protection to the investing public, there are restrictions on public capital raisings, other than by banks and other financial institutions which are subject to similar regulations (such as building societies and credit unions). One such restriction is that an approved prospectus may be required to be issued before funds can be raised.

The six principal stock exchanges in Australia are in Sydney, Melbourne, Brisbane, Perth, Adelaide and Hobart. These exchanges have amalgamated and now operate as a unified national stock exchange, known as the Australian Stock Exchange Limited ("ASX"). The ASX is an active stock exchange, on which a number of international companies have obtained listing in recent years. A spread of Australian shareholders is a precondition to the listing of an international company.

Listed companies are required to comply with applicable securities and takeover laws and with the ASX Listing Rules.

Takeovers are regulated under the Corporations Act, 2001. The Act applies to all companies and not only to listed companies, although there are a number of exemptions available.

The Companies Act is overseen and administered by the Australian Securities & Investments Commission ("ASIC").

The Australian Government welcomes and encourages foreign investment consistent with community interests. Australia's screening process for foreign investment is transparent and very liberal. The Australian Government has the power to block proposals that are required to be notified and which are determined to be contrary to the national interest.

The Foreign Investment Review Board (FIRB) is a non-statutory body that examines proposals by foreign interests to undertake direct investment in Australia and makes recommendations to the



Australian Government on whether those proposals are suitable for approval under the Australian Government's policy and in compliance with the Foreign Acquisitions and Takeovers Amendment Act (FATA) 2010.

FIRB can also provide information on Australia's foreign investment policy guidelines and provide guidance, where necessary, to foreign investors so that their proposals may be in conformity with the Australian Government's policy.

The types of investment proposals which require FIRB approval and therefore should be notified to the Australia Government are:

- acquisition of substantial interests in existing Australian business with total assets over \$50 million or where the proposal values the business at over \$50 million;
- proposals to establish new businesses involving a total investment of \$10 million or more;
- portfolio investments in the media of 5% or more and all non-portfolio investments irrespective of size;
- takeovers of offshore companies whose Australian subsidiaries or assets exceed \$50 million; ("Summary of Australia's Foreign Investment Policy" dated June 2010 at <http://www.firb.gov.au>);
- direct investments by foreign governments or their agencies irrespective of size;
- acquisition of interests in urban land (including interests that arise via leases, financing and profit sharing arrangements and the acquisition of interests in urban land corporations and trusts) that involve the;
- developed non-residential commercial real estate, where the property is subject to heritage listing, valued at \$5 million or more;
- developed non-residential commercial real estate, where the property is not subject to heritage listing, valued at \$50 million or more;
- accommodation facilities irrespective of value;
- vacant urban real estate irrespective of value;
- residential real estate irrespective of value; or
- proposals where any doubt exists as to whether they are notifiable. (funding arrangements that include debt instruments having quasi-equity characteristics will be treated as direct foreign investment).



The Government

Australia is a politically stable, prosperous and peaceful country. It has a federal system of government, under which the States retain considerable power and autonomy. There is a Federal Government and each of the six States and two Territories of Australia has a separate government. There is also an independent system of local government which operates at a municipal level.

Australia is a democracy and has a written constitution. Federal Parliament is comprised of two houses, the House of Representatives (the lower house) and the Senate (the upper house). The House of Representatives is responsible for introducing legislation, the Senate being more a house of review.

The parliamentary system is based on the British Westminster model. The Federal Parliament sits in the national capital, Canberra. Australia has full adult suffrage (18 years of age and over) and voting is compulsory for all three tiers of government.

The federal government is head by the Prime Minister, who must be a member of the lower house. Other ministers can be members of either house. The federal government looks after the national economy, foreign policy and defense, social services, immigration and the postal service. It also collects most of the taxation.

State and territory governments are run on similar lines to the federal one, but the leader of the government is known as the Premier. Queensland does not have an upper house. State governments are mainly responsible for education, health, transport and natural resources. Since they raise most of their revenue from the business community they compete strongly to attract new industry.

The third tier is local government. This controls such functions as urban and country roads, rubbish disposal and building codes.

