

# Australia company registration

## Healy Consultants



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With Healy Consultants' help, our Clients can register a company and receive an Australia Company Number (CAN) in one week. Our services include **i)** business registration **ii)** government license registration **iii)** business bank account opening **iv)** employee recruitment **v)** visa strategies and **vi)** office rental solutions.

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# Why set up a company in Australia?



## Minimal incorporation requirements

- A Proprietary Limited Company (Pty. Ltd.), the equivalent of an LLC, can be registered within one week with the Australian Securities and Investments Commission (ASIC);
- A minimum of 1 shareholder and 1 director of any nationality are required. However, at least one of the directors must be resident in Australia;
- Minimum paid up share-capital is AU\$1 only;
- No travel is required to complete the business registration formalities.

## Tax treaties and trade agreements

- Australia has signed [50 international double taxation treaties](#) that minimize withholding tax;
- Australia has established trade agreements with multiple countries including, Singapore, New Zealand, Thailand, and the US;
- The government is considering reducing corporate tax rate to 28.5% from its current rate of 30%;
- Dividends and capital gains from Australian and global subsidiaries are subject to a reduced corporate tax rate of up to 15% if **i)** the shares have been held for 1 year and **ii)** the shares represent over 10% of the subsidiary's share capital. Any corporate tax paid by the subsidiary on its income is imputed against the tax charged on its dividends in Australia, thus avoiding double taxation.

## Investment incentives

- Companies looking to expand to Australia can benefit from the investment incentives provided by the government;
- Incentives provided by [Austrade](#), Australia's Trade Commission, include:
  - Training, research and development, and export market development;
  - Streamlined immigration procedures;
  - Sales tax exemption for selected used equipment;
  - Obtaining information for site selection;
  - Introductions to relevant government agencies and professional service providers.

## Excellent business environment

- Australia is ranked 10<sup>th</sup> on the [World Bank's 2014 Ease of Doing Business report](#), which shows that the country's environment is conducive to setting up a new company and daily operations;
- On [Transparency International's 2014 Corruption Perceptions Index](#), Australia ranks as the 11<sup>th</sup> least-corrupt country. The index is a global measure of corruption amongst public officials and politicians;
- Australia ranks 4<sup>th</sup> on the [Heritage Foundation's 2015 Index of Economic Freedom report](#) which measures freedom enjoyed in business, trade, financial, investment and labor markets.

# Business entity types in Australia

## Limited liability company

- The most common entity type used by companies setting up in Australia;
- An Australian LLC is also known as a Limited Liability Proprietary company, abbreviated to Pty. Ltd.;
- An Australian resident director is required to set up this company type.

## Branch office

- Branches are a good alternative to setting up a subsidiary if the company's objective is to consolidate financial results of the parent company;
- A branch office must establish a registered office in Australia and appoint a resident agent;
- Financial statements of the branch office must be submitted annually to [ASIC](#).

## General partnerships

- In this entity, owners do not have limited liability;
- Partnerships allow profits to be equally distributed without restriction;
- A partnership can have between 2 and 20 owners and can be formed without any legal process – though it is always wise to have a written agreement before starting a business;
- This entity type is simple and cheap to set up;
- Financial liabilities are distributed between the owners of the partnership;
- There is no corporate tax on partnerships, as each partner is taxed on their individual share of the partnership's profit or loss.

## Representative office

- This entity is useful for businesses that do not intend to carry out business locally;
- Representative offices can engage in auxiliary or preparatory activities such as market research or back-office functions.

## Companies limited by guarantee

- This entity type is often used by non-profits and charities;
- There are no shareholders or paid-up share capital used to set up this company;

- Instead of using share capital, members give personal guarantees up to a specified level for the company's liabilities, enforced on the winding up of the company.

## Co-operatives

- This entity type is formed by groups of people with a common goal to work together;
- Profits are either distributed between the members or used to further improve the cooperative;
- Co-operatives will be covered by the [Co-operatives Act](#) and will need to adhere to the rule and regulations set out therein.

## Public companies

- Usually comprises of more than 50 shareholders;
- A minimum of 3 directors are required, of whom 2 must be Australian residents;
- This entity type must comply with more regulations than an LLC;
- Public companies are usually traded on the stock market and members of the public are allowed to buy shares, but being a public company does not necessarily entail a public listing;
- A minimum of 5 shareholders are required for a public company.



**Table of comparison between Australian business entities**

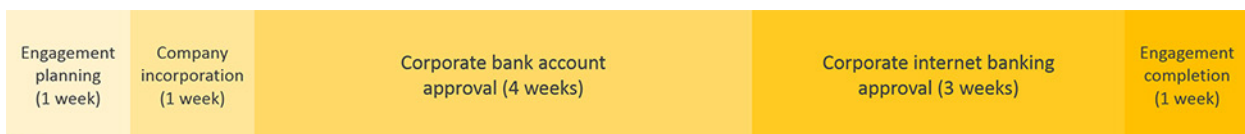
	<b>LLC</b>	<b>Branch office</b>	<b>Partnership</b>
<b>Operations and logistics</b>			
Do you need to visit Australia for company setup?	No	No	No
Allowed to sign sales contracts with local Clients	Yes	Yes	Yes
Allowed to invoice local Clients	Yes	Yes	Yes
Can rent local office premises	Yes	Yes	Yes
Tenancy agreement required before incorporation?	Registered address	Registered address	Registered address
Allowed to import raw materials?	Yes	Yes	Yes
Allowed to export goods?	Yes	Yes	Yes
<b>Accounting and tax</b>			
Corporate tax payable	30%	30%	30%
Statutory audit required	Yes	Yes	Yes
Annual tax return to be submitted	Yes	Yes	Yes
Access to double taxation treaties	Yes	Yes	Yes
<b>Company law</b>			
Issued share capital required	None	None	None
Resident director required?	Yes	Yes	No
Resident shareholder required?	No	No	No
Minimum number of directors	1	None	None
Minimum number of shareholders	1	None	2 partners
Resident company secretary	Yes	Yes	Yes
Individual shareholders allowed	Yes	Yes	Yes
Corporate directors allowed	No	No	No
Corporate shareholders allowed	Yes	Yes	Yes
Public register of shareholders and directors	Yes	Yes	Yes
<b>Immigration</b>			
Can the entity hire expatriate staff?	Yes	Yes	Yes
How long to get work permit approved	3 months	3 months	3 months
<b>Fees and timelines</b>			
How long to set the company up?	1 week	1 week	1 week
How long to open corporate bank account?	2 weeks	2 weeks	2 weeks
Estimate of engagement costs	AU\$15,827	AU\$9,990	AU\$9,637

