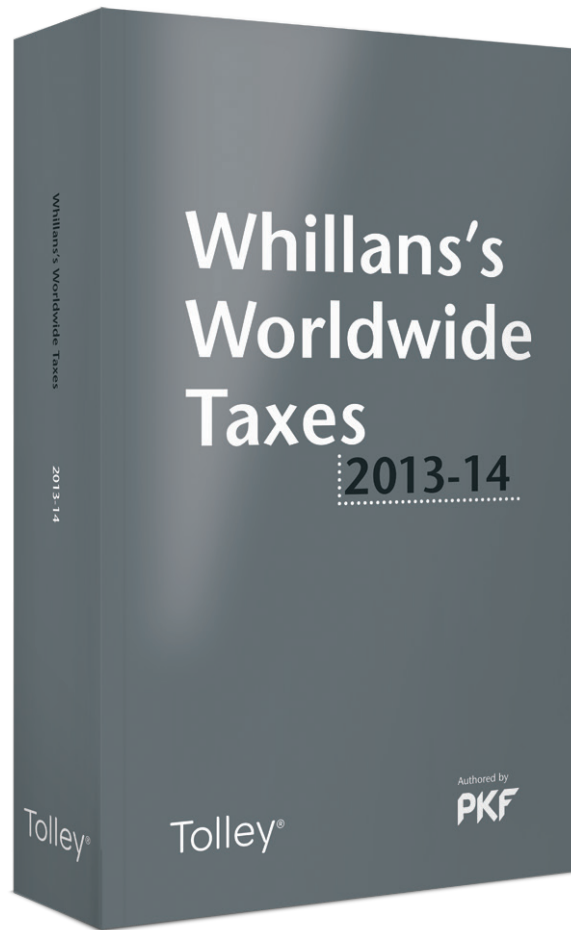


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Australia

Key tax points

- Australian resident companies are subject to company income tax on income derived from all sources. Non-resident companies are required to pay income tax only on Australian-sourced income.
- There is no branch profits tax in Australia. However, Australian branches of foreign companies will generally only be taxed on Australian-sourced income at the prevailing company tax rate.
- All entities that carry on an enterprise in Australia are required to register for the goods and services tax (GST) if their annual turnover meets the registration turnover threshold.
- Australia has a CFC regime which is designed to ensure certain types of passive and associated party income of a CFC is included in the controlling Australian resident's taxable income each financial year. There is also a Foreign Investment Funds (FIF) regime, which seeks to tax Australian residents on an accruals basis where the Australian resident holds a non-controlling interest in a foreign company or trust engaged in producing passive income.
- Where foreign sourced income is included in assessable income tax credits are available equal to the lesser of the foreign tax paid and the Australian tax payable.
- Wholly-owned groups of Australian companies and trusts can elect to have their income tax liability calculated on a consolidated basis.
- Non-arm's length international profit-shifting arrangements and other international transactions between related parties are governed by transfer pricing rules which give the Commissioner of Taxation the power to calculate the income tax payable based on arms-length prices.
- Withholding tax must be deducted from interest, royalties and dividends (to the extent they are not franked) paid to non-residents.
- Income tax is payable by Australian resident individuals on non-exempt income derived from worldwide sources. Non-resident individuals are only required to pay tax on Australian-sourced income.
- There is no separate capital gains tax, but capital gains are included in taxable income. The tax treatment of capital gains and losses is generally the same for individuals and trustees as for companies, but there are some differences (eg individuals and trustees, unlike companies, can claim a 50% discount of capital gains on assets held for more than one year).
- There is no net wealth tax, real estate tax or inheritance or gift tax.

Basic facts

Full name:	Commonwealth of Australia
Population:	22.9 million (2013 est. Australian Bureau of Statistics)
Capital:	Canberra
Largest city:	Sydney
Major language:	English
Major religion:	Christianity

Monetary unit:	1 Australian dollar = 100 cents
Internet domain:	.au
International dialling code:	+61
The Australian Taxation Office website:	www.ato.gov.au

A. Taxes payable

Federal taxes and levies

Company tax

Australian resident companies are subject to company income tax on their income derived from all sources. Non-resident companies are required to pay income tax only on Australian-sourced income.

