International Tax

Australia Highlights 2026

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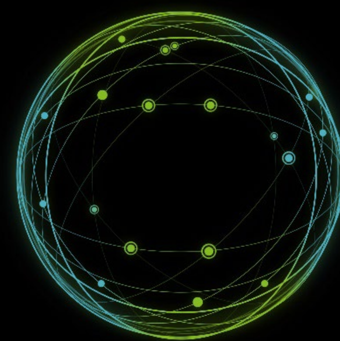

Recent developments

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: Australian Accounting Standards are compliant with IFRS but contain additional requirements. Some entities are eligible for disclosure relief. Financial statements must be filed annually.

Principal business entities: These are the public company (Limited or Ltd), private company (Proprietary Limited or Pty Ltd), corporate collective investment vehicle (CCIV), partnership, 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 its central management and control is in Australia, or its voting power is controlled by shareholders that are residents of Australia.

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 companies such as cooperative firms, mutual and other life insurance companies, and non-profit organizations are taxed at different rates.

Taxable income: Income tax is payable on taxable income, which is calculated as 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) and non-assessable non-exempt (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

General

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%. Base rate entity passive income is:

- Corporate distributions and franking credits on those distributions (see "Taxation of dividends," below, and "Dividends" under "Withholding tax," below);
- 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.

Global minimum tax (Pillar Two)

Australia has enacted legislation to implement key aspects of the global anti-base erosion (GloBE) or "Pillar Two" model rules published by the OECD/G20 Inclusive Framework on BEPS that are designed to ensure a global minimum level of taxation of 15% for multinational enterprise groups with annual consolidated revenue of at least EUR 750 million. The IIR (income inclusion rule) applies for income years beginning on or after 1 January 2024 and the UTPR (sometimes referred to as the undertaxed profit(s) rule or the undertaxed payments rule) applies for income years beginning on or after 1 January 2025. Australia has adopted a qualified domestic minimum top-up tax (sometimes referred to as a QDMTT), applicable for income years beginning on or after 1 January 2024.

Taxation of dividends: Australia operates a full imputation system for the avoidance of double taxation of dividends. Under this system, the payment of Australian corporate income 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). The disposal of research and development (R&D) results may be treated as an income gain which overrides capital gains treatment.

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).

Losses: Tax losses (reduced by exempt income) may be used 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.

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 broadly 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 FITO 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 (RDTI), qualifying R&D expenditure is not deductible, but companies with an aggregated worldwide group turnover of less than AUD 20 million are entitled to a refundable tax offset. The rate is set at a premium of 18.5% above the prevailing corporate income tax rate, resulting in a total rate for 2026 of 43.5% or 48.5%. Other companies are entitled to a non-refundable tax offset on expenditure up to AUD 150 million. The calculation of the non-refundable R&D tax offset rate also is linked to the prevailing corporate income tax rate and provides 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%.

A refundable digital games tax offset (DGTO) applies at a fixed rate of 30% of an eligible company's qualifying Australian development expenditure on an eligible game up to a maximum amount of expenditure of AUD 20 million in an income year. To access the DGTO, an applicant company must obtain a certificate from the Minister for the Arts or their delegate.

Investors in Australian early-stage innovation companies (ESICs) are eligible for a non-refundable 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 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 jurisdictions 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 non-concessional MIT income.

An Investment Manager Regime 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, build to rent (BTR) incentives).

CCIVs are taxed on a flow-through basis, with the objective that the general tax treatment of CCIVs and their members is aligned with the 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 corporate income tax purposes ("a tax consolidated group"). A tax consolidated group is treated as a single tax entity and intragroup transactions are disregarded for income tax purposes. The law reduces impediments to group restructuring, allows for pooling of losses within the group, and provides an income tax exemption for the movement of assets within the group. There are also 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) (broadly entities that are members of groups with annual global income of at least AUD 1 billion) are subject to late filing penalties of up to 100 times greater than the penalties applicable to other 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. Taxpayers can also submit an early engagement advice request to the ATO in respect of complex transactions.

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 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 (AUD)**	**Rate**
	Up to 18,200	0%
	18,201–45,000	16%
	45,001–135,000	30%
	135,001–190,000	37%
	Over 190,000	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	

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.

A temporary resident for tax purposes is an individual who meets all 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 that act; and
- Has not resided in Australia while not being a temporary resident (e.g., while holding a 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 broadly are taxable only on their worldwide employment income, Australian-source investment income, and capital gains from taxable Australian property.