# Steps to incorporate in Australia

## 10 STEPS TO SETTING UP A BUSINESS IN AUSTRALIA



### Australia company incorporation timeline



Total engagement period: 10 weeks



# Accounting and tax in Australia

- Standard corporate tax rate for an Australian company is 28.5%;
- All tax returns must be filed by the following dates depending on turnover: **i)** 15th January for turnover greater than US\$2 million and **ii)** 28th February for all other companies;
- Standard GST (goods and services tax) rate is 10% and GST returns are to be submitted on a quarterly basis unless turnover for the company is greater than US\$20 million; these companies must return filings on a monthly basis;
- All dividend and capital gains are subject to a 30% corporate tax rate. A 15% corporate tax rate can apply instead if **i)** the shares have been held for a year and **ii)** they represent over 10% of the subsidiary's share capital. Corporate tax paid by the company paying the dividend is automatically written off against the tax due by the Australian shareholder;
- Dividends paid to Australian and foreign parent companies are withholding tax-exempt if corporate taxes have been paid on the subsidiary's profits. If corporate tax has not been paid, the withholding tax rate is 30% (unless reduced by a tax treaty);
- Interest paid to foreign entities is subject to a 10% withholding tax (unless reduced by a tax treaty);
- Sales and transfers of real estate are subject to tax rates set by local authorities (up to 7%);
- Along with contribution to the Social Security and Unemployment Insurance Fund of 13% of their employees' gross salaries, companies must also pay 46% tax on all fringe benefits provided to their employees;
- Employers are required to withhold payroll tax on all employees' wages and benefits. The average payroll tax fixed by the local authorities is 5.5%;
- Australia has tax treaties signed with 50 countries including Singapore, Malaysia, China, France, the UK and the US to reduce withholding tax on payments abroad.



# Investing in Australia

- Investors can access government incentives through [Austrade](#), Australia's Trade Commission;
- Investors can also view the different investment incentives offered by each of the [Australian state/territory governments](#);
- The Australian government's [Finance for Australian Exporters agency](#) (EFIC) also provides assistance with securing loans, guarantees, bonds and insurance products for exporters;
- Grants are provided for exporters in a wide range of products and industries. In order to encourage SMEs to develop their export markets, eligible companies can receive up to 50% reimbursement on export promotion expenses. Requirements include i) the company must have spent more than AU\$10,000 on export promotion expenses and ii) the company's income must be less than AU\$50 million;
- [AusIndustry](#) is another government agency under the department of innovation, industry, science, and research. The agency is tasked with growth in innovation, investment, and international competitiveness;
- AusIndustry incentives are based on grant schemes such as:
  - *Commercial Ready*: provides AU\$200 million to SMEs in competitive grants;
  - *Green Car Innovation Fund*: provides grants that cover 25% of expenditures on projects promoting R&D, commercialization of Australian fuel optimization, or greenhouse gas emission reduction technologies in passenger motor vehicles;
  - *Textile Clothing and Footwear Strategic Capability Program*: matches R&D expenditure for innovative project that improve the country's clothing and footwear industries;
  - *Retooling for Climate Change*: provides grants between AU\$10,000 to AU\$500,000 to small and medium-sized manufacturers that aim to improve their environmental footprint.





# Summary

Despite the few drawbacks of setting up a company in Australia such as the need for a resident director and a high corporate tax rate of 30%, Australia is still a popular jurisdiction to set up a company when entering the Asia Pacific market.

Key benefits of registering an Australian company range from having no minimum share capital requirements, access to 50 double taxation treaties, and the large variety of investment incentives provided by the government.

If you are looking to expand your business to Australia, it is beneficial to have someone who understands the full business setup process. With experience since 2003 with registering businesses in Australia, Healy Consultants can provide Clients with the knowledge and expertise to ease the process of entering the market. Healy Consultants also provides a wide range of support services for your business including resident director services, virtual office services, tax planning services and visa application services.

Please visit <http://www.healyconsultants.com/australia-company-registration/> for more information.

## References

- <http://www.healyconsultants.com/australia-company-registration/>
- <https://www.austrade.gov.au/International/Invest/Guide-to-investing/Australian-Government-support-programs>
- <https://www.austrade.gov.au/International/Invest/Guide-to-investing/Australian-Government-support-programs/Australian-state-and-territory-government-assistance>
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For further information on setting up a business in Australia, please email us at [email@healyconsultants.com](mailto:email@healyconsultants.com). Alternatively, you can call us at (65) 6735 0120.

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