Resident companies are those that are incorporated in Australia or those that carry on business in Australia and either have their central management and control in Australia or their voting power controlled by shareholders who are Australian residents.

The tax year runs from 1 July to 30 June. Companies' financial years usually coincide with the tax year. A taxpayer can choose to have an accounting period different to the tax year if they wish but this will require additional costs of preparing another set of accounts based on the tax year. Alternatively, if a taxpayer has a good reason for having a financial year other than 1 July to 30 June they can apply to the Australian Tax Office to have a substituted accounting period (SAP) and align the tax year with their financial year. The Australian Tax Office will generally accept applications for an SAP where an Australian subsidiary wants to align its tax year with its foreign parent company's financial year.

The company tax rate for the 2012/2013 tax year is 30% of the company's taxable income.

Companies are generally required to 'self-assess' their likely tax liability in a financial year and pay the tax by quarterly instalments with the final tax liability being reconciled in an annual tax return. 'Likely tax' is the latest estimate of tax payable made by the company in a current financial year. If no estimate is made, 'likely tax' is the tax assessed in the preceding year.

Company tax is payable on a quarterly basis. Companies that are not required to report their goods and services tax (GST) on a monthly basis and with income tax payable of less than AUD \$8,000 for the most recent income year can elect to pay an annual instalment of tax rather than quarterly instalments. Generally, the annual payment date is 21 October when the income year ends on 30 June

Quarterly company tax is payable within 21 days after the end of each quarter of the financial year. However, where taxpayers are eligible to pay other quarterly obligations on a deferred basis (namely those entities that are required to pay GST on a quarterly basis); the due date is the 28th day after the end of the quarter (except for the December quarter in which case payment date is 28 February).

There are two methods of working out the quarterly payment amount as follows:

- **Instalment Income Option** – the quarterly payment amount is the amount of gross assessable income earned for that quarter (less capital gains) multiplied by the instalment rate. The instalment rate is advised by the Tax Office and is based on the company tax paid on the most recent tax assessment divided by the company's turnover (less capital gains). This method is available to all taxpayers.
- **GDP adjustment notional tax option** – the quarterly payment income amount is based on the assessable income figure from the most recent tax return multiplied by a GDP factor. The income amount is advised by the Tax Office. This method is available for individual taxpayers or other entities where their most recent assessed taxable income was under AUD \$1 million. Certain categories of taxpayers such as farmers, sportspeople and artists may meet their liability for these four instalments by making two payments per year.

Branch profits tax

There is no branch profits tax in Australia. However, Australian branches of foreign companies will generally only be taxed on Australian-sourced income at the prevailing company tax rate.

Goods and services tax

All entities that carry on an enterprise in Australia are required to register for the goods and services tax (GST) if their annual turnover meets the registration turnover threshold of AUD \$75,000 or AUD \$150,000 for not-for-profit organisations.

Once registered, entities are required to charge 10% GST on all goods and services that they supply within Australia, unless the supplies are specifically excluded, such as education, health, child care services and certain types of food.

Registered entities are entitled to claim an 'input tax credit' equal to the amount of GST paid on purchases, provided that those purchases were used for a 'creditable purpose' in carrying on their enterprise. This means that the cost of the GST is effectively borne solely by the end user.

However, there are two exceptions to the general rule:

- (1) **GST-free supplies (zero rated supplies):** These supplies are provided by enterprises to their customers free of GST, and the enterprise is also allowed to claim input tax credits on its creditable business acquisitions. Examples include education and health providers and certain types of food.
- (2) **Input taxed supplies:** These supplies are provided by enterprises to their customers free of GST, but the enterprise is not allowed to claim any input tax credits on its creditable business acquisitions, effectively treating the supplier as an end user. Examples include financial services providers and residential accommodation supplies.

The GST collected from customers is remitted to the Federal Government on a quarterly or monthly basis, depending on the size of the entity's annual turnover.

