

CLARK JACOBS



Doing Business in Australia

Introduction

The Australian economy has proven to be one of the strongest in the world over recent years and offers many advantages to businesses looking to establish a base in the Asia Pacific Region.

Three decades of economic reform have shaped the Australian economy into one of the strongest and most durable economies in the world today. This strength has allowed Australia, possessed with a natural endowment of tremendous mineral wealth, to withstand the major shocks which have reduced the economic standing of other Western Nations. Major droughts, floods, fires, housing booms, the Asian Financial Crisis, the Global Financial Crisis and the continuing fallout from the European Sovereign Debt Crisis have all been withstood by an economy which is only now starting to show signs of slowing.

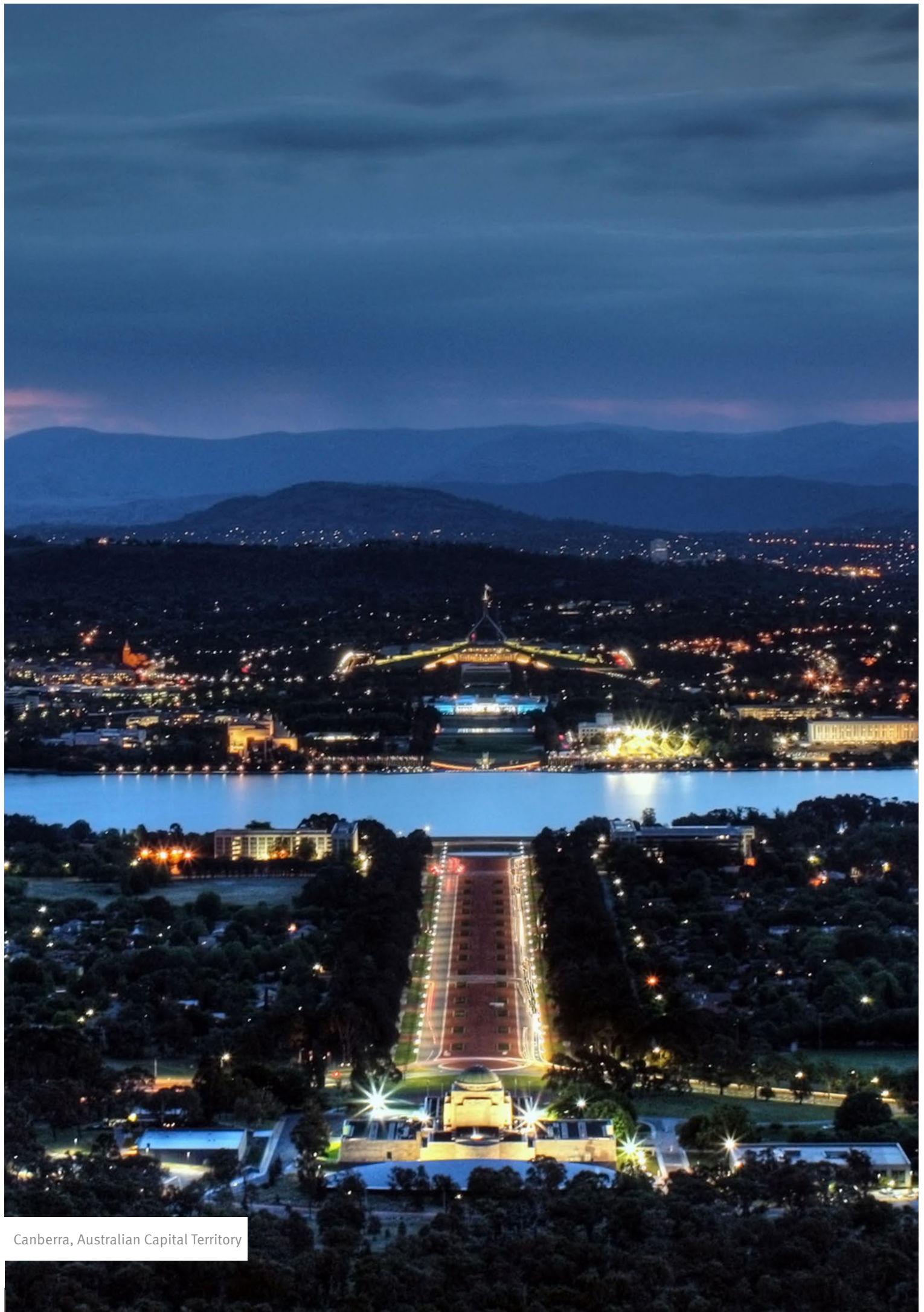
This economic 'miracle' has occurred due to continuing and expanding trade with China and other Asian Nations, a robust and capital intensive Mining Industry, a relatively affluent and concentrated consumer market, stable political and regulatory environment and highly educated workforce.



