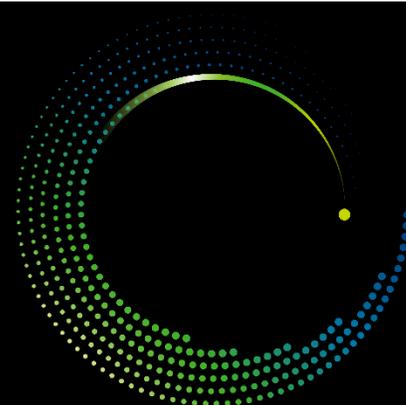


International Tax Australia Highlights 2022

Updated January 2022



Recent developments

For the latest tax developments relating to Australia, see [Deloitte tax@hand](#).

Investment basics

Currency: Australian Dollar (AUD)

Foreign exchange control: There are no foreign exchange controls.

Accounting principles/financial statements: The Australian equivalent of IFRS (A-IFRS) applies. Financial statements must be filed annually.

Principal business entities: These are the public company (“Limited” or Ltd), private company (“Proprietary Limited” or Pty Ltd), partnership, corporate limited partnership, trust, superannuation fund, sole trader, and branch of a foreign company.

Corporate taxation

Rates	
Corporate income tax rate	30% (standard rate)/25%
Branch tax rate	30%/25%
Capital gains tax rate	30%/25% (capital gains are included in assessable income subject to corporate income tax)

Residence: A company is resident in Australia if it is incorporated in Australia or, if not incorporated in Australia, carries on business in Australia, and either exercises central management and control in Australia, or has its voting power controlled by shareholders that are residents of Australia.

In the 2020-21 federal budget, the government announced it will amend the law to provide that a company that is not incorporated in Australia will be treated as an Australian tax resident where it has a significant economic connection to Australia. This test will be satisfied where the company’s core commercial activities are undertaken in Australia, and the company’s central management and control is in Australia. The measure will have effect from the first income year after the date of royal assent of the enabling legislation, but taxpayers will have the option of applying the new law as from 15 March 2017.

Basis: Resident companies generally are taxed on worldwide income. A nonresident company generally pays taxes only on income derived from Australian sources. The tax rates and treatment are the same for resident companies and branches of foreign companies. Special types of company such as cooperative firms, mutual and other life insurance companies, and nonprofit organizations are taxed at different rates.

Taxable income: Tax is payable on taxable income, which is assessable income less allowable deductions. Assessable income derived by a company carrying on business usually would include gross income from the sale of goods, the provision of services, dividends, interest, royalties, and rent. Assessable income excludes exempt income (e.g., certain dividends received from pooled development funds and income derived by certain entities, such as charities, etc.) and nonassessable nonexempt (NANE) income. NANE income includes income derived by certain foreign branches and foreign equity distributions received (directly or indirectly through one or more interposed trusts and partnerships) from a foreign company in which an Australian corporate income tax entity holds a participation interest of at least 10%.

Rate: The corporate income tax rate generally is 30%. However, for companies with an aggregate annual turnover of less than AUD 50 million that derive no more than 80% of their assessable income from “base rate entity passive income,” the tax rate is 25% for the 2021-22 and subsequent income years (reduced from 26% for the 2020-21 income year). Base rate entity passive income is:

- Corporate distributions and franking credits on those distributions;
- Royalties and rent;
- Interest income (subject to certain exceptions);
- Gains on qualifying securities;
- Net capital gains; and
- Amounts included in the assessable income of a partner in a partnership, or a beneficiary of a trust, to the extent that they are traceable (either directly or indirectly) to an amount that is otherwise base rate entity passive income.

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

Taxation of dividends: Australia operates a full imputation system for the avoidance of double taxation of dividends. Under this system, the payment of company tax is imputed to shareholders. Dividends paid out of profits on which Australian corporate income tax has been paid are said to be “franked.” Resident shareholders generally are entitled to a tax offset for the corporate income tax paid and franked dividends paid to nonresident shareholders are exempt from dividend withholding tax.