Australia is a monarchy. The United Kingdom's king or queen is also Australia's, and is represented by a Governor General and state Governors. They are nominated by the respective governments and the nominations are ratified by the monarch. The power these governors exert is mainly ceremonial. There was a much spirited debate about the country becoming a republic, a referendum in late 1999 on this issue voted to keep the current system.

The Australian legal system is independent of politics. The traditional links with Britain have been shed, too. The Commonwealth and the states each have their own judiciaries and police forces.



Laws, Regulations and Standards

Australia has a written Constitution. The legal system in Australia is a mixture of common law and statute similar to the legal systems in the United Kingdom, other Commonwealth countries and some European countries. The common law tradition, which applies in Australia, values and expects judicial independence. Decisions of the courts conform with due process and are made in the context of prevailing law. Contractual arrangements are therefore protected by the rule of law and the independence of the judiciary. Both domestic and foreign companies and persons have the same standing before the law.

The Australian government recognises the need for a regulatory framework to keep pace with financial market developments. The Government has just now completed a major reform of Australia's corporate law, aimed at streamlining regulation while maintaining market integrity and investor protection.

Facts and Figures

Official Name	The Commonwealth of Australia
Capital Cities	
National Capital	Canberra
New South Wales	Sydney
Victoria	Melbourne
Queensland	Brisbane
South Australia	Adelaide
Tasmania	Hobart
Western Australia	Perth
Northern Territory	Darwin
Population at July 2010	21,515,754
Official Language	English
Currency	Australian Dollar (AUD or Aust\$)
Exchange Rate	- US\$0.73
GDP	- US\$824.3 Billion
GDP per head	- US\$38,800
GDP growth	- 1% (2009 est.)
Inflation Rate	- 1.8%



Top Export Markets (2009)	
China	21.81%
Japan	19.19%
South Korea	7.88%
India	7.51%
US	4.95%
UK	4.37%
NZ	4.1%
Top Import Sources (2009)	
China	17.94%
US	11.26%
Japan	8.36%
Thailand	5.81%
Singapore	5.54%
Germany	5.3%
Religions – 2001 Census	
Catholic	25.8%
Anglican	18.7%
Uniting Church	5.7%
Presbyterian and Reformed	3%
Eastern Orthodox	2.7%
other Christian	7.9%
Buddhist	2.1%
Muslim	1.7%
other	2.4%
unspecified	11.3%
none	18.7%
Area Size	7.69 million km ²

The People

Australia's total population is just over 21 million with an average of 1.171% growth per annum. The majority of this population is situated in the eastern States of New South Wales, Victoria and Queensland.

Australia originally occupied by indigenous people for over 40,000 years, was later settled by the British in the 18th Century. Australia today is an increasingly diverse multicultural nation comprising people from more than 170 races, with one of the world's best lifestyles.



Australia's education system produces world-class graduates in all disciplines (Each year, three times more engineers, six times more scientists and nearly ten times more economics and business management students graduate from Australian universities than from Singapore's and Hong Kong's combined).

Around 42 per cent of Australia's working age population has a university degree, diploma or trade qualification.

Computer ownership is high and technology is embraced at levels amongst the highest in the world.

Australia is a harmonious community which has benefited from an active program of immigration over the last 50 years. One in every 20 inhabitants is Asian-born and Chinese is set to overtake Italian as the most commonly spoken language in Australia, other than English.

There is a strong and enduring tradition of democracy in Australia where rule of law and regulatory frameworks prevail.

Business Practice and Etiquette

- The average working week is from 9.00am to 5.30pm however most executives work longer hours.
- Australian business protocol and tradition demands punctuality when attending meetings. It is important to offer sufficient notice when arranging meetings.
- For initial greetings, last names preceded by "Mr", "Mrs", or "Ms" should be used. "Sir" is another term of respect. Australians tend to quickly move on to a first-name basis, but you should wait for them to initiate this transition.
- Among even relatively new acquaintances, first names are used both in personal greetings and business correspondence. Again, wait for an Australian to initiate the move to a first-name basis.
- When using titles, follow the lead of others. In Australia, professional or academic titles do not necessarily command respect. It's up to the individual to win the favour and esteem of others.
- Professional titles are not prominent in Australian business culture, and are sometimes dismissed as pretentious. Consequently, do not go around "advertising" your title. Announcing your title when meeting an Australian may be perceived as a form of boasting.
- "Mate" is another popular term of reference. It refers to anyone of one's own sex, but when used with the pronoun "my" (e.g. "my mates") it refers to one's friends. Women also refer to other women as "mate".



