



# Australia Payroll & Tax Overview

**A GUIDE TO DOING BUSINESS IN AUSTRALIA**

*STRICTLY PRIVATE AND CONFIDENTIAL*



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## 1.0 Doing Business in Australia

For ease of reference, we talk about a foreign company looking at investing in Australia or employing personnel in Australia. The following discussion equally applies to individuals, trusts etc. wishing to invest or employ in Australia.

### 1.1 Investing in Australia

The Australian Government proactively encourages inward investment, with a wide array of incentives to encourage investment in the national economy. In recent years, the government has tried to put measures in place to encourage employers to hire Australian nationals where possible, and to only use expatriate work force where skill shortages exist.

### 1.2 Business Structures

An entity wishing to conduct business in Australia must have a legal presence in Australia. There are a number of common structures used in Australia, however the most common entities for foreign companies wishing to conduct business in Australia are either registering the foreign company in Australia (commonly referred to as a 'branch') or incorporating an Australian subsidiary company. Companies in Australia are bound by the provisions in the *Corporations Act 2001* which are regulated and administered by the Australian Securities and Investment Commission ('ASIC').

Some key requirements of branches and subsidiaries are highlighted below:

#### *Australian branch*

- Must register as a foreign company with ASIC and will be issued with an Australian Registered Body Number ('ARBN'). When applying for an ARBN, non-resident individuals and shareholders will be required to provide certified copies of certain proof of identity documents.
- Must have a registered office in Australia.
- Must appoint an Australian resident individual or company as local agent.
- Must have an Australian resident public officer for tax purposes.
- Must prepare audited financial reports and lodge them with ASIC.

### *Australian subsidiary company*

- Australian companies are incorporated and regulated by ASIC. On incorporation, the company will be issued with an Australian Company Number ('ACN')
- Must have at least one shareholder.
- Must have at least 1 director who is ordinarily **resident in Australia** (two for public companies).
- Must have a registered office in Australia.
- Must have an Australian resident public officer for tax purposes.
- Foreign owned Australian companies must prepare audited financial reports and lodge them with ASIC. However small private companies may be able to apply for relief from this requirement.
- Provided all relevant information is available, an Australian company can generally be incorporated within one business day.

### **1.3 Australian Business Number**

An Australian Business Number ('ABN') is a unique 11-digit number that identifies your business. Entities carrying out business in Australia should apply for an ABN. If you carry out business in Australia and fail to quote an ABN, customers may be required to withhold a 47 percent withholding tax from payments.

When applying for an ABN, non-resident individuals and companies will be required to provide certified copies of certain proof of identity documents.

### **1.4 Tax File Number**

A Tax File Number ('TFN') is a unique identifier issued by the ATO to taxpayer's in Australia and is generally used for taxation and superannuation purposes.

A business in Australia will have both an ABN and TFN.

### **1.5 Banking**

It is not mandatory to make payments to employees or the authorities from an in-country bank account.

## 1.6 Working Week

A standard working week in Australia is typically Monday to Friday totalling 38 hours. The working day for commercial offices is typically from 8:30AM to 5:00PM. Lunch breaks range from 30 minutes to one hour.

## 1.7 Basic Facts about Australia

### General Information:

**Full Name:** Commonwealth of Australia

**Population:** 25.36 million (World Bank, 2019)

**Capital:** Canberra

**Largest City:** Sydney

**Major Language:** English

**Monetary Unit:** 1 Australian dollar = 100 cents

**Main Exports:** Ores and metals, wool, food and live animals, fuels and transport machinery

**GNI per Capita:** US \$51,760 (World Bank, 2019)

**Internet Domain:** .au

**International Dialling Code:** +61

### Dates & Numbers:

Dates are usually written in the day, month and year sequence. For example, 1 July 2021 or 1/7/21.

Numbers are written with a comma to denote thousands and a period to denote fractions. For example, AUD\$ 3,000.50 (three thousand dollars and fifty cents).

## 2.0 Corporate Taxes

The Australian tax system is administered by the Australian Taxation Office ('ATO'). The standard Australian tax year ends on 30 June; however, companies can apply for a Substituted Accounting Period ('SAP') with the ATO to align its financial year with that of a foreign owner.

An Australian resident company is liable to pay Australian tax on its worldwide income at the applicable corporate tax rate.

A non-resident company is only liable to pay Australian tax on its Australian sourced income, at the applicable corporate tax rate.