Capital gains: Assessable income includes any net capital gains (i.e., capital gains after offsetting capital losses). Net capital gains derived by companies are taxed at the prevailing corporate income tax rate. Where a company holds a direct voting interest of 10% or more in a foreign company for a certain period, any capital gain or loss on the sale of the shares in the foreign company may be reduced (see “Participation exemption,” below). Nonresidents include in assessable income only capital gains on assets that are “taxable Australian property” (e.g., the business assets of Australian branches of nonresidents, and direct and indirect interests in Australian real property). Provisions on the disposal of research and development (R&D) results may override the relevant capital gains treatment.

Losses: Tax losses (reduced by exempt income) may be utilized and carried forward indefinitely to offset future assessable income, provided a “continuity of ownership” (more than 50% of voting, dividend, and capital rights), or a “same” or “similar business” test is satisfied. Capital losses are subject to the same tests but may be offset only against capital gains.

Under a temporary loss carry back regime, eligible corporate entities with turnover less than AUD 5 billion in a relevant loss year may carry back losses made in any of the income years 2019-20 through 2022-23 (loss years) to offset a prior year income tax liability in any of the income years 2018-19 through 2021-22 (tax liability years). The amount of the tax offset is limited by the corporate entity's income tax liabilities in the relevant tax liability year(s) and its franking account balance at the end of the year in which the entity files its tax return claiming the loss carry back tax offset.

Foreign tax relief: The foreign income tax offset (FITO) rules allow taxpayers to claim a credit or tax offset against Australian tax in respect of assessable income that is foreign income or on which foreign income tax has been paid. The amount of the tax offset is equal to the foreign income tax paid, subject to a cap related to the Australian tax otherwise payable on that income. The offset may be used only in the income year to which the foreign tax relates. Unused FITOs may not be carried forward to future income years.

Participation exemption: Capital gains or losses on the disposal of shares in a foreign company, at least 10% of which is held by an Australian resident company for a certain period, may be reduced by a percentage that reflects the degree to which the assets of the foreign company are used in an active business. Foreign equity distributions received (directly or indirectly through one or more interposed trusts and partnerships) from a foreign company in which an Australian corporate income tax entity holds a participation interest of at least 10% are NANE income.

Holding company regime: There is no holding company regime.

Incentives: Qualifying expenditure on eligible R&D activities is entitled to beneficial treatment. Under the R&D tax incentive program, qualifying R&D expenditure is not deductible, but companies with an aggregate worldwide group turnover of less than AUD 20 million are entitled to a refundable tax offset. From 1 July 2021, the rate is set at a premium of 18.5% above the prevailing corporate income tax rate, resulting in a current total rate of 43.5%. Other companies are entitled to a nonrefundable tax offset on expenditure up to AUD 150 million. The calculation of the nonrefundable R&D tax offset rate for income years commencing on or after 1 July 2021 also has been recoupled to the prevailing corporate income tax rate and will provide a minimum net tax benefit of 8.5%, with a premium tier of 16.5% for an R&D spend with an intensity exceeding 2%.

Two further incentive regimes are proposed to start as from 1 July 2022; a patent box regime for medical and biotechnological companies and a digital gaming tax offset for eligible games.

Investors in Australian early stage innovation companies (ESICs) are eligible for a nonrefundable carryforward tax offset equal to 20% of the amounts paid for newly issued equity interests (shares) in the ESIC (capped at AUD 200,000), provided the investor does not fall within of the list of specified exclusions. There also are capital gains tax concessions for eligible shares.

Special tax rules apply to Managed Investment Trusts (MITs), a type of collective investment vehicle. Certain MITs and Attribution Managed Investment Trusts (AMITs) are subject to a concessional final withholding tax of 15% levied on fund payments made to foreign investors resident in countries that have concluded an exchange of information (EOI) agreement with Australia. Broadly, a fund payment represents the Australian-source net income (other than dividends, interest, and royalties) of the trust. Fund payments made may be subject to a final withholding tax of 30% where the fund payment is attributable to nonconcessional MIT income.

An Investment Manager Regime (IMR) provides concessional taxation treatment in certain circumstances where foreign-managed funds invest in Australia using Australian resident fund managers. Various other incentives also are available (e.g., film tax incentives).

Regulatory and tax frameworks for a corporate collective investment vehicle (CCIV) are to be established in Australia as from 1 July 2022. CCIVs will be taxed on a flow-through basis, with the objective that the general tax treatment of CCIVs and their members is aligned with the existing tax treatment of AMITs and their members.