- Australians generally prefer direct eye contact. People who avoid eye contact may not be perceived as trustworthy.
- It is appropriate to present a business card at an introduction.
- Before meeting proceeds, there is usually some preliminary “small talk”. Establishing rapport is important in Australian business culture.
- Speak plainly and expect what you say to be taken literally. In turn, interpret what Australians say to you in the same direct manner.
- Often Australians will be initially trusting of people they consider their equals.
- Australians are usually distrustful of authority and of people who think that they are somehow “better” than others. Remain modest at all times. In conversation, refrain from drawing attention to your education, professional experience, business success, and related achievements.
- Cynicism is an important part of the national character. A great deal of cynicism is directed at people who seem too wealthy or powerful. In this culture, there is greater respect for the “underdog.”
- Australians generally dislike negotiating and aggressive sales techniques. Since they value directness, presentations of any kind should be straightforward, with an emphasis on both the positive and negative outcomes.
- An overly enthusiastic or earnest presentation that appears to be filled with exaggerated claims will only cause the speaker to become an object of ridicule.
- Keep your presentation simple and “to-the-point,” since digressions or excessive details will not be well-received by an Australian audience.
- Modesty, casualness, and an air of nonchalance are characteristic attitudes in Australian business culture.
- Australians tend to be receptive to new ideas. Generally, they are analytical, conceptual thinkers.
- Established rules or laws usually take precedence over one’s feelings. During negotiations, company policy is followed at all times.
- Empirical evidence and other facts are considered the most valid forms of proof.
- Feelings of any kind are usually regarded with suspicion, particularly for decision-making purposes.
- In presentations and conversation, Australians are often receptive to sporting analogies.



- Australian businesspeople may emphasize profit over market share.
- Refrain from discussing your personal life during business negotiations.
- Generally, Australians do not like or trust people who appear to give excessive praise. This behaviour sometimes raises the suspicion that they are being set up to be embarrassed or misled in some way. Moreover, Australians dislike being pressured and will only resent the stress that accompanies high expectations.
- The work environment in Australian business culture tends to be collaborative. Before a decision is made, top management will consult subordinates and their input will be given careful consideration. Consequently, decision-making will be slow and protracted. It will be in your best interests not to try to rush this process.
- Deadlines and producing results are the main sources of anxiety in this culture.
- Decisions of any kind must be in accordance with company policy.
- Australians do not find it difficult to answer “no.”
- Informing against one’s “mates” is regarded with disgust in this culture.
- If you are teased, take it good-naturedly. You may tease back in an affable, rather than mean-spirited manner.
- Australian women are still struggling for increased salary and positions of authority. In the workplace, men may not always treat women as equals.
- Work is sometimes perceived by Australians as a “necessary evil.”
- Generally, gift-giving is not part of Australian business culture. But, if you are invited to a home for dinner, it’s permissible to bring a token gift of flowers, chocolates, a craft from your home region or wine.



SETTING UP A BUSINESS IN AUSTRALIA

Our Services

A person can conduct business in Australia as a sole trader, in partnership, through a Trust or a joint venture, or as a corporation.

Most foreign companies conduct their business in Australia through a wholly or partly owned subsidiary company incorporated in Australia or through an Australian branch, i.e. the foreign company is registered in Australia as such.

We provide the following business support services:

- Incorporation of Companies (Public Companies, Proprietary (Private) Companies and specialist incorporations).
- Provision of Registered Office and Principal Place of Business Facilities.
- Provision of Professional (“nominee”) Resident Director(s) and Shareholder(s).
- Provision of Resident Company Secretary and ongoing corporate secretarial and compliance services.
- Assistance in the day to day management of client companies.
- Assistance in opening and operating bank accounts.
- Local staff supervision, payroll and other business expenses paid.
- Introduction to reputable professionals and service providers such as lawyers, accountants, auditors, banks and other financial institutions, insurers and brokers, stock brokers, real estate agents, schools and colleges, trade mark and immigration attorneys.
- Liaising with accountants in the preparation of annual financial statements audit and taxation returns.

