

Guide to do business in

AUSTRALIA

**Chandrawat
& Partners**





ABOUT AUSTRALIA

Officially known as the Commonwealth of Australia, the country comprises the mainland of the Australian continent, the island of Tasmania, and numerous smaller islands. The country is called 'the Oldest Continent', 'the Last of Lands', and 'the Last Frontier'. Australia is the world's sixth-largest country. Its economy has experienced continuous growth and features low unemployment, controlled inflation, low public debt, and a strong and stable financial system. Moreover, the Australian service sectors are the most significant part of its economy, accounting for about 70% of GDP and 75% of jobs.

ADVANTAGES

Australia is known for its wide open spaces, sun-kissed beaches, and a higher-than-average standard of living. Following are the top seven perks that Australia offers to businesses:

An affluent market

As per OECD Better Life Index, Australia ranked fifth for average disposable income per household. This means that, in comparison to many other parts of the world, the people of Australia spend more money,

A well-regulated corporate and financial market

Australian Government's major reform of the Corporations Act, while maintaining market integrity and investor protections, attracts foreign investors, and reduces instances of fraud and any kind of corruption, thus helping businesses operate relatively smoothly.

Access to Asian markets and time zones

Australian companies' other perk is their proximity to Asian markets. Location within this time zone has led Australian entities to operate across Asian countries such as; Singapore, Hong Kong, China, Malaysia, Thailand, and the Philippines. They also benefit from accessing labor in these jurisdictions, which makes outsourcing very common.

A culturally diverse consumer market

Having an extremely diversified culture, Australia is a country of immigrants and a diverse consumer market, which provides huge opportunities for businesses.

Well-educated workforce

Australia offers one of the best educational systems in the world. In fact, as per World Economic Forum's Competitiveness Index, they rank within the top 10 out of 126 countries for higher education and training.

SIMPLE TAX REGIME

Corporate tax

Australian resident companies are liable to Australian income tax on their worldwide income, whereas, non-resident companies are liable to income tax on Australian-sourced income only. However, where a company is a resident in a country with which Australia has concluded a double taxation agreement, Australia's right to tax business profits is generally limited to profits attributable to a permanent establishment (PE) in Australia.

All companies are subject to a federal tax rate of 30% on their taxable income, except for 'small or medium business' companies, which are subject to a reduced tax rate of 25% for the 2021/22 income year.

However, the reduced tax rate applies only to those companies which fall below the aggregated turnover threshold of AUD 50 million those companies which fall below the aggregated turnover threshold of AUD 50 million below the aggregated turnover threshold of AUD 50 million. those companies which fall below the aggregated turnover threshold of AUD 50 million. those companies which fall below the aggregated turnover threshold of AUD 50 million.ion.

Local income taxes

There are no state or municipal taxes on income in Australia.

Individual taxes

In Australia, a resident individual is liable to personal income tax on a worldwide basis, whereas, a non-resident individual is liable to income tax only on income other than interest, royalties, and dividends, which are generally liable to withholding tax, which is derived from sources in Australia, and certain statutory income that is taxable on a basis other than the source derived from sources in Australia, and certain statutory income that is taxable on a basis other than the source.

Tax rates

The following tax rate applies in Australia for the 2021/22 financial years:

- Income from AUD 0 to 18,200 is liable to tax at a rate of 0%;
- Income from AUD 18,200 to 45,000 is liable to tax at a rate of 19%;
- Income from AUD 45,000 to 120,000 is liable to tax at a rate of 32.5%;
- Income from AUD 120,000 to 180,000 is liable to tax at a rate of 37%; and
- Income over AUD 180,000 is liable to tax at a rate of 45%.

In Australia, the most common type of company is a proprietary company, which is signified by 'Pty' at the end of the company name. Moreover, the companies are classified based on liability, size, and where they are listed.

Proprietary companies

1. Proprietary companies limited by shares - In a company limited by shares, the liability of its members is limited to the nominal amount of their shares. This type of company has 'Pty Ltd' at the end of its name.

2. Unlimited proprietary companies with a share capital - In an unlimited proprietary company with a share capital, the liability of its members is not limited. This type of company just uses 'Pty' at the end of its name.

Public companies

1. Public companies limited by shares - In this type of company, the liability of its members is limited to the nominal amount of their shares.

2. Public companies limited by guarantee - In this type of company, the members can guarantee a fixed amount to be undertaken for contributing to the company when it is wound up. However, the companies have no share capital.

3. Unlimited public companies with a share capital - Like its private counterpart, an unlimited public company with a share capital is a company where its members' liability is not limited.

4. No liability companies (mining and resource companies) - In Australia, a no liability company has share capital, however, this type can only be used where the principal activity of the company is mining or resource exploration.

Sole trader

These types of entities are a quite simple business format that fits individuals who wish to trade legally on their own. A businessman is fully liable for all of their business' actions, employees, losses, and debts.

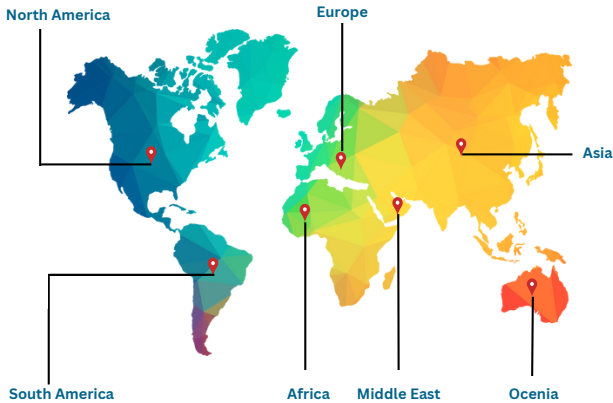
Partnership

This form of a business entity fits businesses that unite a small group of people, not more than 20, who work together and distribute the common revenues between themselves. However, a partnership agreement must specify how exactly a revenue or a loss must be distributed.

Trust

A trust is a business formation whose profit is given to the beneficiaries. The trust implies a trustee (either an individual or a company) who manages the trust's assets, does business, and distributes profits in the favour of beneficiaries according to the written document called the trust deed.

SERVING CLIENTS WORLDWIDE



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