Compliance for corporations

Tax year: The tax year is 1 July to 30 June, although a substituted year of income may be adopted in certain circumstances, with approval from the Australian Taxation Office (ATO).

Consolidated returns: A tax consolidation regime allows wholly owned Australian groups to elect to be taxed as a single consolidated entity for income tax purposes (“tax consolidated group”). The regime focuses on the tax consolidated group as the tax entity and disregards intragroup transactions for income tax purposes. The law reduces impediments to group restructuring, allows for pooling of losses within the group, and allows tax-free movement of assets within the group without any formal rollover requirements. There also are rules allowing certain Australian resident wholly owned subsidiaries of a foreign company to form a consolidated group known as a multiple entry consolidated (MEC) group.

The election to form a tax consolidated group or an MEC group is optional. However, once made, the election is irrevocable.

Filing and payment: Tax returns generally must be filed annually based on taxable income for an income year. The due date for filing the annual return for companies with 30 June year-ends generally is the following 15 January. Registration of applications for eligible R&D activities must be submitted within 10 months of the end of the income year.

Extensions to the filing date may be granted in certain cases.

Penalties: Penalties and interest may be imposed for late filing, failure to file, failure to exercise due care, and tax avoidance and evasion. Entities that are significant global entities (SGEs) are subject to late filing penalties of up to 100 times greater than large entities.

Rulings: The ATO issues public and private rulings. Rulings generally are binding on the ATO where they apply to a taxpayer and the taxpayer relies on the ruling. Public rulings may apply to all taxpayers, or a class of taxpayers, either generally or in relation to a particular arrangement. The ATO will issue a private ruling on the tax consequences of a specific scheme at a taxpayer's request. However, only the taxpayer requesting the private ruling may rely on the ruling. The ATO also operates an advance pricing arrangement program, under which taxpayers can obtain certainty on the application of the arm's length principle to their cross-border dealings with related parties.

The ATO releases Practical Compliance Guidelines (PCGs) that identify, in respect of particular risk areas, where the ATO will apply its compliance resources. Some PCGs will identify color-based risk zones ranging from green (low risk) to red (high risk). Larger corporate taxpayers required to submit the Reportable Tax Position (RTP) schedule also need to address the relevant PCG covering the various transaction disclosures in the schedule.

Law Companion Rulings also are issued to provide clarity and certainty around the ATO's interpretation of new legislation, while Tax Alerts provide a summary of the ATO's concerns about new or emerging higher risk tax or superannuation arrangements, or issues that the ATO has under risk assessment.

Individual taxation

Rates

Individual income tax rate	Taxable income	Rate*
	Up to AUD 18,200	0%

	AUD 18,201–AUD 45,000	19%
	AUD 45,001–AUD 120,000	32.5%
	AUD 120,001–180,000	37%
	Over AUD 180,000	45%
Capital gains tax rate	Capital gains are included in assessable income (subject to a capital gains tax discount) and taxed at the individual's marginal rate	

* In addition, resident taxpayers pay a Medicare levy of 2% of taxable income.

Residence: For tax purposes, an individual is a resident if they ordinarily reside in Australia or satisfy one of the following statutory tests:

- Is domiciled in Australia (unless the Commissioner of Taxation is satisfied that the individual's permanent home is elsewhere);
- Has spent more than half the tax year in Australia (unless the Commissioner of Taxation is satisfied that the individual's home is elsewhere, and the individual does not intend to take up residence in Australia); or
- Is a contributing member (or the spouse or child younger than 16 years of such a member) to certain superannuation funds for officers of the Commonwealth government.

In the 2021-22 federal budget, the government announced that the individual tax residency rules will be replaced with a new, modernized framework. The primary test will be a simple "bright line" test—a person who is physically present in Australia for 183 days or more in any income year will be an Australian tax resident. Individuals who do not meet the primary test will be subject to secondary tests that depend on a combination of physical presence and measurable, objective criteria. The measure will have effect from the first income year after the date of royal assent of the enabling legislation.