Uluru, Northern Territory

Contents

1. Introduction to Australia	5
2. Foreign Investment	9
3. Structure of Entities	14
4. Taxation Overview	18
5. Employment Overview	22
6. About ECOVIS Clark Jacobs	24



Canberra, Australian Capital Territory



Australia is the world's sixth largest country



1. Introduction to Australia

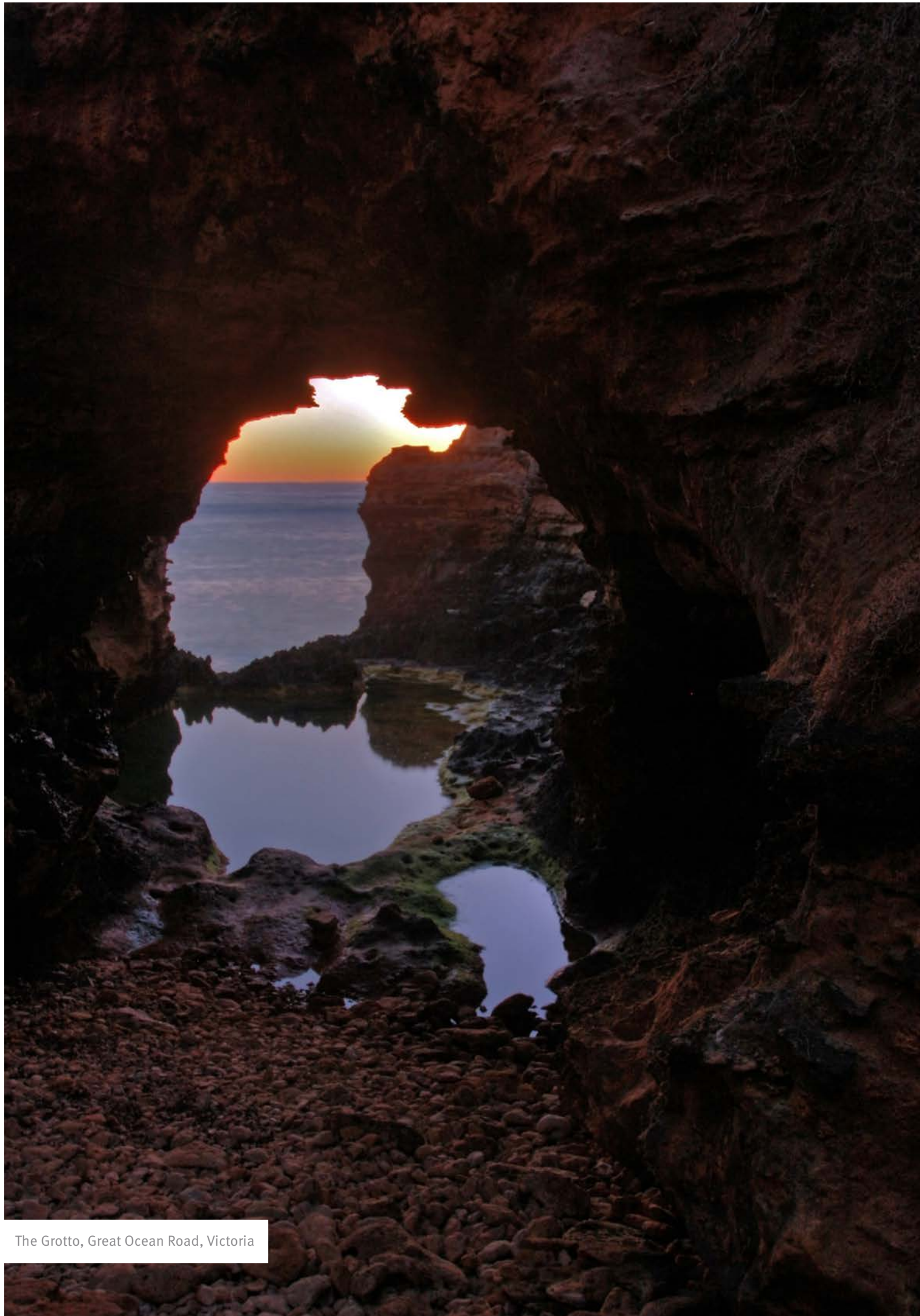
Population	Approximately 24,511,800 million ¹
GDP	US\$1,359 billion ¹
GDP Per Capita	US\$55,215 ¹
Currency	i) Australian dollars (approximately US\$1 = AUD1.3) ii) There is no foreign exchange control in Australia.
Land Area	Australia is the world's sixth largest country, comprising an area of approximately 7.7 million square kilometres. The continent covers a distance of approximately 3,700 kilometres from its most northerly point to its most southerly point and is almost 4,000 kilometres wide from east to west.