Fringe benefits tax (FBT)

Fringe benefits tax is a federal tax that is payable by resident and non-resident employers on certain benefits that are provided to their employees. The tax is levied at a rate of 46.5% on the 'grossed-up taxable value' of each benefit that is provided to employees. FBT is separate from income tax.

In calculating the 'grossed-up taxable value' of a fringe benefit, the provider must first determine whether they are entitled to a GST input tax credit on that benefit. If so entitled, the value of the benefit must be 'grossed up' using a rate of 2.0647. In all other cases, the value of the benefit is grossed up using a rate of 1.8692.

The grossing up methodology effectively levies tax on the benefit at the rate of tax that an employee on the highest marginal tax rate would pay on the cash salary required for them to pay for the benefit out of after tax salary and taking into account any GST input tax credit the employer can claim on providing the benefit.

Employees can make non-tax deductible contributions towards the private use component of a benefit to reduce the taxable value, thereby reducing the FBT payable.

The FBT year runs from 1 April to 31 March. If the prior year's FBT liability is AUD \$3,000 or more, it is payable on a quarterly basis on the same payments dates as quarterly company tax (see above). If the total FBT liability is less than AUD \$3,000, an annual payment is required instead. The annual FBT return is due for lodgement by 21 May of each year.

Any FBT paid in Australia by an employer is generally deductible for Australian income tax purposes.

Superannuation contributions

Employers are required to make superannuation contributions on behalf of their employees at a rate of 9% of the employee's salary and wages. This will increase by 0.25% per annum from 1 July 2013 until the rate reaches 12%. Contributions are required on a quarterly basis.

If insufficient contributions are made, employers are liable for a Superannuation Guarantee Charge. The 'charge' includes the shortfall in the contributions together with an interest component and an administration fee. Employers who have a superannuation guarantee shortfall are required to lodge a Superannuation Guarantee Statement together with the 'charge' on the 28th day of the second month following the end of the quarter.

Superannuation contributions made by employers for their employees are generally income tax deductible. However, from 1 July 2012 employees are taxed at the rate of 31.5% on contributions in excess of AUD \$25,000 p.a. Previously, a limit of \$50,000 applied to employees aged 50 years or over.

Other taxes

Other Federal taxes include:

- (1) Customs & Excise duties on certain imported items.
- (2) Carbon pricing scheme - imposes a fixed price on carbon pollution from 1 July 2012. This scheme will be replaced with a carbon price to be determined by the market from 1 July 2015.
Businesses responsible for direct greenhouse gas emissions of 25,000 tonnes or more of carbon dioxide equivalence will be required to purchase permits from the Government equivalent to the quantity of carbon pollution they release. The initial price will be \$23 per tonne increasing to \$24.15 on 1 July 2013 and \$25.40 on 1 July 2014.
Use of liquid fuels, such as petroleum, diesel and LPG are generally not subject to the carbon pricing system but will be subject to fuel excise increases of an amount similar to the carbon price. The fuel excise increases will not be levied on fuel used by householders, small businesses, agricultural, forestry and fishing industries. Heavy on-road transport vehicles will also be excluded from the fuel excise increases until 1 July 2014. The Fuel Tax Credit for liquid petroleum will be reduced by between 5.5 and 6 cents per litre.
- (3) From 1 July 2012, the petroleum resource rent tax (PRRT) regime also applies to onshore petroleum projects – including coal seam gas, tight gas and sale oil projects – as well as the offshore North West Shelf project.

The PRRT is payable on the taxable profit of a person in relation to a petroleum project. If a person has an entitlement to assessable petroleum receipts from a production licence they will have a petroleum project.

- (4) Minerals resource rent tax - for coal and iron ore projects in Australia from 1 July 2012.

From 1 July 2012, the minerals resource rent tax (MRRT) applies to new and existing coal and iron ore projects in Australia. MRRT may be payable on group mining profits of more than \$75 million in a year. Entities with interests in coal or iron ore projects need to consider a number of things that may affect their future obligations, including what records may need to be kept.