Australian Companies

Companies in Australia are incorporated (registered) under the Corporations Act, 2001. The Act is overseen and administered by the Australian Securities & Investments Commission (“ASIC”).

An Australian company is usually incorporated as either a Public Company or as a Proprietary Company. (There are also specialist companies within these two categories such as companies limited by guarantee for clubs, associations and charities, no liability companies for mining companies and legal, accounting and medical practice companies).



OCRA (Australia) Holdings Pty Ltd is able to provide all such companies.

Proprietary Companies

These are the most common type of business structure used by small business in Australia.

Their features are:

- They must have the word "Proprietary" or more commonly "Pty" in their name (e.g. ABC Pty Limited).
- They are used for private ventures and family companies or as subsidiaries of public companies.
- Their shareholders are limited to a maximum of 50 non-employee members. The minimum is one.
- The transferability of its shares are limited.
- They must have at least one adult director. If only one director is appointed that person must be an Australian resident. All other directors may be non-resident. Only a living person can be a director, corporations cannot.
- They cannot engage in fundraising activities that would require the lodgement with the ASIC of a prospectus or other disclosure document.
- They may be classified as a small or large proprietary company depending on certain criteria.

Public Companies

- They are used for larger public ventures.
- They have a requirement for a minimum of 1 member but the maximum is unlimited.
- The transferability of its shares must be unlimited.
- They must have at least 3 directors, at least 2 of whom must be residents of Australia.
- Subject to applicable laws, they may issue a prospectus for the offer of securities.
- They can list on the ASX.

Australian Branch

An overseas company may register itself in Australia to operate as a branch, in lieu of incorporating a wholly owned Australian subsidiary. To do so various application forms need to be lodged with ASIC and annexed to them must be certified copies of the company's current certificate of incorporation and other prescribed documents.

The company must also formally establish a registered office in Australia and appoint a local resident agent.



The company must file with the ASIC each year its annual accounts and comply with other reporting requirements, such as changes in its directors and registered office in the company of incorporation.

Company Requirements

Company and Business Names

A formal register of company and business names is maintained by ASIC. The only restraints on the adoption of a name are that it must be unique and based on the legal principles codified in the Trade Practices Act in the area of “misleading and deceptive conduct”, “misrepresentation” and “passing off”. Companies incorporated in Australia will be issued with a unique nine-digit Australian Company Number (ACN). The branches of foreign companies are identified by its (ARBN).

All companies registered under the Corporations Act are entitled to an Australian Business Number (ABN) which a company will need to register for the Goods and Services Tax (GST).

If a company wishes to trade using another name (i.e., other than its registered company name) then the trading name must be registered as a business name. Business name registration is obtained under each State or Territory legislation, and must be registered in each State and Territory in which the company intends doing business under the business name.

Constitution of a Company

The activities of a company are carried out by the persons responsible for the management and control of the activities of the company. Such powers are normally divided between the directors on the one hand and the shareholders on the other hand. The way in which the power is shared between these two groups is determined by the terms of the company’s constituent documents, namely its Constitution. The Constitution sets out the company’s name, the terms of the liability of its members and the regulations under which the company is to be internally regulated. Under the Companies Act a company is not required to have a Constitution and may rely on the so called “Replaceable Rules” as set out in the Act. OCRA (Australia) Holdings Pty Ltd however recommends that all companies adopt a Constitution and supplies such a document for the companies it incorporates.

Directors and Secretary

The Directors of a company have the responsibility for the day to day management of its affairs. A public company must have at least three Directors and a proprietary company, at least one Director.

In the case of a public company at least two of the Directors must be Australian residents and a proprietary company must have at least one Australian resident Director. In order to qualify as a resident it is not necessary for the person to be an Australian citizen.



Under the Corporations Act, a proprietary company is not required to have a secretary. If the company chooses to have one or more secretaries, at least 1 secretary must be an Australian resident. OCRA (Australia) Holdings Pty Ltd recommends and automatically appoints a company secretary when incorporating client companies.

A public company must have at least 1 secretary, and at least 1 secretary must be an Australian resident.

Every company carrying on business or deriving property income in Australia must also appoint a Public Officer who is a resident of Australia. The Public Officer is responsible for the doing of all things which are required of a company under Australian income tax legislation.