## 2.1 Corporate Tax Rates

The standard corporate tax rates for the 2019 - 2020 financial year are:

INCOME CATEGORY	RATE (%)
Base Rate Entities ('BRE')	27.5
Otherwise	30

A BRE is a company that satisfies both of the following requirements:

- Has an aggregate turnover less than the aggregate turnover threshold (as outlined below); and
- 80 percent or less of its assessable income is base rate entity passive income. Base rate entity passive income includes dividends, royalties, rents, interest, capital gains and certain distributions.

Australia is progressively reducing the corporate income tax rate in order to remain a competitive country in which to do business. As a result, the corporate income tax rate will progressively reduce as follows:

YEAR	AGGREGATED TURNOVER THRESHOLD	(BRE) CORPORATE ENTITIES UNDER THE AGGREGATED TURNOVER THRESHOLD	ALL OTHER CORPORATE ENTITIES
2020–21	\$50m	26.0%	30.0%
2021–22	\$50m	25.0%	30.0%

## 2.2 Key Tax Considerations

### *Capital Gains*

Australian resident companies will generally incur a tax liability on the capital gain derived on the disposal of a capital asset, at their relevant corporate tax rate.

Capital gains derived by a non-resident on the sale of shares in Australian companies are not subject to tax in Australia where the assets of the company are not predominantly comprised of taxable Australian property.

#### *Tax Consolidation*

Australia has a tax consolidation regime which provides wholly owned groups with the option to consolidate for income tax purposes. Forming a tax consolidated group results in a group of entities being treated as a single entity for income tax purposes and lodging a single income tax return. Transactions between members of the consolidated group are then ignored for income tax purposes.

#### *Tax Losses*

Tax losses incurred by a taxpayer are available to be carried forward indefinitely and offset against income in future years subject to satisfying the Continuity of Ownership Test ('COT') or the Similar Business Test ('SBT').

However, as of 1 January 2021, eligible corporate entities with a turnover of less than AUD\$5 billion can carry back and apply losses in previous periods. Under the loss carry back provisions, losses made in the 2019–20, 2020–21 and 2021–22 income years, can be applied to a prior year's income tax liability in the 2018–19, 2019–20 and 2020–21 income years.

#### *Transfer Pricing*

Australia has robust transfer pricing provisions based on the rules developed by the Organisation for Economic Cooperation and Development ('OECD'). These provisions are aimed to ensure that transactions between overseas related parties are conducted at "arm's length".

Where cross-border related party dealings exceed AUD2 million, details of the transactions are required to be disclosed in the international dealings schedule of the company's annual income tax return.

Foreign companies conducting business in Australia need to carefully consider the pricing and documentation requirements of Australia's transfer pricing provisions.

#### *Thin Capitalisation*

Australia's thin capitalisation provisions operate to limit the level of debt deductions available Australia, where a taxpayer is considered 'thinly capitalised'. The thin capitalisation rules apply

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where debt deductions for a particular financial year exceed AUD2 million and the entity's debt-to-equity ratio exceeds the relevant threshold. The calculations to determine the maximum allowable debt are complex, however broadly the amount is based on 60% of the average assets of the Australian entity or a debt-to-equity ratio of 1.5 to 1.

### *Double Tax Agreements*

Australia has Double Tax Agreements ('DTA') with more than 40 tax jurisdictions. These DTA's apply to prevent double taxation and fiscal evasion, and foster cooperation between Australia and other international tax authorities.

### *Non-Resident Withholding Taxes*

Australia imposes dividend (30%), royalty (30%) and interest (10%) withholding taxes on payments to non-residents. The withholding tax rates may be reduced under a DTA or as a consequence of exceptions under domestic legislation.

## **2.3 Key Incentives**

### *Depreciation*

Taxpayers are entitled to claim a deduction for the decline in value (or depreciation) of capital assets used in their business. This deduction is calculated over the assets useful life using either a straight line or diminishing value method.