- MRRT applies at the valuation point which separates upstream and downstream operations, effectively taxing the value of the extracted resources and not the value added in the downstream activities, such as processing.
- The basic MRRT rate is 30%, which is reduced by a 25% extraction allowance, making the effective tax rate 22.5%.
- Operating and capital expenses incurred from 1 July 2012 are immediately deductible, while unused losses may be carried forward and uplifted.
- The taxpayer is able to apply pre-mining project losses to the mining project interest which originated from that pre-mining project interest.
- A full credit against any MRRT liability is available for Commonwealth, State and Territory royalties paid by a taxpayer for a mining project.
- MRRT will recognise past investments through an allowance, known as the starting base, which can be either:
 - the market value of past investment, written down over a period of up to 25 years
 - the book value of past investment, written down over a five year period.

Entities that are affected by MRRT need to consider registering for MRRT and provide up to date contact details.

- (7) Excise on fuel, tobacco and alcohol.

Local taxes

The States and Territories of Australia impose the following taxes:

- (1) Stamp duty: payable on specified transactions, including certain transfers of property.
- (2) Payroll tax: payable by employers who have total payrolls exceeding specified thresholds which vary from State to State. Payroll tax rates between each State and Territory varies from 4.75% – 6.85%.
- (3) Land and property taxes.
- (4) Workcare/workers compensation levies or premiums.

B. Determination of taxable income

Taxable income equals assessable income less allowable deductions. Assessable income includes ordinary income under common law and statutory income, but does not include specifically exempt or non assessable income. Generally, to be deductible, losses and outgoings must relate to the gaining or producing of assessable income. Some items are specifically non-deductible, such as penalties and fines. Capital expenses are generally non-deductible but may be deducted over time as a capital allowances or included in the capital gains tax (CGT) cost base. Expenses incurred in producing exempt income are also non-deductible. It is possible to claim a portion of expense items that have dual purposes.

Special rules apply in respect of the categories listed below.

Capital allowances

Plant, equipment and other depreciable items are generally written off over their effective life. There are alternative rules for small business taxpayers with average turnover less than AUD \$2 million. Taxpayers may self-determine the effective life of plant to calculate the tax depreciation rate or instead may rely on tax rates published by the Commissioner of Taxation.

Either the straight-line or diminishing-value methods of depreciation can be used for each item of plant and is determined as follows:

- (1) Straight-line method: $100\% \div \text{Asset's effective life}$.
- (2) Diminishing-value method: $150\% \div \text{Asset's effective life}$ if acquired before 10 May 2006 or 200% if acquired on or after 10 May 2006.

Motor vehicles are subject to an indexed depreciation cost limit. The limit for the 2012/2013 financial year is AUD \$59,133.

From 1 July 2012 the long life small business pool and the general small business pool have been consolidated into a single pool to be written off at one rate.

Taxpayers need to add together the closing balances of their long life pool and general pool for the 2011/2012 income year to calculate the opening balance of their new general small business pool for the 2012/2013 income year

The deduction for an asset acquired during an income year and allocated to the general small business pool is 15% of the taxable purpose proportion of its adjustable value. The general small business pool is written off at 30% per income year thereafter.

From 1 July 2012, small businesses are able to claim an immediate write-off for depreciating assets costing less than \$6,500 (including motor vehicles). An immediate write-off of the first \$5,000 and 15% of the remaining amount will also be available for motor vehicles costing \$6,500 or more with the balance being pooled.

A 2.5% or 4% special write-off is available on a straight-line basis for the construction costs of buildings used for income-producing purposes and traveller accommodation, depending on their date of construction.

Most business related capital expenses that are not otherwise deductible; included in the cost of depreciable assets; or included in the CGT cost base of an asset; are deductible over five years.

Stock/inventory

All trading stock on hand at the beginning of the year of income and all trading stock on hand at the end of that income year must be taken into account in determining taxable income.

Each item of inventory must be valued at the end of each financial year at:

- cost price valued at full absorption cost;
- market selling value (the current selling value in the taxpayer's trading market);
or
- replacement cost.