Registered Office and Principal Place of Business

A company must have a registered office and principal place of business in Australia. They can be the same address or they may be different. The registered office is the official address for service of process etc, the principal place of business is the address where the business is physically carried out.

Auditors

All public companies must appoint an Auditor within one month of the date of incorporation. All public companies and large proprietary companies are required to prepare an annual financial report which must be audited. Small proprietary companies which are foreign controlled are also required to prepare an annual financial report which must be audited. ASIC will, in certain cases, grant relief from this requirement to large proprietary companies in which a foreign company has an interest or to small proprietary companies controlled by foreign companies.

Books, Accounts, Registers and Filing Requirements

The Corporations Act requires companies to maintain various records and registers of their accounting and administrative transactions. It is usually the secretary (if one is appointed) who carries out such tasks.

The Corporations Act also requires certain documents to be filed at ASIC from time to time so that an up-to-date record of the company's affairs is available for inspection by the public. A public company must prepare and lodge with ASIC annual financial reports. Every company must lodge an Annual Return in which a director or secretary of the company confirms relevant details of the company for the public register including names and addresses of all directors, address of principal place of business and details of shareholders and their shareholdings.



Trusts

Many businesses in Australia are structured in the form of a trading Trust, particularly family businesses.

The Trust, usually a Discretionary Trust (but can be a Unit Trust which is particularly favoured for property development “syndicates”) has as its Trustee, a corporation which is controlled by for example, the parents.

OCRA (Australia) Holdings Pty Ltd is able to provide such structures.

TAXATION

This section is a summary providing a brief outline of Australian taxes. It should not be considered as being formal tax advice and each person’s or corporations specific situation should be referred to a qualified taxation practitioner such as a lawyer or an accountant holding a current Australian practicing certificate.

An Australian company (which is a deemed resident) or an Australian resident individual, is liable to pay Australian tax on all of its worldwide assessable income less allowable deductions. Foreign tax credits are allowable where provided for.

Income Tax Returns are lodged for each year ending 30 June. Unless they are prepared by a Registered Tax Agent, they must be lodged by 31 October in each year. If an Australian company is a subsidiary of an overseas company, a substituted accounting period may be granted, upon application, by the Australian Taxation Office (“ATO”) to unify its year end with that of its overseas parent company.

Corporate Income Tax

Income Tax

The general corporate tax rate is 30%

Capital Gains Tax

Capital assets held by an Australian resident company will generally be liable for tax on any capital gain on their disposal at the corporate tax rate, i.e. 30%

Dividends Paid by an Australian Company

If fully franked dividends (i.e. dividends derived from profits on which Australian corporate tax has



been paid) are paid by an Australian subsidiary to its foreign parent, no dividend withholding tax is payable. To the extent that dividends are unfranked, dividend withholding tax of 30% (or as reduced under the relevant double tax treaty) is payable on the gross unfranked amount.

Debt Funding of an Australian Company

Interest withholding tax of 10% is imposed on interest paid by an Australian company to a foreign non-resident lender entity. If, however, the beneficial owner of the interest has a permanent establishment in Australia and the interest is effectively connected with the permanent establishment, such interest is taxable by assessment in Australia.

Royalties Payable to a Foreign Company

If an Australian company pays royalties to a foreign resident, the royalties will be subject to royalty withholding tax at the rate of 30% (or as reduced under the relevant double tax treaty) and may give rise to transfer pricing issues.

Transfer Pricing

Australian transfer pricing rules are quite stringent and are a major issue with the Australian Taxation Office.

In most cases related party cross-border transactions are required to be disclosed to the Tax Authorities on filing of a tax return. Australia adopts the arm's length concept as promulgated by the OECD.

Personal Tax

Residents of Australia are subject to Australian income tax on their worldwide income and capital gains.