Eligible businesses can claim an immediate deduction for the business portion of the cost of a capital asset in the year the asset is first used or installed ready for use. As a result of the Governments post COVID-19 investment incentives, eligibility criteria and threshold amount for immediate deduction have changed. Current eligibility criteria are:

ELIGIBLE BUSINESS	DATE RANGE	ASSET COST THRESHOLD
Less than AUD5 billion	6 October 2020 to 30 June 2022	No Threshold
Less than AUD500 million	12 March 2020 to 6 October 2020	AUD150,000
Less than AUD10 million aggregated turnover	2 April 2019 to 11 March 2020	AUD30,000



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### *Research and Development Tax Incentive*

The Research and Development ('R&D') tax incentive is the Australian Government's key incentive to stimulate investment in R&D in Australia. The R&D tax incentive is available to companies that are:

- Incorporated in Australia
- Foreign company that is an Australian resident for income purposes
- Foreign company that is a resident of a country with which Australia has a DTA

Entities undertaking eligible R&D activities are entitled to:

- A 43.50 percent refundable tax offset for entities with turnover of less than AUD20 million; or
- A 38.50% non-refundable tax offset for all other entities.

Eligible entities must register their R&D activities with the Department of Industry, Science, Energy and Resources within 10 months after the end of their financial year. The entity will then lodge an R&D schedule in its annual income tax return to quantify the eligible tax offset.

## **3.0 Other Taxes**

### **3.1 Goods and Services Tax**

Goods and Services Tax ('GST') is a consumption tax on the supply of goods and services, similar to the value added tax models adopted by most countries around the world. GST is levied at a flat rate of 10 percent of the value of goods and services consumed in Australia (including imports). Businesses carrying on an enterprise in Australia, must register for GST when their GST turnover exceeds AUD75,000. Registered businesses are entitled to claim an 'input tax credit' for GST that has been paid on goods and services consumed in carrying on their enterprise.

Non-resident businesses may be required to register for GST if they are selling goods that are connected with Australia. Goods may be connected with Australia where:

- They are delivered or made available to a purchaser in Australia
- They are removed from Australia
- They are brought to Australia and the seller either imports the goods or installs or assembles the goods in Australia.

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GST is a self-assessed tax and is reported to the ATO in an entities Business Activity Statements ('BAS').

In order to minimise the GST compliance requirements of non-resident business, certain non-resident businesses may be eligible to register for simplified GST. Simplified GST registration is available to non-residents who make sales of:

- Online services and digital products to Australia
- Goods valued at AUD1,000 or less.

Businesses that register for simplified GST are not entitled to claim Australian GST credits for purchases. Simplified GST can be lodged and paid on an online portal.

### **3.2 Stamp Duty**

The various State and Territory Governments in Australia impose stamp duty (or 'transfer duty') on various transactions, predominantly the transfer of assets, businesses and real estate.

Each State and Territory Government has their own stamp duty provisions outlining the relevant tax rates, thresholds and exemptions available.

### **3.3 Land Tax**

Land tax is an annual tax imposed by the State and Territory Governments on landowners in Australia. Land tax is generally calculated by applying the relevant rate of tax to the aggregated value of all land held.

Each State and Territory Government has their own land tax provisions outlining the relevant tax rates, thresholds and exemptions available.

## **4.0 Individual and Employment Taxes**

Australian resident individuals are taxable in Australia on their worldwide income. Temporary and non-resident individuals are only taxable in Australia on their Australian sourced income.

#### 4.1 Individual Tax Rates

Both residents and non-residents are taxable in Australia on a progressive scale of marginal rates. The resident and non-resident marginal rates for the 2019-2020- and 2020-2021- income years are outlined below:

##### ***Resident Individual 2019 – 2020***

TAXABLE INCOME	TAX ON THIS INCOME
0 – \$18,200	Nil
\$18,201 – \$37,000	19c for each \$1 over \$18,200
\$37,001 – \$90,000	\$3,572 plus 32.5c for each \$1 over \$37,000
\$90,001 – \$180,000	\$20,797 plus 37c for each \$1 over \$90,000
\$180,001 and over	\$54,097 plus 45c for each \$1 over \$180,000

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

##### ***Non-Resident Individual 2019 – 2020***

TAXABLE INCOME	TAX ON THIS INCOME
0 – \$90,000	32.5c for each \$1
\$90,001 – \$180,000	\$29,250 plus 37c for each \$1 over \$90,000
\$180,001 and over	\$62,550 plus 45c for each \$1 over \$180,000

Non-residents are not required to pay the 2% Medicare Levy.