The closing value adopted becomes the opening value at the beginning of the following income year. Acceptable valuation methods include FIFO, average cost, standard costing and retail inventory method. Non-acceptable valuation methods include LIFO and the base stock method. Certain small business taxpayers who have an annual

turnover of less than AUD \$2million are only required to make such valuations where the value of their stock changed by more than AUD \$5,000.

Capital gains and losses

Net capital gains are generally included in the determination of assessable income.

Capital losses cannot be deducted from assessable income, and can only be offset against capital gains. Capital losses can be carried forward indefinitely to offset against future capital gains.

Net capital gains are determined by deducting the cost base of an asset from the proceeds received on disposal of that asset. The purchase price of an asset purchased prior to 21 September 1999 can be adjusted for inflation indexation to the quarter ending 30 September 1999. Indexation is not available for assets purchased after 21 September 1999.

In lieu of indexation, individuals and trustees may be eligible for a 50% reduction in their assessable capital gain if certain conditions are met. Complying superannuation funds are eligible for a $\frac{1}{3}$ discount. This reduction is not available for companies.

Other exemptions from capital gains tax may also be available, such as the main residence exemption, gains from foreign branches or small business exemptions for businesses that satisfy certain criteria.

Foreign residents are exempt from Australian CGT except on Australian real property; business assets used in an Australian permanent establishment (PE); or equity interests in Australian or foreign companies or trusts with substantial interests in Australian real property either directly or indirectly through interposed entities. Australian real property includes Australian land and mining, quarrying or prospecting rights over Australian land.

The 50% CGT discount for non-residents will be removed on capital gains accrued after 8 May 2008 on Taxable Australian Property such as real estate and mining assets. However, non-residents will still be entitled to the 50% discount on capital gains accrued prior to this date (after offsetting any capital losses) provided they obtain a market valuation of assets as at 8 May 2012.

Dividends

In general, dividends received by resident shareholders from resident companies are taxable but grossed up for any franking credits attached. The franking credits are equivalent to the tax paid by the company on its profits out of which the dividend was paid. However, the resident shareholders are allowed an offset of tax equal to the amount of any franking credits on the dividend.

Dividends received from non-resident companies do not qualify for this tax offset, but may be entitled to a foreign tax credit (see foreign tax relief below). Alternatively, the dividend may be tax-exempt if the recipient is an Australian company that has a 10% or greater interest in the foreign company.

Dividends paid by non-resident companies in certain foreign countries are also exempt to the extent that they represent profits already taxed in Australia under Australia's Controlled Foreign Corporation (CFC) rules.

Dividends paid by resident companies to non-resident shareholders are not subject to income tax but may be subject to withholding tax except to the extent that the dividends are franked (that is, have been paid out of Australian-taxed profits).

Payments of dividends are not generally tax deductible.

Interest deductions

Interest is generally deductible to the extent it relates to funds borrowed for income-producing purposes.

Interest deductions may be restricted by the thin capitalisation provisions. The thin capitalisation rules seek to deny deductions for interest payments if the taxpayer's debt-to-equity ratio exceeds the 'safe harbour' ratio of 3:1. An exception to this rule is where the company can satisfy an 'arm's length test', which focuses on the company's likely borrowings if it had acted at arm's length and what independent lenders would lend to the company on arm's length terms.

The thin capitalisation provisions apply to foreign controlled Australian entities and the inward investments of foreign nationals and Australian-based entities with foreign investments. A de minimis rule ensures that all corporate entities and their associates (regardless of their nature or business) which claim no more than AUD \$250,000 in debt deductions per income year will not be subject to the thin capitalisation rules.

Managed Investments

Managed investment trusts that make fund payments to an address outside Australia are required to pay withholding tax to the Tax Office. The rate of withholding is 30% but this rate is reduced if the country has an exchange of information agreement with Australia, in which case the rate is 15% as of 1 July 2012.