¹Australia Bureau of Statistics June 2017

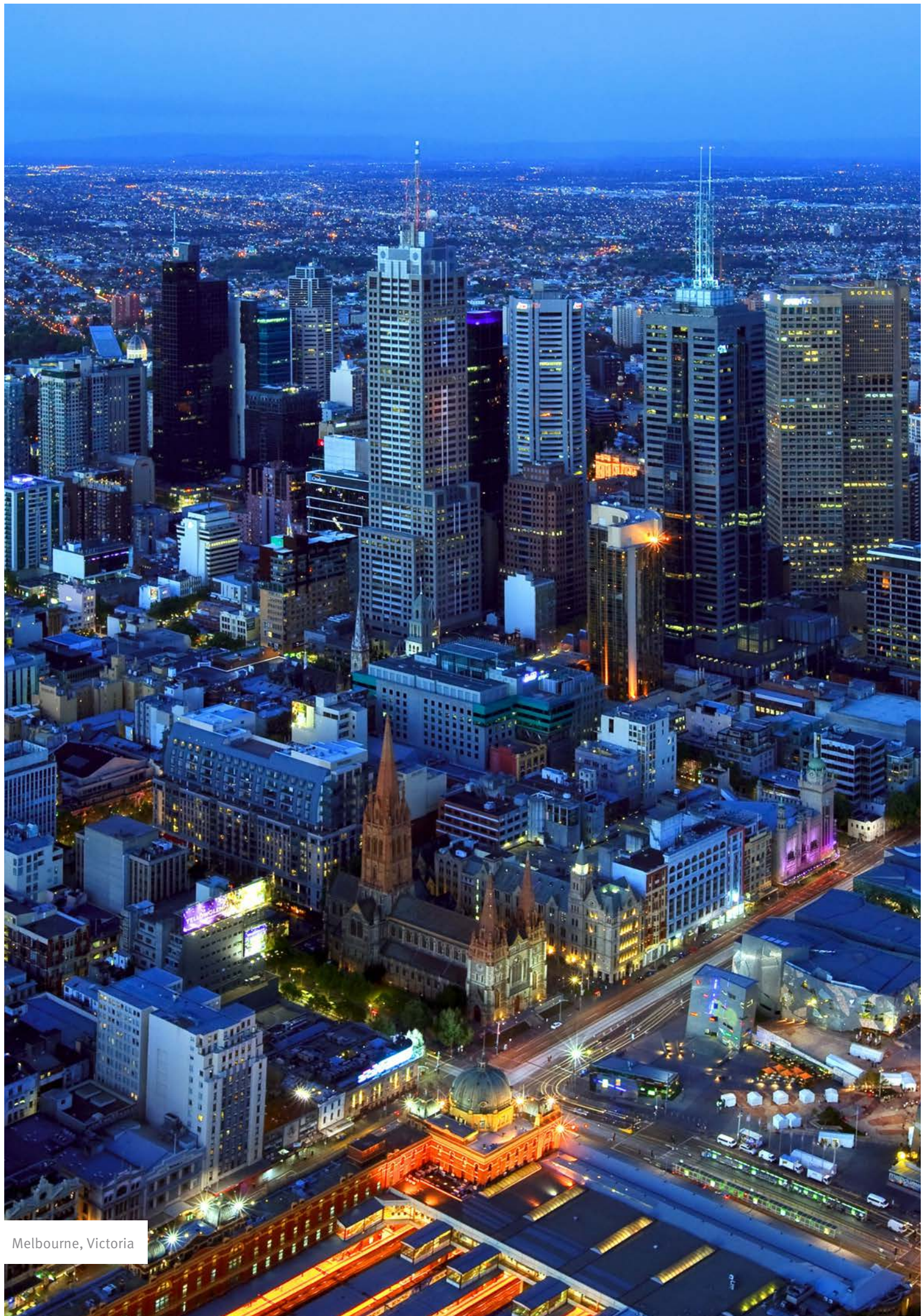
²Based on the 2017 fact sheet issued by the Australian Department of Foreign Affairs and Trade.

³ibid



The Grotto, Great Ocean Road, Victoria

Government	<p>Australia has a federal system of government with powers distributed between the Federal Government, State and Local Governments. There are six states in Australia;</p> <ul style="list-style-type: none"> • New South Wales (Colony Established 1788, Capital – Sydney) • Tasmania (Colony Established 1825, Capital – Hobart) • Western Australia. (Colony Established 1829, Capital – Perth) • South Australia (Self Governing Colony in 1836, Capital – Adelaide) • Victoria (Colony Established 1851, Capital – Melbourne) • Queensland (Self Governing Colony in 1859, Capital – Brisbane) <p>In addition, there are two territories</p> <ul style="list-style-type: none"> • The Australian Capital Territory • The Northern Territory. <p>The Commonwealth, States and Territories are governed by elected Parliaments with elections occurring on regular cycles which differ from State to State.</p>
Legal System	<p>The Australian Legal system 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 as the penultimate court in their systems.</p>
Major Industries	<p>Manufacturing, wholesale and retail trade, finance and insurance, construction, health and community services, transport and storage, mining, education, distribution and agriculture.</p>
Major Exports	<p>Iron ore, coal, grain, sheep, beef and dairy produce, metal ore, oil and gas products, motor vehicles and parts, chemical products and industrial equipment.</p>
Natural environment	<p>Australia is known for the huge diversity of life forms including native marsupials (such as the kangaroos and koalas), native fauna and flora (such as the eucalyptus tree, the bottle brush) and Australia's world renown marine and national parks including the Great Barrier Reef, the Daintree rainforest and Ayers Rock (or its Aboriginal name 'Uluru'). From the Pinnacles and Bungle Bungle range of Western Australia to the Kakadu National Park in the Northern Territory, the variety and diversity of our landscapes, flora and fauna is remarkable.</p>
Way of life	<p>Australia's diverse culture and lifestyle reflects its liberal immigration policy and democratic traditions and the influences of the millions of migrants who have settled in Australia. Most are relatively informal both socially and in their relationships with work colleagues.</p> <p>The standard working hours in Australia are generally 38 hours per week. Australia's public holidays follow a similar pattern to other Western Nations but with some uniquely Australian Days.</p>



Melbourne, Victoria



policy is generally to encourage foreign investment



2. Foreign Investment

2.1 The Foreign Investment Review Board

Australia's foreign investment policy is generally to encourage foreign investment that is consistent with community interests. However, the Government is empowered under the Foreign Acquisition and Takeovers Act 1975 to block proposals that are not in line with the national interest. In this regard, the Foreign Investment Review Board (FIRB) is the Federal Government agency that is responsible for making recommendations to the Government on foreign investment proposals.