##### ***Resident Individual 2020 – 2021***

TAXABLE INCOME	TAX ON THIS INCOME
0 – \$18,200	Nil
\$18,201 – \$45,000	19c for each \$1 over \$18,200

\$45,001 – \$120,000	\$5,092 plus 32.5c for each \$1 over \$45,000
\$120,001 – \$180,000	\$29,467 plus 37c for each \$1 over \$120,000
\$180,001 and over	\$51,667 plus 45c for each \$1 over \$180,000

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

### ***Non-Resident Individual 2020 – 2021***

<b>TAXABLE INCOME</b>	<b>TAX ON THIS INCOME</b>
0 – \$120,000	32.5c for each \$1
\$120,001 – \$180,000	\$39,000 plus 37c for each \$1 over \$120,000
\$180,001 and over	\$61,200 plus 45c for each \$1 over \$180,000

Non-residents are not required to pay the 2% Medicare Levy.

## **4.2 Residency**

### *Australian Resident*

Generally, an individual will be considered a resident of Australia for tax purposes where they:

- Ordinarily reside in Australia;
- Are domiciled in Australia, unless they have a permanent place of abode outside of Australia;
- Are present in Australia for more than one-half of the year, unless they have a usual place of abode outside of Australia and do not intend to take up residence in Australia; or
- Are a member of a government funded superannuation scheme.

### *Temporary Australian Resident*

An individual will be considered a temporary resident of Australia if:

- They hold an Australian temporary visa; and
- They are not an Australian resident within the meaning of the *Social Security Act 1991*;  
and
- Their spouse is not an Australian resident.

### 4.3 Fringe Benefits Tax

The Australian Fringe Benefits Tax ('FBT') year runs from 1 April to 31 March. FBT is a tax imposed on both resident and non-resident employers who provide certain benefits (other than salary and wages) to employees and their associates in connection with their employment. These benefits include but are not limited to:

- Meals and entertainment
- Car parking
- The provision of motor vehicles (either directly or under a novated lease)
- Reimbursement or payment of personal expenses (including expenses such as health insurance, home internet, gym memberships ect.)
- Provision of personal travel
- Provision of housing or accommodation
- Living-away-from-home allowances
- Loans

The taxable value of fringe benefits is taxed at the rate of 47%.

The taxable value of certain fringe benefits provided to employees is also required to be disclosed on their annual Pay-As-You-Go payment summary for the financial year ended 30 June.

The due date for the lodgement and payment of all FBT returns with the ATO is 25 June.

### 4.4 Payroll Tax

Payroll tax is a tax levied on employers on the payment of wages and benefits (including superannuation) to employees and some contractors. Each State or Territory Revenue Office levies and collects payroll tax from eligible businesses employing employees in that State or Territory. Payroll tax is generally administered consistently by each State or Territory and is levied on the wages and benefits paid to employees that exceed the relevant State or Territory's threshold. The threshold is the level of 'grouped' Australian wages which are not liable to payroll tax in the relevant State or Territory.

The rate of tax as well as the exemption threshold limits differ from State to State, the general threshold and rates are summarised below:

STATE OR TERRITORY	RATE OF TAX	ANNUAL THRESHHOLD
Australian Capital Territory	6.85%	\$2,000,000
New South Wales	4.85%	\$1,200,000
Northern Territory	5.50%	\$1,500,000
Queensland	Up to 4.95%	\$1,300,000
South Australia	Up to 4.95%	\$1,500,000
Tasmania	Up to 6.10%	\$1,250,000
Victoria	4.85%	\$600,000
Western Australia	Up to 6.00%	\$1,000,000

Payroll tax returns need to be lodged on either a monthly, 6-monthly or annual basis. Irrespective of the lodgement frequency, all entities must lodge an annual reconciliation in each State or Territory. The annual reconciliation is generally due for lodgement by 21 July following the end of financial year and needs to reconcile an employer's total wages including:

- Salary and wages;
- Fringe Benefits; and
- Employee Share Scheme income

## 5.0 Employee Benefits and Tax Withholding

### 5.1 Superannuation

Generally, an employer will be liable to pay Superannuation Guarantee Contributions ('SGC') to eligible employees and certain contractors, where that employment is undertaken in Australia. An individual's SGC obligation is calculated by applying 9.5% to the total Ordinary Time salary or wages paid by the employer to the employee for the quarter.