Personal Income Tax Rates

Resident Individuals

Taxable income	Tax on this income
Up to \$6,000	Nil
\$6,001 – \$37,000	15c for each \$1 over \$6,000
\$37,001 – \$80,000	\$4,650 plus 30c for each \$1 over \$37,000
\$80,001 – \$180,000	\$17,550 plus 37c for each \$1 over \$80,000
\$180,001 and over	\$54,550 plus 45c for each \$1 over \$180,000



Non-resident Individuals

Taxable income	Tax on this income
Up to \$37,000	29c for each \$1
\$37,001 to \$80,000	\$10,730 plus 30c for each 1\$ over \$37,000
\$80,001 to \$180,000	\$23,630 plus \$37c for each \$1 over \$80,000
\$180,001 and over	\$60,630+ 45c for each 1\$ over \$180,000

- Medicare is Australia's universal health insurance scheme. Contributions to the health care system are made through taxes and a Medicare Levy. The levy is 1.5% of taxable income or 2.5% if private hospital insurance is not maintained by higher income earners. An exemption from the Medicare levy is available to expatriates, low income earners, and some other taxpayers meeting certain requirements.
- Residents may be subject to an accruals taxation system in respect of investments in certain foreign trusts, controlled offshore companies and interests in certain foreign investment funds and foreign life assurance policies. Generally, expatriates are exempt from this regime for the first four years of their time in Australia.
- There is a requirement for each employer to make a compulsory contribution into an Australian approved retirement fund on behalf of each employee (excluding certain senior expatriate executives). The amount is currently 9% of salary.

Fringe Benefits Tax

This tax applies to most non-cash benefits provided by an employer to an employee or an associate of an employee, previous employee or future employee.

The main areas generally affected by this tax are motor vehicles provided to employees, low or no interest loans, payment or reimbursement of private expenses.

Fringe benefits are not taxable in the employee's hands. Instead, a separate tax collection procedure applies to fringe benefits, known as Fringe Benefits Tax (FBT), which is levied on the employer at the highest marginal tax rate.

Net Capital Gains

Capital gains that have been derived on the disposal by sale, or otherwise, of assets acquired after 19 September 1985 are generally included in assessable income. Effective 21 September 1999, where the asset is held for more than 12 months (from the later of the date of entry to Australia or date of acquisition) only 50% of the net capital gain is assessable. There are no special rules that apply to valuation of assets for capital gains tax where an individual becomes a tax resident for the first time. The aim is to generally not tax any capital appreciation arising before becoming an Australian tax resident. Also, the disposal of a principal residence is generally not subject to capital gains tax.



Other Taxes

Goods & Service Tax ("GST")

A broad based goods and services tax (GST) has applied in Australia since 1 July 2000. The GST is based on the value added tax (VAT) model adopted in most countries around the world. Its effect is a tax of 10% on the consumption of most goods, services and property in Australia, including those that are imported, but generally it will not apply to exports of goods or services consumed outside Australia.

Land Tax

Land Tax is levied by each State Government and the Australian Capital Territory on the unimproved capital value of the land at varying rates that increase according to the value of the property. Usually the land tax liability arises for land owned at a particular date, which in New South Wales, is at midnight on 31 December in each year.

Payroll Tax

Payroll Tax is levied on employers. This is a State tax, and the rates vary between the States, as do the rules regarding exactly what income is liable to Payroll Tax. The current New South Wales rate of payroll tax is 5.45%. This applies whether or not an individual is paid from a foreign or from a local payroll.

There are exemptions for small payrolls. Currently in New South Wales the exemption level is \$678,000.

Inheritance Tax

There are effectively no inheritance taxes.



WHO TO CONTACT

The OCRA Worldwide Group has a presence spanning every continent in the world with offices in 20 locations. We are open 24/7 around the world, speak many languages and are in tune with the world's many cultures, but above all else 'our business' is about people and we have people to serve you!

If you have read this document and found something that relates to your circumstances, then be assured that we are dedicated to the delivery of business solutions designed to reduce costs and maximise profits.

The consulting office for doing business in this country follows below. Should you prefer to deal with another of our offices, please visit our website at www.ocra.com for a full listing of office contact details.



BART DEKKER

Our regional head office in Asia is headed by Bart Dekker who is responsible for our activities in SE Asia, China and Australia. Bart studied International Law at the University of Amsterdam and gained experience in international business and corporate structuring with a major international banking group. He specialises in the utilisation of corporations for foreign direct investment in Asia and specifically China. He joined OCRA Worldwide in 1995 and is now Joint Group Managing Director.

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