Certain foreign investments are subject to review, requiring registration with or approval from the FIRB⁵. The following acquisitions must be notified, irrespective of the value or the nationality of the investor.

- all vacant non-residential land;
- all residential real estate (some exemptions apply);
- all shares or units in Australian urban land corporations or trust estates (some exemptions apply)
- all investments of 5 per cent or more in the media sector; and
- all direct investments by foreign government investors, and proposals by them to establish new businesses in Australia or acquire interests in land (if an Authorised Deposit-taking Institution, see footnote 2 of Australia's Foreign Investment Policy).

All other acquisitions (including shares or assets of an Australian business) should be notified if the target is valued at or above the applicable monetary threshold set by the Australia's Foreign Investment Policy or the Foreign Acquisitions and Takeovers Act 1975 .

Monetary screening thresholds are met when either the amount paid for an interest or the value of an entity or asset exceeds the threshold amount, depending on the type of action. The exception is for agricultural land, where the test is cumulative (except in relation to certain free trade agreement (FTA) partners' investors, as set out below).

Monetary screening thresholds are indexed annually on 1 January using the GDP implicit price deflator (except for the \$15 million agricultural land threshold and the \$50 million land threshold for investors from Thailand, which are not indexed).

Non-land proposals

Investor	Action	Threshold – more than:
From FTA partner countries that have the higher threshold ^(a)	Acquisitions in non-sensitive businesses	\$1,134 million
	Acquisitions in sensitive businesses ₁	\$261 million
	Media sector ₂	\$0
	Agribusinesses	For Chile, New Zealand and United States, \$1,134 million. For China, Japan, Korea and Singapore, \$57 million (based on the value of the consideration for the acquisition and the total value of other interests held by the foreign person [with associates] in the entity)
Other investors	Business acquisitions (all sectors)	\$261 million
	Media sector	\$0
	Agribusinesses	\$57 million (based on the value of the consideration for the acquisition and the total value of other interests held by the foreign person [with associates] in the entity)
Foreign government investors	All direct interests in an Australian entity or Australian business	\$0
	Starting a new Australian business	\$0

Land proposals

Investor	Action	Threshold – more than:
All investors	Residential land	\$0
Privately owned investors from FTA partner countries that have the higher threshold ^(a)	Agricultural land	For Chile, New Zealand and United States, \$1,134 million
		For China, Japan, Korea and Singapore, \$15 million (cumulative)
	Vacant commercial land	\$0
	Developed commercial land	\$1,134 million
	Mining and production tenements	For Chile, New Zealand and United States, \$1,134 million
		Others, \$0
Privately owned investors from non-FTA countries and FTA countries that do not have the higher threshold	Agricultural land	For Thailand, where land is used wholly and exclusively for a primary production business \$50 million (otherwise the land is not agricultural land)
		Others \$15 million (cumulative)
	Vacant commercial land	\$0
	Developed commercial land	\$261 million
		Low threshold land (sensitive land) ³ , \$57 million
	Mining and production tenements	\$0
Foreign government investors	Any interest in land	\$0

(a) Agreement country investors are Chilean, Chinese, Japanese, New Zealand, Singaporean, South Korean and United States investors, except foreign government investors.

¹ Sensitive businesses include media; telecommunications; transport; defence and military related industries and activities; encryption and securities technologies and communications systems; and the extraction of uranium or plutonium; or the operation of nuclear facilities.

² For investment in the media sector, a holding of at least five per cent requires notification and prior approval regardless of the value of investment.

³ Low threshold land includes mines and public infrastructure (for example, an airport or port).

SOURCE: <http://firb.gov.au/exemption-thresholds/monetary-thresholds/>

2.2 Government Incentives

The Federal Government offers a number of incentives and grants to promote foreign investment in Australia. These incentives come in many forms and it's important to obtain advice on your specific product or service and whether it is eligible.

Austrade is Australia's Government body empowered with assisting businesses to establish in Australia and to encourage foreign investment in Australia.

Austrade's mission is to increase national prosperity by assisting Australians to succeed in export and international business, as well as promoting and supporting productive foreign investment in Australia.

In relation to international buyers and investors, Austrade:

- helps international companies source goods and services from Australia
- provides information on Australia's investment environment
- identifies potential investment projects and strategic alliance partners
- supports pre-feasibility studies and assisting with the investment approval process.