A temporary resident for tax purposes is an individual who meets all of the following criteria:

- Holds a temporary visa granted under the Migration Act 1958;
- Is not an Australian resident within the meaning of the Social Security Act 1991, and does not have a spouse who is an Australian resident within the meaning of the Social Security Act 1991; and
- Has not resided in Australia while not being a temporary resident (e.g., while holding a permanent or permanent resident visa, or being married to an Australian citizen).

Basis: Resident taxpayers generally are taxed on worldwide income and capital gains. Foreign residents are taxable only on Australian-source income and gains from taxable Australian property. Residents who qualify as temporary Australian residents are taxable on their worldwide employment income, and on Australian-source investment income, and capital gains from taxable Australian property.

Special tax rates also apply to working holiday makers who have a visa subclass 417 (Working Holiday) or 462 (Work and Holiday).

Taxable income: Tax is payable on taxable income, which is assessable income less allowable deductions. Assessable income for individual income tax purposes includes income from employment, business income, certain capital gains, and passive income such as dividends, interest, and rental income.

Rates: Progressive rates up to 45% apply (47% including the 2% Medicare levy, see "Social security," below). A tax-free threshold of AUD 18,200 applies for full-year resident taxpayers (a reduced threshold applies to part-year residents).

Capital gains: Net capital gains derived from the disposal of assets acquired after 19 September 1985 are included in assessable income. For assets held for more than 12 months, only 50% of the capital gain (“capital gains tax discount”) is included in assessable income. Nonresidents and temporary residents are ineligible for the capital gains tax discount in respect of gains arising after 8 May 2012. For assets acquired before 21 September 1999, individuals may choose between applying the discount and the former system under which the cost base of the asset is indexed for inflation. Indexation of the cost base of existing assets was frozen at 30 September 1999.

Nonresidents and temporary residents are subject to capital gains tax only on taxable Australian property. A creditable withholding tax may apply where certain assets (such as Australian real estate) are sold by foreign residents.

The main residence generally is exempt from capital gains tax, although the exemption is not available to nonresident taxpayers.

Deductions and allowances: Business expenses are tax deductible if they are necessarily incurred in gaining or producing assessable income. Charitable donations to Australian-registered charities may be tax deductible. Expenses of a capital, private, or domestic nature generally are not tax deductible. Tax residents of Australia are allowed some tax offsets. Many government offsets are available only to Australian citizens or permanent residents.

Foreign tax relief: The FITO rules allow taxpayers to claim a credit or tax offset against Australian tax in respect of assessable income that is foreign income or on which foreign income tax has been paid. The amount of the tax offset is equal to the foreign income tax paid, subject to a cap related to the Australian tax otherwise payable on that income. The offset may be used only in the income year to which the foreign tax relates. Unused FITOs may not be carried forward to future income years.

Compliance for individuals

Tax year: The tax year is 1 July to 30 June.

Filing status: Each taxpayer must file a separate return; joint returns are not permitted.

Filing and payment: Resident taxpayers whose taxable income exceeds AUD 18,200 or who have had Australian taxes withheld from lower salary amounts are required to file an income tax return. Foreign residents must file an income tax return if they derive Australian-source income or gains. The return must be filed by 31 October for the income year ending on 30 June of the same calendar year (unless the individual participates in a tax agent filing program and is eligible for an extended filing deadline).

Penalties: Penalties and interest may be imposed for late filing, failure to file, failure to exercise due care, and tax avoidance or evasion.

Rulings: See “Rulings” under “Compliance for corporations,” above.

Withholding tax

Rates				
Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%	0%	0%/30%	0%/30%
Interest	0%	0%	0%/10%	0%/10%
Royalties	0%	0%	30%	30%

Fees for technical services (not defined as royalties)	0%	0%	0%	0%
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Dividends: Dividends paid by Australian resident companies from profits already taxed at the corporate income tax rate may carry franking credits for the tax paid. Dividends are referred to as “fully franked,” “partially franked,” or “unfranked,” depending on the extent to which a company has chosen to use its franking credits. Dividends paid to a resident company or individual are not subject to withholding tax. To the extent distributions to foreign residents are unfranked distributions, they are subject to withholding tax at the statutory rate of 30%, which may be reduced under a tax treaty. Franked distributions are not subject to withholding tax. Under Australia’s conduit foreign income rules, certain foreign-source income derived by an Australian resident company can be distributed to foreign resident shareholders free of dividend withholding tax.

