



ARMADA

strength in numbers

Doing Business in Australia

A Simplified Guide

TAX & ACCOUNTING
BUSINESS MANAGEMENT
AUDITING | LENDING

ARMADA.COM.AU



THE ARMADA STORY

We are the leading group of Tax Accountants, Auditors, Bookkeepers, Financial Planners, Lenders and Strategists in Perth and regional Western Australia.

Our focus is to cultivate wealth for our clients, whatever their circumstances.

Imagine a team of people, each specialists in their own discipline, working together to deliver outcomes of the highest standard. Our team is able to provide more than basic compliance services.

For business or corporate entities seeking investments models, Armada's team of dedicated professionals proactively simplify tax, accounting, bookkeeping, auditing and finance by gaining a detailed understanding of your client's financial structure, aspirations and needs. We will help you access the maximum tax concessions and implement investment strategies to help you realise your dreams.

Armada has the strength in numbers to deliver the outcomes you seek.



INTRODUCTION

We have put together a simple step by step guide to help you navigate the necessary compliance requirements to undertake business in Australia.

Our relationship with you is one of a partnership where we both work together to successfully launch your Australian business venture.

Our aim is to simplify the complicated and let you go about your business whilst we handle the rest of your financial obligations.



STEP 1 CHOICE OF CORPORATE VEHICLE

The first thing to do is to decide on which entity will undertake business in Australia. There are two different options depending on the timeline of your business activity.



Australian Incorporated Company

- Separate legal entity.
- At least one Australian resident director is required.
- Can be entirely foreign owned.
- Is quick to set up.

Suitable where limited liability is important



Registered Foreign Branch

- Foreign company is the entity carrying on the business.
- Foreign company can be held liable.
- No requirement for an Australian resident director.





STEP 2 REGISTRATION REQUIREMENTS

Once you have decided on your corporate structure you will need to attend to the tax obligations.



Tax Registration

- Australian Business Number (ABN).
- Tax File Number (TFN).

If you derive Australian sourced income you will need to register to do business in Australia.

If you have a tax treaty, further research is required on the activity.





STEP 3 ACCOUNTING & REPORTING

You should first identify the most suitable accounting software for your management reporting needs. Software options include XERO, MYOB, Arrow and NetSuite. The following are the typical compliance requirements per corporate vehicle.



Australian Incorporated Company

- Annual compliance can include preparation and lodgement of Audited Financial Statements.
- Some exemptions available.

Annual compliance includes Australian Securities and Investments Commission (ASIC) annual reports & Audited Financial Statements.

We can align the reporting financial year with the foreign owned reporting financial year.



Registered Foreign Branch

- Lodgement of the foreign company accounts with the Australian corporate regulatory body will suffice.

No requirements to prepare financial statements for the trading activity in Australia. The foreign entity will need to lodge a copy of their balance sheet, profit & loss and a cashflow statement.





STEP 4 TAX



Australian Incorporated Company

- Taxed on total (worldwide) income that the Australian company earns.
- Earning paid to foreign holdings entity as a franked/unfranked dividend.
- Tax rate of either 25% or 30% depending on annual income turnover.
- Required to lodge an annual tax return.



Registered Foreign Branch

- Taxed on Australian sourced income only.
- We need to establish whether the business activity constitutes a 'Permanent Establishment' for tax purposes. These rules are complex and the outcome will determine your tax obligations.
- Tax rate of either 25% or 30% depending on annual income turnover.
- Only required to lodge an annual tax return if deemed a Permanent Establishment.



Transfer Pricing

Transfer pricing is defined as the price at which companies sell goods, services and intangible assets to related parties. Some multinational businesses attempt to shift their profits to low tax jurisdictions by setting unrealistic prices. The Australian Taxation Office may review or audit businesses with international dealings with the possibility of pricing adjustments and penalties.



Thin capitalisation

The thin capitalisation rules are designed to prevent multinational enterprises shifting profits out of Australia by funding their operations with high levels of debt in order to reduce Australian taxable income.



Withholding Tax

Dividends, interests and royalties paid by tax residents of Australia to non-residents can be subject to a tax withholding rate up to 30%. This rate can be reduced with careful planning, which your consultant at Armada can assist with.



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STEP 5

CUSTOMS & INDIRECT TAXES

The following taxes can also apply:

- Goods and Services Tax (GST) - Australia currently has a 10% broad based consumption tax. The business must lodge monthly/quarterly Business Activity Statements. Here they pay net GST collected, Company tax instalments and employee withholding taxes to name a few.
- Customs duty laws are consistent with international customs laws. This duty is imposed on the importation of goods and payable at the time goods enter Australia.





STEP 6

BUSINESS EMPLOYEE OBLIGATIONS

Once the business has engaged employees in Australia, it is subject to a range of additional legislative and regulatory provisions as well as additional tax requirements.