Research & Development (R&D) Expenditure

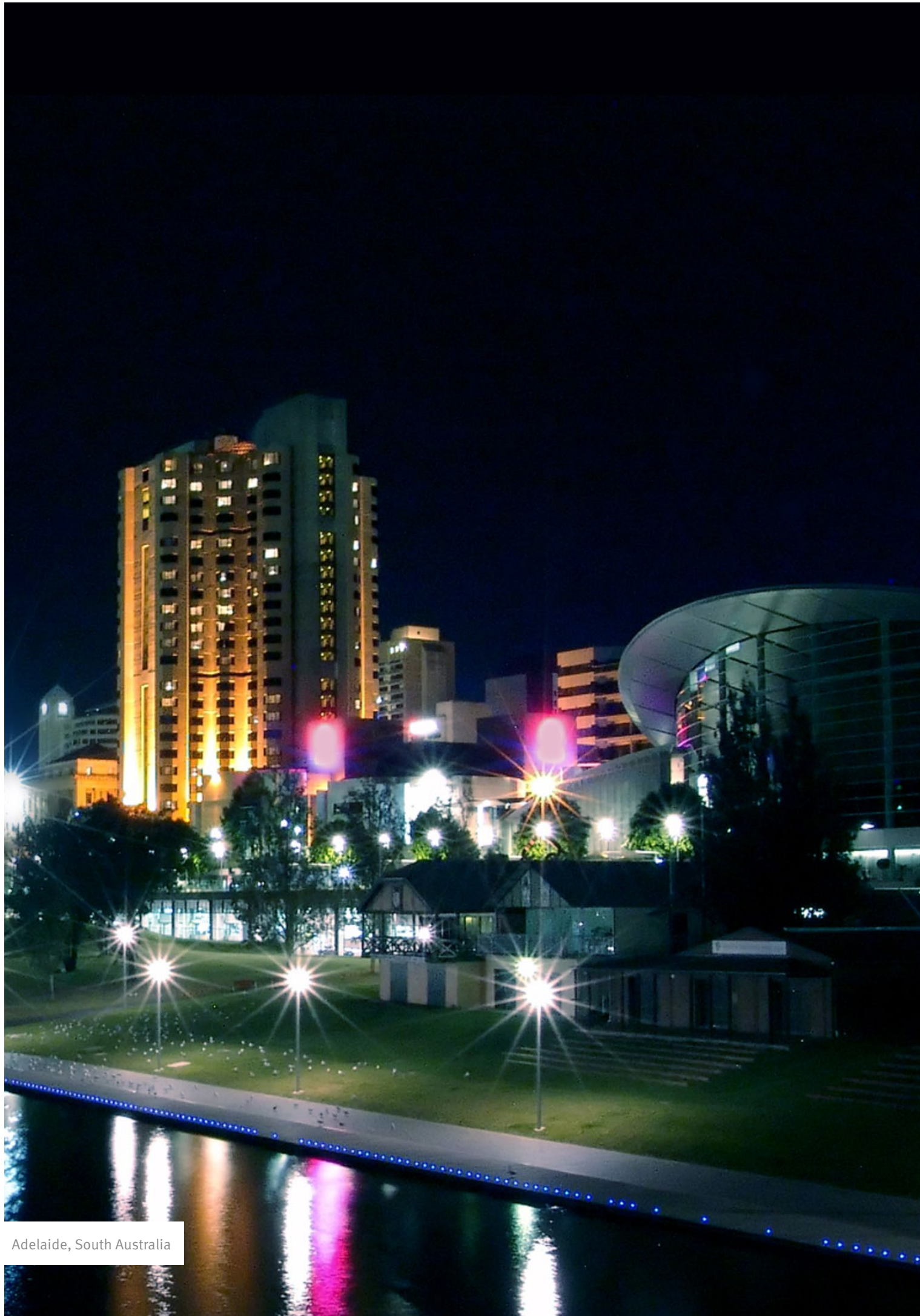
Australian companies that incur expenditure on, or related to, R&D may qualify for a R&D Tax Incentive. The R&D Tax Incentive replaced the previous R&D Tax Concession (until 30 June 2011). From 1 July 2011, the new core components of the program are:

- a refundable 43.5% tax offset for eligible companies with an aggregated turnover of less than \$20 million per annum; or
- a non-refundable 38.5% tax offset for all other eligible companies.

Research and development activities are:

- Systematic, investigative and experimental activities that involve innovation or high levels of technical risk, and are carried on for the purpose of:
 - o acquiring new knowledge (whether or not having a specific practical application)
 - o creating new or improved materials, products, devices, processes or services
- Other activities that are carried on for a purpose directly related to the carrying on of the core activities referred to in (a)

To qualify for the deduction, a company (including a company in partnership, or syndicate member that was registered on or approved by 24 July 1996 or qualified under transitional arrangements) must be registered in relation to the income year with the Industry Research and Development Board (IR&D Board) under the Industry Research and Development Act (IRD Act). Applications to register must be made within ten months after the end of the income year and must be made annually.