Interest: Interest paid by an Australian resident to an Australian resident company or individual is not subject to withholding tax if a tax reference number is provided. Interest paid to a foreign resident generally is subject to a 10% withholding tax. There are some exemptions, including for certain publicly offered debentures, and limited nondebenture debt interests. An interest withholding tax exemption applies under specific tax treaties for interest paid to unrelated foreign financial institutions or government bodies.

Royalties: Royalties paid by an Australian resident to an Australian resident company or individual are not subject to withholding tax. Royalties paid to a nonresident generally are subject to a withholding tax of 30%, unless the rate is reduced under a tax treaty.

Fees for technical services: Australia does not levy withholding tax on payments to residents or nonresidents of technical service fees that fall outside the definition of royalties.

Branch remittance tax: There is no branch remittance tax.

Other: Fund payments made to foreign residents by an MIT generally are subject to a 15% withholding tax when made to a nonresident in a country that has an EOI agreement with Australia; otherwise, withholding is required at a rate of 30%. A concessionary rate of 10% applies to fund payments by a “clean building MIT,” i.e., an MIT that holds only energy efficient commercial buildings constructed on or after 1 July 2012.

Anti-avoidance rules

Transfer pricing: The transfer pricing rules may apply to any international transaction. The rules do not necessarily require direct ownership between the two transacting parties; “any connection” between the parties is all that is needed. The rules apply to international transactions/dealings between separate legal entities, as well as permanent establishments. The commonly accepted transfer pricing methods in Australia, in line with the OECD guidelines, are the comparable uncontrolled price, resale price, cost plus, profit split, and transactional net margin methods, out of which the most appropriate and reliable method should be applied.

The transfer pricing rules apply where a party obtains a “transfer pricing benefit,” whether a reduction in income tax or withholding tax. The ATO can disregard the actual conditions and instead apply arm’s length conditions.

Interest deduction limitations: Interest deductions claimed against Australian assessable income for both foreign controlled Australian investments (inward investors) and Australian entities investing overseas (outward investors) are restricted where an entity’s debt exceeds a certain prescribed level. The maximum allowable debt for inward and outward investors generally is determined by applying one of the following tests:

- The safe harbor test, under which the prescribed debt-to-equity ratio broadly is 60% of total assets less nondebt liabilities and certain related party investments/receivables, as disclosed in the accounts. A separate test applies for financial institutions;
- The arm's length debt test, under which the prescribed level of debt is the maximum amount of debt the entity reasonably could have borrowed from commercial lending institutions; or
- Separate worldwide gearing tests that are available to inward and outward investors.

The rules apply to total debt, rather than just related party foreign debt, and cover Australian multinational companies, as well as foreign multinational investors. Taxpayers that, together with their associates, have interest deductions of less than AUD 2 million per annum, and outward investing entities with 90% or more of their total average value of assets consisting of Australian assets, are exempt from the rules.

Controlled foreign companies: A foreign company is a CFC where either (i) five or fewer Australian residents hold 50% or more of the company, (ii) (subject to additional considerations) a single Australian entity holds no less than 40% of the company, or (iii) five or fewer Australian entities (including associates) effectively control the company. Where the CFC rules apply, the Australian shareholder (attributable taxpayer) includes in its assessable income its share of the CFC's attributable income.

Hybrids: Australia has introduced hybrid mismatch rules based on action 2 of the OECD/G20 Base Erosion and Profit Shifting (BEPS) project. In addition, and going beyond the BEPS action 2 recommendations, a "targeted integrity rule" can deny a deduction in Australia for interest on intragroup financing arrangements (with no hybrid element) where the interest income is subject to foreign tax at a rate of 10% or less.

Economic substance requirements: Economic substance is relevant in connection with specific anti-avoidance rules, including the Multinational Anti-Avoidance Law (MAAL), and the diverted profits tax (DPT) (see "Other," below).

Disclosure requirements: All taxpayers in Australia must maintain adequate records to document their tax affairs, including transfer pricing. Contemporaneous transfer pricing documentation prepared before the submission of the tax return is a prerequisite to having a reasonably arguable position for penalty mitigation purposes in the event of an ATO audit.