We note that the SGC rate will increase to 10.00% on 1 July 2021 and progressively increase to 12.00% as outlined in the table below:

PERIOD	SGC RATE
1 July 2020 – 30 June 2021	9.50%
1 July 2021 – 30 June 2022	10.00%
1 July 2022 – 30 June 2023	10.50%
1 July 2023 – 30 June 2024	11.00%
1 July 2024 – 30 June 2025	11.50%
1 July 2025 – 30 June 2026 and onwards	12.00%

An employer's superannuation liability is capped at a maximum contribution base per quarter. The maximum contributions base (and subsequent superannuation liability) for the years ended 30 June 2020 and 30 June 2021 are:

Income year	Income per quarter	SG Contribution per quarter
2020–2021	\$57,090	\$5,423.55
2019–2020	\$55,270	\$5,250.65

Every company must register with one fund that is their 'Default Fund' and ensure that they provide each employee with a 'Superannuation Choice form' giving employees the option to use a fund of their own choice, or the employers default fund. Employees who do not provide details for their individual fund will have their SGC contributions paid into the employer's default fund.

SGC contributions are payable into a complying Australian superannuation fund for each employee on a minimum quarterly basis. The quarterly cut off dates for making payments are as follows:

QUARTER	CUT-OFF DATE
1 July – 30 September	28 October
1 October – 31 December	28 January
1 January – 31 March	28 April
1 April – 30 June	28 July

### *Employee*

SGC contributions are subject to a rate of tax of 15%. However, an additional tax of 15% is payable where an employee's combined income and SGC contributions exceed AUD250,000 (Division 293 assessment).

SGC contributions are not assessable income in the hands of the employee for Australian tax purposes unless an employee exceeds the concessional contributions cap or chooses to pay their Division 293 assessment with their personal funds.

A concessional contribution is one that is before-tax, as an income tax deduction is usually available to be claimed. Examples of these are:

- Compulsory SG contributions made by your employer;
- Salary sacrificed contributions;
- Any personal contributions for which you are allowed a tax deduction.

The concessional contributions cap from 1 July 2019 is AUD25,000 per year. However, under the carry forward rule you may be able to contribute additional concessional contributions. Any unused concessional contributions can be carried forward for up to 5 years.

Where an employee exceeds their concessional contributions cap, the excess concessional contributions ('ECC') will be included in the employee's assessable income and taxed at their marginal tax rate.

### *Short-term Visits*

There is currently no exemption from SGC in respect of temporary or short-term visits to Australia and as such, the liability arises regardless of whether the employee is resident or non-resident of Australia for tax purposes. Where an employee has derived SGC while on an



Australian temporary visa, they can apply to have the superannuation paid to them as a Departing Australia Superannuation Payment ('DASP').

However, where a bilateral social security agreement between Australia and the employee's country of residency provides that the employer is not subject to Australian SGC in respect of the salary and wages paid to the employee, no Australian SGC obligation will arise. Australia currently has bilateral social security agreements addressing superannuation coverage with the following countries:

Austria	Belgium	Croatia
Chile	Czech Republic	Finland
Germany	Greece	Hungary
Ireland	Japan	Korea
Latvia	Republic of Macedonia	Netherlands
Norway	Poland	Portugal
Slovak Republic	Switzerland	United States of America

## 5.2 Employee Share Schemes

It is common for employers to offer employees the opportunity to acquire shares in their employer. The share purchase plans or Employee Share Schemes ('ESS'), generally offer the opportunity to acquire shares, units or options in the employer at a discount. This is usually achieved through a share issue, company loan or salary sacrifice arrangement.

Where ESS interests are granted to an employee at a discount, there are Australian income tax and capital gains tax consequences which need to be considered. Depending on the nature of the scheme, these tax issues may arise at the time of issue of ESS interests or may be deferred to a taxing point sometime in the future.

Employers who provide ESS interests to their employees have certain reporting requirements to their employees and the ATO. Employers are required to provide an ESS statement to their employees by the 14<sup>th</sup> of July following the end of the financial year, to assist employees complete their annual income tax returns. The employer must also lodge an ESS annual report with the ATO by the 14<sup>th</sup> of August following the end of the financial year. We note that there is no requirement for an employer to withhold tax on ESS, except where the employee has not provided their TFN.

It is important for an employer and employee to be aware of the benefits and consequences of implementing an ESS in Australia. We recommend discussing the tax consequences of

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implementing and operating an ESS with a tax professional prior to the issue of any interests under an ESS in Australia. Australia's ESS rules are unique and tax outcomes of the ESS in Australia may differ to those of the host countries.