Adelaide, South Australia



only public companies
may be listed

3. Structure of Entities

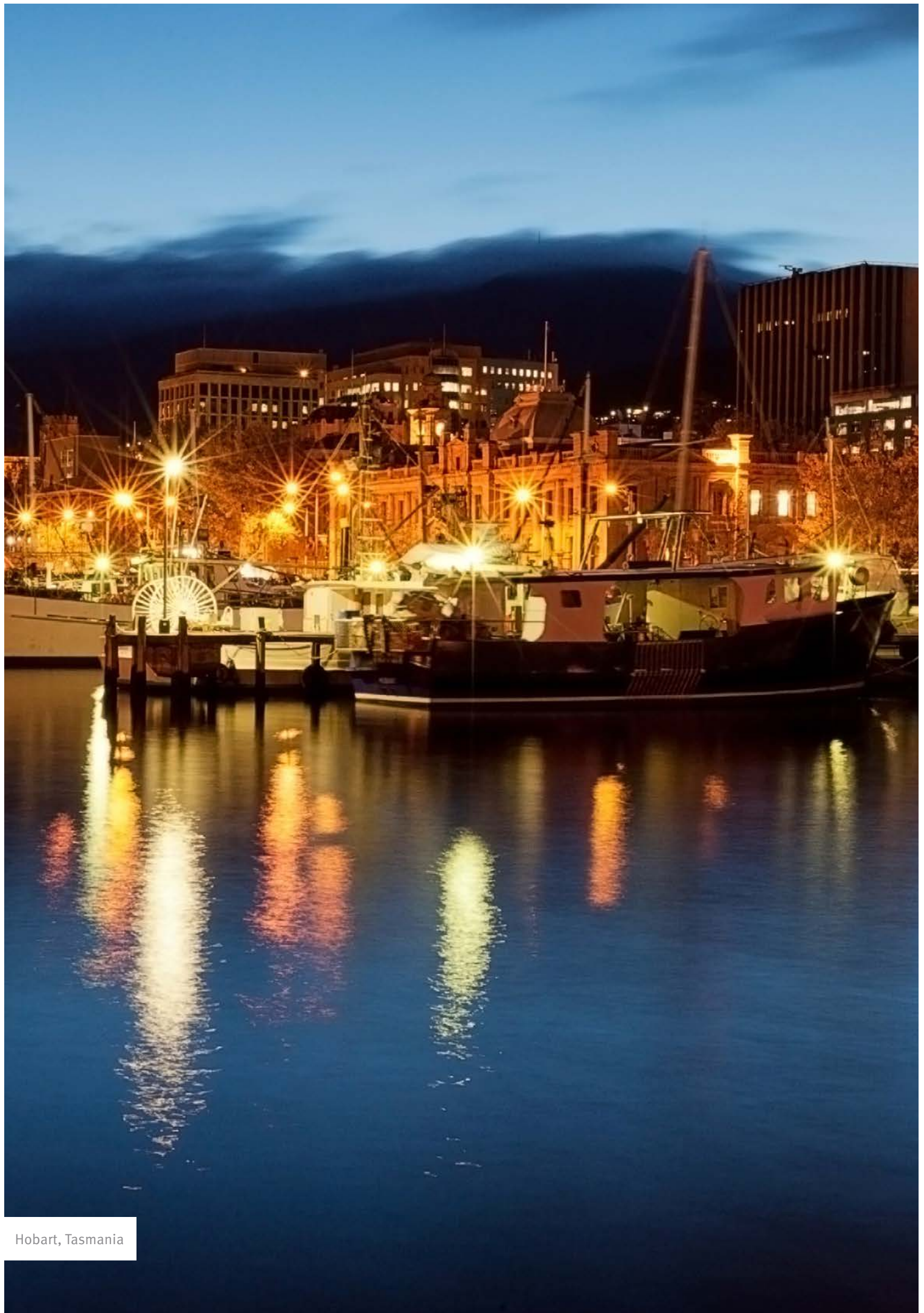
There are many different business structures available in Australia with the most common being;

- Sole Trader
- Partnership
- Trust
- Joint Venture
- An incorporated Entity

Foreign entities that are incorporated outside of Australia that wish to carry on business activities in Australia must either establish a wholly owned, or partly owned, subsidiary entity in Australia or register a branch office in Australia.

Incorporated Entities – Companies

The most common form of business entity in Australia is a company. There are different types of companies however it is the proprietary company or public company which are most common. Only public companies may be listed on the Australian Securities Exchange Limited (ASX).



Hobart, Tasmania

Private Companies

Proprietary companies are the most common form of Company.

A proprietary company:

- can be either a large proprietary company or a small proprietary company;
- results in the liability of the shareholders upon winding up of the company being limited to the amount unpaid on their shares (if any);
- may not have more than 50 non-employee shareholders;
- cannot engage in fundraising activities in Australia that would require the lodgement of a prospectus or other disclosure document, except in limited circumstances;
- must have at least one Australian resident director;
- must have the words “Proprietary Limited” or “Pty Ltd” in its name if it is a limited proprietary company.

A proprietary company is considered to be a large proprietary company if it satisfies two out of the three following criteria:

- the consolidated revenue for the financial year of the company and any entities it controls is \$25 million, or more
- the value of the consolidated gross assets at the end of the financial year of the company and any entities it controls is \$12.5 million, or more
- the company and any entities it controls have 50 or more employees at the end of the financial year.

If a proprietary company does not satisfy two out of the above three criteria it is regarded as a small proprietary company.

Public Companies

Public companies are used for larger business ventures or where there are multiple shareholders and reporting requirements. These must

- have at least three directors, at least two of whom must ordinarily reside in Australia
- have at least one company secretary that ordinarily resides in Australia
- have the word “Limited” or “Ltd” at the end of its name if it is a limited public company.