Australian taxpayers are required in certain circumstances to file an International Dealings Schedule (IDS) with their annual income tax return. The IDS requests various details in respect of a taxpayer's cross-border related party dealings, including specific disclosures in relation to areas that the ATO considers high risk (i.e., certain types of transactions and dealings with related parties in favorable tax jurisdictions). The IDS also requires disclosure of information related to the application of the CFC and thin capitalization rules (see above).

In addition, country-by-country (CbC) reporting entities (a subgroup of SGEs, broadly, entities that are members of groups with annual global income of at least AUD 1 billion) must provide additional information to the ATO as part of Australia's CbC transfer pricing reporting requirements. Three annual statements (a CbC report; a master file; and a local file Part A, Part B, and short form) must be filed with the ATO in the approved format within 12 months of the end of the income year; however, an exemption may be granted in certain circumstances.

The ATO requires most economic groups with turnover in excess of AUD 250 million to file an RTP schedule with their tax returns.

A Voluntary Tax Transparency Code encourages the disclosure of additional tax and related information by businesses with turnover of at least AUD 100 million.

A CbC reporting entity also is required to file general purpose financial statements with the ATO in certain circumstances.

Exit tax: Where a taxpayer (including individuals and corporates) ceases to be a resident of Australia, the taxpayer generally is taken to have disposed of their assets for capital gains tax purposes. The exit tax rules do not apply to “taxable Australian property,” such as Australian real property, that remains subject to Australian tax in the hands of a nonresident.

General anti-avoidance rule: Australia operates a general anti-avoidance rule (GAAR) that supplements other specific anti-avoidance rules. The GAAR is a provision of last resort and can be applied by the tax authorities where there is a scheme, the sole or dominant purpose of which is to obtain a tax benefit.

Other: The MAAL targets the avoidance of permanent establishment status in Australia by foreign entities. Broadly, the MAAL applies to SGEs where a foreign entity supplies goods or services to Australian customers, an Australian affiliate performs activities in Australia directly in connection with those supplies, and there is a relevant “principal purpose” to obtain a relevant tax advantage.

DPT at 40% applies to SGEs, on profits transferred offshore through related party transactions (the “diverted profit”). Cross-border related-party transactions where the diverted profit is subject to foreign tax paid of less than 24% potentially are within the scope of the DPT; the foreign tax test for this purpose is based on foreign tax paid, not the headline rate.

Broadly, the DPT can apply in certain circumstances where a tax benefit is obtained in connection with a scheme, and it can be concluded that the scheme, or any part of it, was entered into for the principal purpose of enabling a tax benefit to be obtained. There are limited carve-outs for nonapplication of the DPT. One such exemption is the “sufficient economic substance” test that examines whether the profit of each relevant entity reasonably reflects the economic substance.

Goods and services tax

Rates

Standard rate	10%
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Taxable transactions: Goods and services tax (GST) is a transaction-based, value added tax on the inputs and outputs of an entity’s business activities. GST is charged at each step in the supply chain, with GST-registered entities including GST in the price of “taxable” goods and services they supply. There are other types of supply to which GST does not apply and is not included in the price; these include “input taxed” supplies, such as financial supplies, and “GST-free” supplies, such as the sale of going concerns, and exports of goods and services. Generally, entities that are registered for GST purposes can claim a credit for GST paid on the inputs acquired for use in their enterprise. However, entities making input taxed supplies generally are unable to claim such credits, unless one of several concession measures applies. GST applies on an extra-territorial basis in certain circumstances. Businesses supplying services and digital products to Australian consumers from offshore, and businesses supplying low value goods (AUD 1,000 or less) imported by consumers into Australia may be required to register and collect and remit GST on those supplies.

Rates: The GST rate is 10%.

Registration: An entity that carries on an enterprise must register for GST if its annual turnover is at or above the registration turnover threshold. The current threshold is AUD 150,000 per year for not-for-profit entities and AUD 75,000 per year for all other entities. However, an entity that carries on an enterprise may choose to register even if its turnover

is below the registration turnover threshold. A nonresident entity carrying on an enterprise whose turnover is below the turnover threshold can choose to register for GST to recover the GST it pays on its inputs.