Special tax rates apply to working holidaymakers 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 contributions and payroll taxes: Social contributions" under "Other taxes on corporations and individuals," 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.

Nonresidents and temporary residents are subject to capital gains tax only on taxable Australian property. A creditable withholding of 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 FITO 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: 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. Taxpayers can also submit an early engagement advice request to the ATO in respect of complex transactions.

The ATO releases PCGs that identify, in respect of particular risk areas, where the ATO will apply its compliance resources. Some PCGs identify color-based risk zones ranging from green (low risk) to red (high risk).

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.

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%

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 nonresidents are unfranked distributions, they are subject to withholding tax at the statutory rate of 30%, which may be reduced under an applicable 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 nonresident shareholders free of dividend withholding tax.

Interest: Interest paid by an Australian resident to an Australian resident company or individual is generally not subject to withholding tax if a tax reference number is provided. Interest paid to a nonresident generally is subject to a 10% withholding tax, unless the rate is reduced under an applicable tax treaty. There are some exemptions, including for certain publicly offered debentures and limited non-debenture 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 generally 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 an applicable 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 nonresidents by an MIT generally are subject to a 15% withholding tax when made to a resident of a jurisdiction that has an EOI agreement with Australia; otherwise, withholding is required at a rate of 30%. A concessionary rate of 15% applies to fund payments by a "build to rent MIT," i.e., an MIT that derives rental and capital gains in relation to dwellings that are part of an eligible BTR development as from 1 July 2024.

Anti-avoidance rules

Transfer pricing: The transfer pricing rules may apply to any international transaction. The rules do not necessarily require common 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, from which the most appropriate and reliable method should be selected and 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: For outward or inward investors that are not financial entities, Australia has adopted the OECD recommended approach based on earnings. Three alternative tests determine the maximum allowable debt deductions available:

- Fixed ratio test, under which an entity can claim net debt deductions (broadly, interest, borrowing costs, and hedging expenses net of any income of the same kind) up to 30% of tax EBITDA (earnings before interest, taxes, depreciation, and amortization); broadly, the entity's taxable income for the year with adjustments made to add back depreciation deductions and net debt deductions. Net debt deductions denied may be carried forward for up to 15 years (subject to various limitations);
- Group ratio test, under which an entity in a group can claim debt deductions based on a ratio of its worldwide group's net third party interest expense to the group's EBITDA for an income year multiplied by the Australian taxpayer's tax EBITDA; and
- Third party debt test, under which debt deductions can be claimed in relation to third party debt where the terms of the debt satisfy certain conditions (which broadly require that only Australian assets and operations are funded by, or used as security for, the relevant debt).

For financial entities, the specific safe harbor and worldwide gearing ratio tests relevant to financial entities under the interest deduction rules applicable to income years commencing prior to 1 July 2023 have been retained, while the arm's length debt test is replaced with the third party debt test.

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.

Debt deduction creation rules operate to broadly disallow debt deductions arising in relation to related party debt to the extent that the debt has been issued to (i) directly or indirectly acquire assets, or legal or equitable obligations ("relevant assets") from associates of the acquirer, or (ii) directly or indirectly fund prescribed payments such as equity distributions (including returns of capital), the repayment of certain loans, or royalty payments to associates of the payer. There are limited exclusions from the debt deduction creation rules for certain acquisitions and payments. The debt deduction rules apply before application of the interest limitation rules outlined above to all relevant debt deductions arising in income years commencing on or after 1 July 2024, even if the arrangement arose prior to that date.

Controlled foreign companies: A foreign company is a controlled foreign company (CFC) where either (i) five or fewer Australian residents hold 50% or more of the company, (ii) a single Australian entity holds no less than 40% of the company (subject to additional considerations), 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.

Anti-hybrid rules: 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 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).

The ATO requires most economic groups with turnover in excess of AUD 250 million to file a reportable tax position schedule with their tax returns. Its purpose is to gather information from these entities on their most uncertain or contestable tax positions.

In addition, country-by-country (CbC) reporting entities (a subgroup of SGEs) must provide additional information to the ATO as part of Australia's CbC 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.

Australia also has introduced public CbC reporting. CbC reporting parent entities that operate in Australia are required to make public specified tax and other information on a jurisdiction-by-jurisdiction basis together with a statement on their approach to taxation. Jurisdiction-specific disclosures are required for Australia and each "specified jurisdiction" listed by the relevant minister.

A Voluntary Tax Transparency Code (VTTC) encourages the disclosure of additional tax and related information by businesses with turnover of at least AUD 100 million. A redesigned VTTC will be effective as from 1 July 2026.