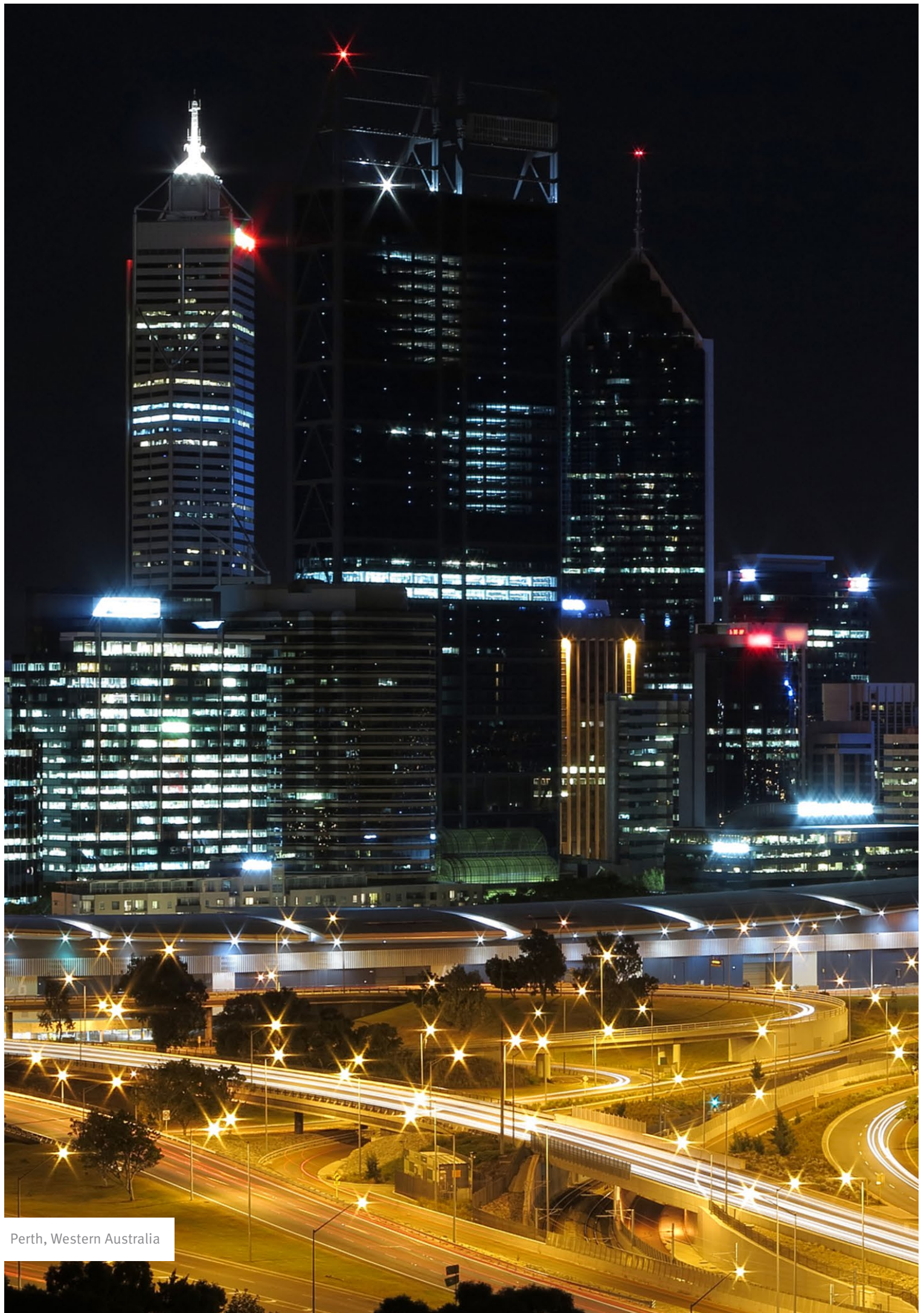
Public companies are also able to issue a prospectus and list on the Australian Securities Exchange.

Australian Branch

The establishment of an Australian branch may be preferable to incorporating a subsidiary if the business will not be operated on a long term basis or in order for a Foreign Company to establish a “beachhead” in Australia to assess the market for its product or services. If a foreign company chooses to establish a branch office in Australia, it must be registered as a foreign company with the Australian Securities & Investments Commission.

Other Structures

There are many other structures available and a foreign companies should seek structuring advice before establishing an entity in order to assess both the needs of the Foreign Entity AND to ensure maximum tax efficiency.



Perth, Western Australia



Australian Tax Legislation is quite complex

4. Taxation Overview

Australian Tax Legislation is quite complex and professional taxation advice should always be obtained prior to commencing business transactions in Australia. Direct and indirect taxes are both levied by the Federal Government and the State Governments and the major categories of these are;

- Income Tax - levied by the Federal Government
- Capital Gains Tax (CGT) - levied by the Federal Government
- Fringe Benefits Tax (FBT) - levied by the Federal Government
- Withholding Tax - levied by the Federal Government
- Customs excise and duties - levied by the Federal Government
- Goods and Services Tax (GST) - levied by the Federal Government
- Petroleum Resource Rent Tax (PRRT) - levied by the Federal Government
- Stamp Duty - levied by the Federal Government
- Payroll Tax - levied by the State Government
- Land Tax - levied by the State Government

Income Tax

Individuals

The following rates apply to resident individuals for the 2017-18 Australian tax year which commenced on 1 July 2017.

Taxable income	Tax on this income
0 - \$18,200	Nil
\$18,201 - \$37,000	19c for each \$1 over \$18,200
\$37,001 - \$87,000	\$3,572 plus 32.5c for each \$1 over \$37,000
\$87,001 - \$180,000	\$19,822 plus 37c for each \$1 over \$87,000
\$180,001 and over	\$54,232 plus 45c for each \$1 over \$180,000

The above rates do not include the Medicare levy of 2%

The following rates apply to non-resident individuals for the 2017-18 Australian tax year which commenced on 1 July 2017.