- Pay As You Go (PAYG) - withholding tax is tax withheld on employees wages.
- Fringe Benefits Tax (FBT) - a tax payable if the company or branch provides a benefit to their employee other than salary or wages.
- Superannuation Guarantee Charge (SGC) - employers are required to provide a minimum level of pension support, currently at 10.5% of the gross salary which is payable quarterly.
- Payroll tax states based tax ranges from 4.25% to 6.85% on wages that exceed a threshold amount. In Western Australia the monthly threshold is \$70,833.
- Workers Compensation - business employers may be liable to pay for Workers Compensation premiums to cover employees for any workplace accidents and/or illness.





STEP 7

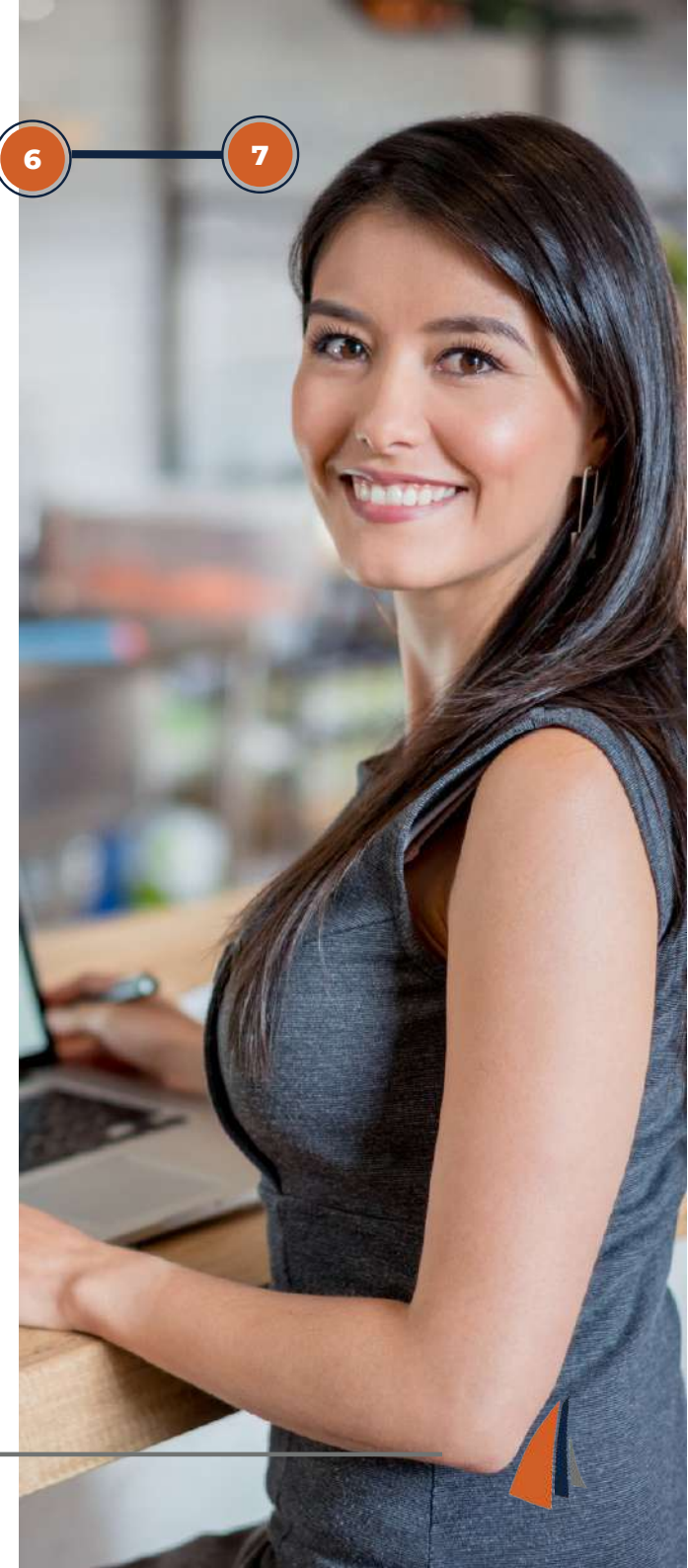
EMPLOYEE OBLIGATIONS

The employees of the business will also have tax compliance obligations as follows. We can also assist with this area.

- Income Tax - several factors determine if an employee is subject to an Australian personal income tax.
- The tax payable will differ depending on whether they are classified as a resident or non-resident for tax purposes.
- Medicare levy is payable for employees who are tax residents. This represents 2% of the gross salary and are generally able to access local health care benefits.
- Private health insurance - Australia has health care agreements with several countries which can limit access to local hospital cover. Private health insurance is recommended.

If you would like to find out more please contact us at info@armada.com.au or on +61 8 6165 4000 (GMT +8).

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