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

Australian public companies (listed and unlisted) must disclose certain information about subsidiaries in their annual financial reports, including statements as to the tax residency of those entities during the financial year.

As from 1 July 2024, the ATO is required to publish details of amounts claimed under the RDTI reported by companies accessing the incentive. The data is published with a two-year delay.

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, which 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 broadly a provision of last resort and can be applied by the ATO 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 imposed at the rate of 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 DPT; the foreign tax test for this purpose is based on foreign tax paid, not the headline rate.

Broadly, 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 obtaining a tax benefit. There are limited carve-outs for non-application of DPT. One such exemption is the "sufficient economic substance" test that examines whether the profit of each relevant entity reasonably reflects the economic substance of the entity's activities in connection with the scheme.

Goods and services tax

Rates	
Standard rate	10%

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 (e.g., financial supplies) and "GST-free" supplies (e.g., the sale of a going concern, exports of goods and services). Generally, entities that are registered for GST purposes may 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 extraterritorial 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 meets or exceeds the registration turnover threshold, currently 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: The ATO announced the addition of an obligation for certain large taxpayers to also file a supplementary annual GST return as from the 2024-25 financial year.

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 contributions and payroll taxes

Social 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 12% of the employee's "ordinary time earnings," up to a maximum earnings base of AUD 62,500 per quarter in 2025-26. Exemptions from the superannuation requirement apply in limited circumstances. As from 1 July 2026, Payday Super will commence, where employers will be required to pay their employees' superannuation guarantee at the same time as their salary and wages.

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). 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 from payment of the levy.

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 if an employer's total taxable wages exceed a threshold amount. Thresholds vary between states and territories, from AUD 1 million to AUD 2 million. Payroll tax predominantly is based on salaries, wages, fringe benefits, superannuation contributions, bonuses, and employee share scheme interests provided to employees or certain contractors. Rates vary between states and territories and may be up to 6.85%. Payroll tax surcharges also may be applied in some states, at rates of up to 1%, to help the state fund mental health services and/or repay COVID-19 debt. Employers are required to report and pay payroll tax monthly.

Capital duty: There is no 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 landowners 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 5% may be applied to foreign or absentee owners. The state of Victoria also applies a COVID-19 debt land tax surcharge comprising a fixed amount, plus an extra 0.1% of the landholding's value over AUD 300,000. Certain land in metropolitan Western Australia attracting land tax may also have a public facility improvement tax applied at the rate of 0.14%.

Residential dwellings that are vacant for more than six months in one year also may attract an annual vacancy fee and/or vacant residential land tax.

Windfall gains tax, at a rate of either 50% or 62.5% of the uplift, may be applied by the state of Victoria for land that is rezoned and results in a taxable value uplift of more than AUD 100,000. Victoria also has provisions for contributions toward infrastructure by developers: the growth areas infrastructure contribution for certain non-metro areas (up to AUD 141,150 per hectare) and the metropolitan planning levy for certain metro areas (0.13% of development costs).

Landowners also are required to pay local government rates to the municipal council in which real property is located, calculated based on 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 the 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 9% 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 16%. For foreign buyers of primary production land in Tasmania, extra stamp duty is also payable by way of surcharge duty at the rate of 1.5%. Victoria has introduced a regime providing for a transition away from stamp duty to an additional annual land tax of 1% (0.5% for BTR projects) in relation to certain types of commercial and industrial land. The regime is referred to as the commercial and industrial property tax regime (CIPT). The CIPT regime commenced on 1 July 2024 and includes complex transitional provisions applicable over a 10-year period.

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: There is no inheritance tax or estate tax.

Other: The petroleum resource rent tax (PRRT) 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). The PRRT deductions cap limits the amount of deductible expenditure available to offset assessable receipts in a year of tax (the first financial year in which an entity derives assessable petroleum receipts in relation to the project and any subsequent financial year) for a liquefied natural gas project. A person to whom the deductions cap applies is deemed to have a taxable profit of 10% of their assessable receipts derived in relation to the project and the year of tax, with PRRT being payable on the deemed taxable profit.

Employers are required to pay fringe benefits tax (FBT) on the value of fringe benefits (e.g., motor vehicles, low-interest loans, 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. An annual FBT return must be submitted following the end of each FBT year, which runs from 1 April through 31 March.

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 more than 40 bilateral tax treaties. The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS 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, Industry Innovation and Science Australia (the regulator for the RDTI), 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 requiring FIRB approval)

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