### 5.3 Pay-As-You-Go Withholding

Employers are required to withhold Pay-As-You-Go ('PAYG') Withholding from all employee's salary and wages and remit it to the ATO. PAYG Withholding is calculated in line with ATO tax rates and is generally based on whether the employee is a resident or Non-resident of Australia.

Employer's must register for PAYG withholding with the ATO in order to report their withholding obligations. Due dates for paying and reporting withheld amounts depend on whether the employer is a small, medium or large withholder.

An employer is a small withholder where they:

- Withhold \$25,000 or less a year
- Pay withholding amounts to the ATO on a quarterly basis
- Report withholding on activity statements on a quarterly basis

An employer is a medium withholder where they:

- Withhold \$25,001 to \$1 million a year
- Pay withholding amounts to the ATO on a monthly basis
- Report withholding on activity statements on a monthly basis

An employer is a large withholder where they:

- Withhold amounts totalling more than \$1 million in a previous financial year, or is part of a company group that has withheld more than \$1 million in a previous financial year
- Amounts withheld are paid, and sent electronically to the ATO, twice a week
- The date for payment depends upon the day withholding took place.

### 5.4 Workers Compensation

Workers Compensation Insurance is a worker's rehabilitation and compensation scheme that is run by various State Governments in Australia or private insurance companies. All Australian businesses that are employing are required to register for work cover and pay a certain amount as work cover levy each year or maintain a worker's compensation insurance policy. The amount

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that is paid under the work cover scheme or the insurance policy is then used to compensate any worker in the business that may get injured while at work.

## 5.5 Summary of Key Reporting Requirements

### Payroll Tax

- Monthly, quarterly or annual
- This must be submitted to each State revenue office by the 7th of the following month.
- Annual reconciliation to be lodged by the 21<sup>st</sup> of July following the end of the financial year.
- Will require completion of any relevant reportable fringe benefits or ESS income.

### Fringe Benefits Tax

- Annual lodgement and payment to be completed by 25 June following the end of the FBT year.

### Employee Share Schemes

- Provide an ESS statement to their employees by the 14<sup>th</sup> of July following the end of the financial year.
- Lodge an ESS annual report with the ATO by the 14<sup>th</sup> of August following the end of the financial year.

### Employee Year End

- Employees will have their annual earnings finalised by the 14th of July. Payment Summaries are no longer issued and instead, employees will be able to see a “Tax Ready” status against their employer details in their individual myGov portal.
- The payroll vendor submits the reports to the ATO on behalf of the client through STP.

### GST and PAYG Withholding

- Report GST and PAYG Withholding in either the monthly or quarterly BAS depending on the taxpayer.
- The forms are submitted by the employer to the ATO (or their nominated in country accountant)
- The client is required to sign the form prior to lodgement.

## 6.0 Payroll

### 6.1 Single Touch Payroll

The Australian Government has legislated to simplify business reporting obligations via a concept known as single touch payroll ('STP').

Businesses familiar with the United Kingdom RTI (Real Time Information) process for reporting employee wages and taxes will note that the STP system will be very similar. The most significant difference will be the lack of Tax Code adjustments in STP.

The salient points to note are:

- STP requires electronic reporting of the employee salary, PAYG (pay as you go) withholding and superannuation to the ATO at the time the salary is paid to the employee.
- When the superannuation obligation is paid by the employer – the relevant fund will notify the ATO. This will prevent employers from delaying in remitting superannuation for the employees as is an issue at present.
- No year-end payment summaries will be required if all income has been reported through STP.
- The employer can choose to remit the PAYG at the same time as paying the salary but is able to continue to pay as they are currently doing.

### 6.2 New Employees

Employers are required to register a new start by sending a TFN declaration form to the ATO – this is done electronically through the payroll software. The employee must provide the employer with their TFN declaration within 14 days of starting to avoid paying increased tax of 47.5%. If an employee does not provide this declaration within 14 days, the employer is required to lodge one on the employee's behalf and withhold tax at the highest rate.

When employing a new start, an employer should request/file the employee's personal information. The information you should request should include, but is not limited to the following:

- Name
- Residential address (Australian)
- Email address

- Phone number
- Date of birth
- Start date
- Completed and signed TFN Declaration Form
- Completed superannuation choice form
  - This form identifies the employees nominated superannuation fund
  - If no fund is nominated by the employee, a 'default' fund should be offered to the employee. This 'default' fund is normally the fund utilised by a large number of workers in the same industry.

Expat employees must be registered within 14 days of receipt of document.