Losses

A tax loss is the excess of allowable deductions over assessable income (not including exempt income) and can be carried forward indefinitely to offset against future taxable income. For companies and trusts the deductibility of losses is restricted by a 'continuity of ownership' test (more than 50% of voting, dividend and capital rights). Alternatively, the loss is deductible if the company passes a 'same business' test.

From 1 July 2012, companies will be entitled to carry back up to \$1 million of losses to the previous income tax year (i.e. year ended 30 June 2012). This means that qualifying companies that pay tax in the 30 June 2012 year, and then generate a loss in the 30 June 2013 year will be able to carry back the 2013 losses against the 2012 income, and receive a refund of tax paid in the 2012 year.

To qualify for the carry back losses, the taxpayer must be a company or an entity that is taxed like a company (e.g. public trading company). The initiative will apply only to income tax losses (capital losses are excluded), and be limited to the company's franking account balance (to prevent companies paying out their franking credits and then receiving a refund of the tax that generated those franking credits) to a maximum of \$1 million.

Losses cannot be transferred between entities. However, wholly owned corporate groups that elect to be a consolidated group effectively can transfer losses as the group is taxed as a single entity.

Foreign sourced income

- (i) **Controlled Foreign Corporations (CFCs):** Australia has a CFC regime which is designed to ensure certain types of passive and associated party income of a CFC is included in the controlling Australian resident's taxable income each financial year. In general, a foreign company will be regarded as a CFC where:
- five or fewer Australian residents hold at least a 50% interest in the foreign corporation or have defacto control of the foreign entity;
 - an Australian entity (and its associates) has 40% or greater control in the foreign corporation, unless they can prove that their interest is not a controlling interest or;
 - irrespective of the interests in a foreign company, a group of five or fewer Australian entities (either alone or together with associates) has actual control of the company.

CFCs in seven listed countries (USA, UK, France, Germany, Japan, Canada and New Zealand) are largely exempted from the CFC rules. The Australian Government has repealed the Foreign Investment Fund (FIF) rules.

There are several exemptions to the CFC rules including an active business exemption.

The Government is currently reviewing the CFC provisions with a view to simplifying the rules.

- (ii) Most foreign branch profits and capital gains of a resident company are generally not taxed when the income or gain is derived in carrying on a business through a permanent establishment in the following listed countries: UK, US, Canada, France, Germany, Japan and New Zealand. Also losses from branches in the countries listed above cannot be claimed. Foreign branches of resident companies in other countries (unlisted countries) are generally not subject to tax on profits or gains where the income is from an 'active business' and for capital gains where the company used the asset wholly or mainly in an active business. Associated losses will also not be claimable.

Conduit Foreign Income

The conduit foreign income rules allow foreign income and certain foreign capital gains to flow through Australian companies and other interposed entities to foreign residents without being taxed in Australia.

Incentives

Specific write-offs are provided for the mining and primary production industries. Expenditure on research and development also qualifies for accelerated deductions.

Special taxation treatment is also afforded to investment in innovative Australian companies through a 'venture capital tax concession'.

Other

- (i) **Debt Forgiveness:** Where a commercial debt is forgiven, special provisions operate in some circumstances to effectively tax the borrower on the benefit received as a result of the forgiveness of the debt. The 'net forgiven amount' is not included directly in the borrower's assessable income but is applied against the borrower's tax attributes in the following order:
 - (1) Reduction of revenue losses.
 - (2) Reduction of net capital losses.
 - (3) Reduction of deductions for particular expenditure.
 - (4) Reduction of the cost base of certain assets.
- (ii) **Debt/Equity Rules:** There are special debt equity rules that determine what an equity interest is for a company and what a debt is. The rules determine whether a return on a debt or equity interest in an entity may be frankable and non-deductible (like a dividend) or may be deductible to the entity and not frankable (like interest). Broadly speaking, the rules are based on the substance of the arrangement rather than its legal form.
- (iii) **Taxation of Foreign Exchange (forex) Gains or Loss:** Special rules tax forex gains and allow tax deductions for forex losses. The rules apply to transactions where there is a disposal of foreign currency or a disposal of a right to foreign currency, a ceasing of a right or obligation to receive foreign currency, or a ceasing of a right or obligation to pay foreign currency. These provisions will not apply where the taxpayer has made certain elections.