Taxable income	Tax on this income
0 - \$87,000	32.5c for each \$1
\$87,001 - \$180,000	\$28,275 plus 37c for each \$1 over \$87,000
\$180,001 and over	\$62,685 plus 45c for each \$1 over \$180,000

Foreign residents are not required to pay the Medicare levy

Corporate Income Tax

Australian companies, including corporate limited partnerships, strata title bodies corporate, trustees of corporate unit trusts and public trading trusts are taxed at the rate of 30%, unless the entity is under the aggregated turnover threshold, at which point they are taxed at the lower rate of 27.5%.

Under the current law the following corporate tax rates apply:

Small business entities changes and timeframes

Year	Aggregated turnover threshold	(SBE) Corporate entities under the aggregated turnover threshold and carrying on a business	All other corporate entities
2016-17	\$10m	27.5%	30.0%

Base rate entities changes and timeframes

Year	Aggregated turnover threshold	(BRE) Corporate entities under the aggregated turnover threshold	All other corporate entities
2017-18	\$25m	27.5%	30.0%
2018-19	\$50m	27.5%	30.0%
2019-20	\$50m	27.5%	30.0%

The Australian tax year ends on June 30th, although it is possible to harmonize this date with a foreign parent if certain conditions are met.

Capital Gains Tax

Capital Gains Tax is the tax an entity, or individual, pays on a capital gain. It is not a separate tax and is not levied at a special rate. Rather, it is added to an entities income and taxed as part of normal income at the standard tax rates. (30% for a Company and at an Individuals marginal rate)

There are various concessions and discounts available depending on the type of entity which made the capital gain and the type of gain being made.

Fringe Benefits Tax

Fringe Benefits Tax is a tax that the employer pays on certain benefits which are provided to employees or their associates. It is important to note that, unlike many other jurisdictions, Fringe Benefits Tax is payable by the employer in Australia and only be arrangement with the employee can it be recovered.

Fringe Benefits Tax is levied at the rate of 47%.

Withholding Tax

There are many circumstances in which businesses in Australia are required to withhold amounts and report them to the Australian Taxation Office. The most common of these are;

- Withholding taxes on employee salaries and wages;
- Withholding taxes on dividends paid to non-residents;
- Withholding taxes on interest and royalties paid to non residents.

Customs Excise & Duties

The Federal Government imposes customs and excise duties on items including alcohol, cigarette's and fuel. There is not a standard rate of tax but varies from product to product.

Goods & Services Tax (GST)

With certain limited exceptions, GST is levied at the rate of 10% on most products and services sold in Australia.

Petroleum Resource Rent Tax (PRRT)

The PRRT is levied at a rate of 40% on the taxable profits derived from certain marketable petroleum products and is applied to both offshore and onshore projects.

Stamp Duty

Stamp Duty is imposed by the States and Territories at varying rates and is a tax levied on documents. The most common imposition of stamp duty involved the purchase of real estate and the transfer of shares in companies or units in a trust.

Payroll Tax

The rate of Payroll tax imposed, and threshold when payroll tax applies, varies depending on the state imposing the tax. In general, payroll tax is imposed on all wages payments made in a State above the threshold and the tax rate ranges from 4.95% up to 6.85%

Land Tax

Land Tax is a State based tax imposed on the owners of all land with a general exemption for an individuals principal place of residence and land used for farm production.



Brisbane, Queensland



minimum wage in Australia
is \$18.29 per hour



5. Employment Overview

Each State and Territory of Australia has legislation covering the labour market and this can differ between jurisdictions. The Federal Government, through various acts of Parliament, also regulates workplace relations from the Federal level.

Employment is usually based on either an individual contract negotiated between the Employer and the Employee or an award/enterprise bargaining arrangement negotiated between a Union or employees collectively and the business.

Minimum Wage

The 2018 minimum wage in Australia is \$18.29 per hour.

Social Security/Pensions

The Australian Government provides a comprehensive range of social security measures which are funded through general taxation.

Australian Employers are required to contribute 9.5% of an employees salary, up to specified limits, into a Superannuation Fund for retirement. The vast majority of Australian Funds are defined contribution funds as opposed to being defined benefit funds.

Annual, Long Service Leave & Other Employee Leave

The following minimum standards apply to all employees;

- Minimum of 4 weeks paid annual leave;
- Minimum of 10 days per year for personal leave;
- Up to 2 months of paid long service leave after 10 years of continuous service. (Entitlements vary from State to State)
- Up to 52 weeks of unpaid parental leave and up to 18 weeks of paid parental leave funded by the Federal Government. Both are subject to eligibility criteria.



Sydney, New South Wales



a genuine alternative to the
major accounting firms



6. About ECOVIS Clark Jacobs

ECOVIS Clark Jacobs located in the Sydney CBD is a full service, independent firm of accountants.

As a genuine alternative to the major accounting firms, our highly specialized approach provides a quality perspective to business problems, ensuring that we produce realistically priced and pragmatic solutions. Our directors and senior staff members have a diverse background ranging from experience in Big Four firms through to smaller, suburban firms and come from around Australia. From Perth to Brisbane and many points in between, our staff have the experience and local knowledge to tailor a solution to the different market conditions prevailing throughout Australia



ECOVIS Clark Jacobs Pty Limited
Accounting and Business Advisers
Level 20/1 Market Street, Sydney NSW 2000
Phone: 61.2.9264 1111 Fax: 61.2.9264 1344
Email: info@clarkjacobs.com.au
Web: www.clarkjacobs.com.au