### **6.3 Terminating Employees**

Leavers must receive their final payment within the following payment cycle at the latest or at a date mutually agreed between the employer and employee. This can vary and may be stated in the award or EBA specific to that employer or industry.

### **6.4 Reports**

It is legally acceptable in Australia to provide employees with online payslips. Payslips must be issued to each employee within one working day of pay day in electronic or hard copy.

Payroll reports must be kept for at least seven years. The records can be kept electronically as long as the records can be printed out on request.

### **6.5 Expenses**

Expenses incurred on behalf of the employer can be reimbursed to the employee by either of the following options:

- Through the employer's accounts department where, upon submitted claim, the money is paid directly to the employee;
- Through the payroll system by way of submitted claim paid as an after-tax addition to the employees pay. This does not attract tax or super.

Car mileage can be paid to the employee by the following methods:

- A per km claim, paid as an expense

- A car/fuel allowance

Payment method would be specific to the employee's individual requirements and if paid as an allowance may incur tax obligations.

Company cars would not typically affect a payroll however may attract fringe benefits tax. This would appear on the individual's payment summary at the end of each financial year. This may differ of course, dependent on the client's company car policy.

## 6.6 Payslip Example



DRAFT

Lucas Jackson  
7/12 Railway Rd  
SUBIACO WA 6008

### Activpayroll Pty Ltd

ABN: 72117469593  
Period Starting: 1/03/2019  
Period Ending: 31/03/2019  
Date Paid: 29/03/2019  
Employee Id: E004521

Base Pay Rate: **\$119,999.99 Per Annum**  
Hours Paid: **164.67**  
Gross Earnings: **\$11,000.00**  
Net Payment: **\$7,139.00**  
Super Payments: **\$1,145.00**

Pay Slip Components	Hours/Units	Rate	This Pay	Year To Date
<b>Wages and Earnings</b>				
Permanent Ordinary Hours	164.66667	\$60.73	\$10,000.00	\$94,756.21
Bonus	1.00	\$1,000.00	\$1,000.00	\$1,000.00
Commission				\$7,232.00
			<b>\$11,000.00</b>	<b>\$102,988.21</b>
<b>Taxes</b>				
PAYG			\$3,211.00	\$30,054.00
			<b>\$3,211.00</b>	<b>\$30,054.00</b>
<b>Post Tax Deductions</b>				
ESPP			\$550.00	\$550.00
			<b>\$550.00</b>	<b>\$550.00</b>
<b>Superannuation Breakdown</b>				
SGC			\$1,045.00	\$9,096.84
Salary Sacrifice Super			\$100.00	\$100.00
			<b>\$1,145.00</b>	<b>\$9,196.84</b>
<b>Super Contributions</b> <small>Super payments are processed on a monthly/quarterly basis</small>				
AustralianSuper	Salary Sacrifice	****	\$100.00	
<b>Leave Details</b>				
		<b>Accrued</b>	<b>Taken</b>	<b>Remaining</b>
Annual Leave		12.67 Hours	0 Hours	63.33 Hours
Personal/Carer's Leave		6.33 Hours	0 Hours	N/A

Employee Id: E004521

## **7.0 Employee Leave Entitlements**

### **7.1 Annual Holidays**

Each employee is entitled (under the NES) to 4 weeks paid Annual Leave or five weeks if the employee is a shift worker. Annual leave accrues progressively during a year of service according to the employee's ordinary hours of work and accumulates from year to year. If applicable under a specific award or contract leave loading will be paid at a % in addition. The annual leave balance and accrual is normally shown in an hourly balance on an employee pay slip.

### **7.2 Sick Leave**

Personal / Carer's Leave – incorporating sick leave, carer's leave and compassionate leave. Each year of service the employee is entitled to 10 days of paid personal/carer's leave which is cumulative.

An employee is entitled to 2 days of unpaid carer's leave for each permissible occasion when a member of the employees' immediate family or household requires care or support because of an illness.

An employee is entitled to 2 days compassionate leave for each occasion when a member of the employee's immediate family or member of the household contracts or develops a life-threatening illness or dies.

Payment is made for personal leave based on the above at the base rate of pay for the employees' ordinary hours of work in the period.

### **7.3 Maternity Leave**

Under the National Employment Standards female employees are entitled to 12 months unpaid maternity leave which can begin up to six weeks before the expected date of birth. This cannot be taken in conjunction with the partners 12-month paternity leave entitlement. A written request for the entire 24-month period to be taken by one parent can be submitted to their employer who has the right to refuse, however the 12 months cannot be refused.