C. Foreign tax relief

Where foreign sourced income is included in a taxpayer's assessable income, foreign income tax offsets are available at the lesser of the foreign tax paid or the Australian tax payable. For example, any withholding tax paid on an assessable dividend from a foreign company will generally be allowed as a foreign income tax offset.

D. Consolidated corporate groups

Wholly-owned groups of Australian companies and trusts can elect to have their income tax liability calculated on a consolidated basis. This means that the entire group is treated, and taxed, as a single corporate taxpayer.

Where the parent of Australian subsidiary entities is a foreign entity, the consolidation regime allows for the Australian subsidiary entities to be grouped under the consolidation regime where certain conditions are met.

E. Related party transactions

Non-arm's length international profit-shifting arrangements and other international transactions between related parties are governed by transfer pricing rules which give the Commissioner of Taxation the power to calculate the income tax payable based on arm's length prices.

F. Withholding taxes

Withholding tax must be deducted from interest, royalties and dividends (to the extent they are not franked) paid to non-residents. Liability for the remittance of withholding taxes rests with the payer of such amounts. Withholding tax is collected through the PAYG system and is determined according to the payer's PAYG withholding status. The payer is also required to lodge an annual report with the Commissioner of Taxation where such amounts have been withheld during the financial year.

The relevant withholding tax rates are:

1. Dividends – franked : 0%
2. Dividends – un-franked : 0–15% (treaty countries); 30% (non-treaty countries)
3. Interest : 10%
4. Royalties : 5% – 15% (treaty countries); 30% (non-treaty countries).

G. Exchange control

Where more than AUD \$10,000 of Australian currency is physically taken out of Australia, the departing individual must report this to an Australian Customs Officer, or to the Australian Transaction Reports and Analysis Centre, (AUSTRAC). Equivalent amounts of foreign currency that are brought into Australia must also be reported.

H. Personal tax

Income tax is payable by Australian resident individuals on non-exempt income derived from worldwide sources. Non-resident individuals are only required to pay tax on Australian-sourced income. Residency is generally determined by reference to common law principles of residence. However an individual can also be deemed an Australian resident if the individual's domicile is in Australia (unless they have a permanent place of abode outside Australia) or where the individual has spent more than one half of the relevant year of income in Australia (unless their usual place of abode is outside Australia and they do not intend to take up residence in Australia).

Individuals that become residents for a short time may be eligible for the temporary resident tax exemptions on their foreign income and capital gains. If they are holders of a temporary resident visa (generally for up to four years but may be longer), they will not be taxed on foreign-sourced income unless the income relates to employment or services rendered while they are a resident of Australia. In addition, temporary residents are not taxed on capital gains except for gains on 'Taxable Australian Property' (see capital gains section above).

Income tax is payable on taxable income, which is the 'excess' of assessable income less allowable deductions. Assessable income includes business income, employment income, capital gains on certain assets, dividends, rent and interest. Allowable deductions include outgoings incurred in gaining or producing assessable income such as interest expenses and statutory deductions such as tax-deductible gifts to specified charitable entities.

Most individual taxpayers that are employees will generally have Pay-As-You-Go (PAYG) tax instalments withheld from their salary or wage payments by their employers. Most individuals who are either self employed or who earn non-salary income are required to make interim payments of tax during the financial year. The amount of these instalments is calculated using the same method outlined at item A above for companies. Individuals with likely tax of less than AUD \$8,000 can elect to make an annual payment, otherwise interim payments are generally required either 21 days after the payment period (or 28 days if they are deferred business activity statement (BAS) payers).

A 1.5% levy, called the Medicare Levy, is payable by resident individual taxpayers. This levy covers basic hospital and medical expenses for all Australian residents and is assessed on the taxable income of resident individual taxpayers with no maximum ceiling on the amount payable. Low income taxpayers may be eligible for an exemption or reduced levy.