Filing and payment: Each GST-registered entity must account for its GST obligations on a Business Activity Statement (BAS) at the end of each tax period. Entities with an annual turnover of AUD 20 million or more must file a monthly BAS. In general, entities with an annual turnover below AUD 20 million can choose to file a monthly or a quarterly BAS.

Small businesses voluntarily registered for GST may report and pay GST annually rather than quarterly, to help reduce compliance costs.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social security contributions: Employers are required to contribute to a compliant Australian superannuation fund or retirement savings account on behalf of their employees, at a rate of 10% of the employee's "ordinary time earnings," up to a maximum earnings base of AUD 58,920 per quarter in 2021-22. Exemptions from the superannuation requirement apply in limited circumstances.

In addition to income tax, most individual Australian resident taxpayers are subject to a 2% levy on taxable income to fund Medicare (a universal health program that provides basic medical and hospital care free of charge), and Disability Care. Relief is available to low-income taxpayers. Certain individuals on temporary visas are ineligible for Medicare benefits, and may apply to the Minister of Health for a certificate of exemption.

A further Medicare levy surcharge (up to 1.5%) may be imposed on individual taxpayers who do not hold appropriate private hospital insurance if their taxable income exceeds a certain threshold.

Payroll tax: Payroll tax is levied on employers by the states and territories, with the amount predominantly based on salaries, wages, fringe benefits, and superannuation contributions paid to employees. Rates vary between states and territories and may be up to 6.85%. Depending on the state or territory, COVID-19 related waiver or deferral measures may apply to payroll tax liabilities arising for certain periods in 2022.

Capital duty: Australia does not impose capital duty.

Real property tax: See "Stamp duty," below, for property transfers. Land tax also is levied annually, by all but one of the states and territories on land owners with land in the state or territory unless an exemption applies (e.g., principal place of residence exemption). Rates of up to 2.75% apply, depending on the state or territory. In some states, a land tax surcharge at rates of up to 2% may be applied to foreign or absentee owners. Residential dwellings that are vacant for more than six months in a year also may attract an annual vacancy fee and/or vacant residential land tax.

Land owners also are required to pay local government rates to the municipal council in which real property is located, calculated on the basis of the property's value.

Transfer tax: See "Stamp duty," below.

Stamp duty: The states and territories impose stamp duty at rates of up to 6.5% on the transfer of real (tangible) property and some other business (intangible) property. Rates vary depending on the state or territory and value of property transferred. Stamp duty also is imposed on the indirect transfer of real property held by certain companies and unit trusts, at rates of up to 6.5%. In some states, extra stamp duty may be imposed by way of a surcharge (for foreign

buyers of residential property at rates of up to 8% on top of the standard rates) and/or premium duty rates (for high value residential property at rates of up to 7%), with a combined maximum rate of 15%.

Net wealth/worth tax: Australia does not impose a net wealth tax or a net worth tax.

Inheritance/estate tax: Australia does not impose inheritance tax or estate tax.

Other: The petroleum resource rent tax is a project-based tax levied on profits generated from the upstream exploitation of petroleum offshore (including the Greater Sunrise area set out in the Maritime Boundary Treaty).

Employers are required to pay fringe benefits tax (FBT) on the value of fringe benefits (e.g., motor vehicles, low-interest loans, and school fees) provided to their employees, at a rate of 47% on the grossed-up value of each benefit. FBT is deductible for income tax purposes.

State and territory legislation requires employers to insure employees against work-related injuries, and compensate them for injury, disability, or death arising from, or in the course of, employment.

Tax treaties: Australia has concluded 45 bilateral tax treaties. The OECD multilateral instrument (MLI) entered into force for Australia on 1 January 2019. For information on Australia's tax treaty network, visit [Deloitte International Tax Source](#).

Tax authorities: Australian Taxation Office, Innovation and Science Australia (the regulator for the R&D tax incentive), States and Territories Revenue Offices, Foreign Investment Review Board (FIRB, assists the Australian Treasurer in regulating foreign investment into Australia, including intragroup transactions, and certain foreign investment transactions require FIRB approval)

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