There is no paid legal requirement by the company (there is a Government Paid Parental scheme in place)



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## 7.4 Paternity Leave

Under the National Employment Standards employees are entitled to 12 months unpaid paternity leave if they are expecting a child or are adopting. This cannot be taken in conjunction with their partners 12-month maternity leave entitlement. There is no paid legal requirement by the company (there is a Government Paid Parental scheme in place).

## 7.5 Government Paid Parental Leave

The Australian Government offers a paid parental leave system to employees who meet the following criteria:

- Be the primary carer of a newborn or newly adopted child
- Have individually earned less than \$150,000 in the last financial year
- Not be working during the PPL period except for allowable reasons
- Have met the work test
- Have registered or applied to register the child's birth with the state or territory birth registry, if they are a newborn.

PPL is based on the weekly national minimum wage for a period of 90 days. The current rate of pay is \$150.78/day.

Employees will nominate their employer when applying for PPL. Centrelink will contact employer to inform them of the application, which employers will accept through Business Hub online services.

Business Hub online is accessed through PRODA [here](#).

As part of the employer registration process, Centrelink will collect information such as the employees pay frequency, pay date and the employers bank account details. Payment that is owed to the employee is always aimed at being with the employer in time for the normal payrun that covers the employee's period of PPL. Employers are not required to make payment to the employee prior to funds being received.

Further information for employers can be found [here](#).

## 7.6 National Service

Employees are entitled (under the National Employment Standards) to take leave to carry out certain community service activities such as jury service or voluntary emergency management activity. There is no requirement to pay employees whilst they are absent as a result of Voluntary Emergency Management Activity, there is no set limit on the amount of time an employee can be absent due to this. When absent due to Jury Duty, the employer is required to pay the employee's base rate of pay for the employee's ordinary hours of work in the period of leave.

Military national service ended in 1972.

## 8.0 Visas & Work Permits

**Temporary Visas:** For lawfully operating Australian and overseas employers to employ approved skilled workers for temporary vacancies in particular occupations required in Australia. Temporary visas can offer a pathway to a permanent visa.

**Permanent Visas:** For lawfully operating Australian employers to sponsor skilled workers in particular occupations required in Australia.

**Working Holiday Visa (Subclass 417):** It is a Temporary Visa for young people who want to holiday and work in Australia for up to 1 year. Employers who have WHM employees must register with the ATO as a WHM employer to allow the visa holder to claim the relevant tax concession.

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## 9.0 Resources

Further information can be found via the following governmental websites:

- Australian Taxation Office ('ATO'):

[www.ato.gov.au](http://www.ato.gov.au)

- Fair Work Australia:

[www.fairwork.gov.au](http://www.fairwork.gov.au)

- Australian Securities and Investments Commission ('ASIC'):

[www.asic.gov.au](http://www.asic.gov.au)

- Tax Practitioners Board:

<https://www.tpb.gov.au>

- Australian Business Register

<https://www.abr.gov.au>

- State Revenue Offices:

Australian Capital Territory - <https://www.revenue.act.gov.au>

New South Wales - <https://www.revenue.nsw.gov.au>

Northern Territory - <https://treasury.nt.gov.au>

Queensland - <https://www.business.qld.gov.au>

South Australia - <https://www.revenuesa.sa.gov.au/>

Tasmania - <https://www.sro.tas.gov.au>

Victoria - <https://www.sro.vic.gov.au>

Western Australia - <https://www.wa.gov.au>

## 10.0 Further Information

For more information, or assistance with Australia Payroll enquiries please contact:

The Global Payroll Team

Email: [activGlobalSales@activpayroll.com](mailto:activGlobalSales@activpayroll.com)

Telephone: +44 (0) 1224 860 800

For more information, or assistance with Australia Tax enquiries please contact:

The Global Mobility Team

Email: [graham.mckechnie@activpayroll.com](mailto:graham.mckechnie@activpayroll.com)

Telephone: +44 (0) 1224 860 800

## 11.0 About This Payroll and Tax Overview

*Please note that this document gives general guidance only and should not be regarded as an authoritative or complete statement of the law, regulations or tax position in any country. You should always seek specific advice for each specific situation. This document should not be relied upon as professional advice and ActivPayroll accepts no liability for reliance on its contents.*

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