Higher income individuals without private health insurance are subject to an additional 1% Medicare Levy Surcharge. A 30% rebate is available to resident taxpayers for the cost of private health insurance. The rebate is subject to an income test.

A low income tax offset of AUD\$445 is available to taxpayers with a taxable income of less than AUD \$37,000. This tax offset is phased out when taxable income reaches AUD \$66,667.

Various other tax offsets are also available to resident individual taxpayers such as medical expenses rebate, zone offsets and superannuation offset.

The tax rates for Australian individual residents and non-residents in the 2012/2013 financial year are outlined as follows:

Resident individuals – rates 2012/2013

<i>Taxable income (AUD \$)</i>	<i>Tax payable (AUD \$)</i>
\$0 – \$18,200	\$Nil
\$18,201– \$37,000	\$Nil + 19% over \$18,000
\$37,001 – \$80,000	\$3572 + 32.5% over \$37,000
\$80,001 – \$180,000	\$17547 + 37% over \$80,000
\$180,000 +	\$54,547 + 45% over \$180,000

*Non-resident individuals – rates
2012/2013*

<i>Taxable income (AUD \$)</i>	<i>Tax payable (AUD \$)</i>
\$0 – \$80,000	32.5%
\$80,001 – \$180,000	\$26,000+ 37% over \$80,000
\$180,000 +	\$63,000+ 45% over \$180,000

I. Treaty and non-treaty withholding tax rates

	<i>Dividends</i> ¹ (%)	<i>Interest</i> ² (%)	<i>Royalties</i> ³ (%)
<i>Resident corporations or individuals:</i>	0	0	0
<i>Non-resident corporations or individuals of non-treaty countries:</i>	30	10	30
<i>Treaty countries:</i>			
Argentina	10 or 15	12	10 or 15
Austria	15	10	10
Belgium	15	10	10
Canada	5 or 15	10	10
China	15	10	10
Czech Republic	5 or 15	10	10
Denmark	15	10	10
East Timor	15	10	10
Fiji	20	10	15
Finland	0, 5, 15	10	5
France	0, 5, 15	0 or 10	5
Germany	15	10	10
Greece	30	10	30
Hungary	15	10	10
India	15	15	10, 15 or 20
Indonesia	15	10	10 or 15
Ireland	15	10	10
Italy	15	10	10
Japan	0, 5, 10	0 or 10	5
Kiribati	20	10	15
Korea	15	15	15
Malaysia	0 or 15	15	15
Mexico	0 or 15	0, 10 or 15	10
Malta	15	15	10
Netherlands	15	10	10
New Zealand	0, 5 or 15	0 or 10	10
Norway	0, 5 or 15	10	5
Papua New Guinea	15 or 20	10	10
Philippines	15 or 25	10 or 15	15 or 25
Poland	15	10	10
Romania	5 or 15	10	10
Russia	5 or 15	10	10
Singapore	15	10	10
Slovak Republic	15	10	10
South Africa	5 or 15	0 or 10	5
Spain	15	10	10
Sri Lanka	15	10	10
Sweden	15	0 or 10	10
Switzerland	15	10	10
Taiwan/Taipei	10 or 15	10	12.50

	<i>Dividends</i> ¹	<i>Interest</i> ²	<i>Royalties</i> ³
	(%)	(%)	(%)
Thailand	15 or 20	10 or 25	15
United Kingdom	0, 5 or 15	0 or 10	5
United States	0, 5, 15 or 30	0, 10 or 15	5
Vietnam	10 or 15	10	10

Notes to Withholding Tax rate schedule

- ¹ Franked dividends paid by Australian resident companies to non-residents are exempt from dividend withholding tax.
- ² Non-resident interest withholding tax in Australia is limited to 10% under Australian tax law.
- ³ Withholding tax of 30% is generally imposed on the gross amount of royalties paid from Australia to non-residents. A reduced rate is applicable to residents of treaty countries as listed above.

The various rates may change according to categories and circumstances. Taxpayers should consult the applicable DTAs to ascertain the applicable rate.

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