



GLOBAL  
EMPLOYER  
GUIDE

**AUSTRALIA**





## Basic Country Facts

### Full name

- The Commonwealth of Australia

### Capital

- Canberra

### Main Languages

- English
- Mandarin

### Population

- 24.99 million

### Monetary unit

- Australian Dollar

### Internet domain

- .au

### International dialing code

- +61

### Currency

- Australian Dollar



# STATUTORY LABOR REQUIREMENTS

## Probation Period

- Probationary periods usually last anywhere between 3 to 6 months

## Annual Leave

- All full-time workers are guaranteed a minimum of 4 weeks paid annual leave.
- If you're a shift worker, you may be entitled to 5 weeks.

## Public Holidays

- New Year's Day (1st January)
- Australia Day (27th January)
- Good Friday (10th February)
- Easter Monday (13th April)
- Anzac Day (25th April)
- Christmas Day (25th December)
- Boxing Day (28th December)

## Maternity Leave

- Employees are entitled to 52 weeks of unpaid parental leave, and may also request an additional 52 weeks of leave.
- Pregnant employees can begin leave up to six weeks before their due date e.g. from week 34 of the pregnancy.
- This applies to either parent, if both are working and are eligible (although only 8 weeks can be taken at the same time).

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## **Sick Leave**

- Sick and carer's leave fall under the same leave entitlement, and full-time employees are entitled to 10 days of leave each year.
- The balance of leave you acquire each year also carries over into the next year.
- Part-time employees get pro rata of 10 days each year based on how many hours they work.

## **Work Hours**

- The standard working week in Australia is 38 hours per week (7.6 hours per day), usually worked Monday to Friday.

## **Overtime**

- All time worked beyond 38 hours per week is overtime.
- In most cases it attracts a premium of 1.5 times the ordinary rate of pay for the first three hours (2 hours in some industries) and double time thereafter.

## **Notice Period**

- When an employer dismisses an employee, they have to give them notice. The notice period:
  - starts the day after the employer tells the employee that they want to end the employment
  - ends on the last day of employment.
- An employer has to give the following minimum notice periods when dismissing an employee:
  - 1 week if an employee has worked for 1 year or less
  - 2 weeks if an employee has worker for a period between 1 to 3 years
  - 3 weeks if an employee has worker for a period between 3 to 5 years
  - 4 weeks if an employee has worker for more than 5 years

## **Severance**

- An employee is to be paid redundancy pay by the employer if the employee's employment is terminated:
  - at the employer's initiative because the employer no longer requires the job done by the employee to be done by anyone, except where this is due to the ordinary and customary turnover of labor; or
  - because of the insolvency or bankruptcy of the employer
- The amount of the redundancy pay varies according to the employee's period of continuous service as follows:
  - if the employee has at least 1 year but less than 2 years of continuous service: redundancy pay is 4 weeks;
  - if the employee has at least 2 years but less than 3 years of continuous service: redundancy pay is 6 weeks;
  - if the employee has at least 3 years but less than 4 years of continuous service: redundancy pay is 7 weeks;
  - if the employee has at least 4 years but less than 5 years of continuous service: redundancy pay is 8 weeks;
  - if the employee has at least 5 years but less than 6 years of continuous service: redundancy pay is 10 weeks;
  - if the employee has at least 6 years but less than 7 years of continuous service: redundancy pay is 11 weeks;
  - if the employee has at least 7 years but less than 8 years of continuous service: redundancy pay is 13 weeks;
  - if the employee has at least 8 years but less than 9 years of continuous service: redundancy pay is 14 weeks;

- if the employee has at least 9 years but less than 10 years of continuous service: redundancy pay is 16 weeks;
- if the employee has at least 10 years of continuous service: redundancy pay is 12 weeks.
- Therefore, the maximum statutory redundancy pay is 16 weeks' pay for someone with between 9 and 10 years' service with one employer.

### **13th Month**

- 13th month pay is not mandatory in Australia

## **Income Tax**

- A resident individual is subject to Australian income tax on a worldwide basis, i.e. income from both Australian and foreign sources (except for certain foreign income and gains of temporary residents)
- A non-resident individual is liable to Australian income tax only on income (other than interest, royalties, and dividends, which are generally subject to withholding tax [WHT]) derived from sources in Australia, and certain statutory income that is taxable on a basis other than source (e.g. certain capital gains).
- Australia has no surtaxes, alternative, or other income taxes on personal income.
- The Australian government has implemented a seven-year Personal Income Tax Plan aimed to provide tax relief to individual taxpayers through lower PIT rates and a new tax offset.



- The first phase applied from 1 July 2018 to low and middle income earners (via a new Low and Middle Income Tax Offset) and an increase to the top threshold at which the 32.5% marginal tax rate applies.
- Later phases will change the thresholds for when the 32.5% and 37% marginal tax rates apply and eventually remove both of those marginal tax rates, which

will result in around 94% of Australian taxpayers facing a marginal tax rate of 30% or less in the 2024/25 and later income years.

- Income tax from 1 July 2019 (2019-20 tax year) is levied on residents and temporary residents at the rates listed in the table below. The following is the table of income tax rates.



Taxable income		Tax on lower amount (AUD)	Rate on excess
Exceeding (AUD)	Not exceeding (AUD)		
0	18,200	0	0
18,200	37,000	0	19
37,000	90,000	3,572	32.5
90,000	180,000	20,797	37
180,000	-	54,097	45

- The AUD18,200 tax-free thresholds are reduced if the taxpayer spends fewer than 12 months in Australia in the year of arrival or departure.
- Resident taxpayers may be liable for the Medicare Levy (see Section B) in addition to income tax at the above rates.

- Income tax from 1 July 2019 (2019-20 tax year) is levied on nonresidents at the following rates.

Taxable income		Tax on lower amount (AUD)	Rate on excess
Exceeding (AUD)	Not exceeding (AUD)		
0	90,000	0	32.5
90,000	180,000	29,250	37
180,000	-	62,550	45



# Social Security Contributions

## Medicare Levy

- Technically, Australia does not have a social security system.
- However, a Medicare Levy of 2% of taxable income is payable by resident individuals for health services (provided that they qualify for Medicare services).
- This is the only levy imposed in Australia that is equivalent to a social security levy.
- An exemption from the Medicare Levy may apply if the individual is from a country that has not entered into a Reciprocal Health Care Agreement with Australia.
- No ceiling applies to the amount of income subject to the levy.
- However, relief is provided for certain low-income earners.
- High income resident taxpayers who do not have adequate private health insurance may be subject to an additional 1% to 1.5% Medicare Levy surcharge.
- High-income taxpayers whose private hospital insurance carries an excess payment (amount for which the insured is responsible before the insurance begins to pay) of more than AUD500 for single individuals or AUD1,000 for couples or families are also subject to the Medicare Levy surcharge.

## Superannuation (pension)

- Australia also has a compulsory private superannuation (pension) contribution system.
- Under this system, employers must contribute a minimum percentage of the employee's ordinary time earnings (OTE) base to a complying superannuation fund for the retirement benefit of its employees.

- The minimum percentage is currently 9.5% and is expected to remain at this percentage until 30 June 2021.
- In general, OTE consists of salary and wages and most cash compensation items paid for ordinary hours of work.
- Transitional measures can apply for certain pre-existing superannuation earnings base arrangements.
- The maximum OTE base for each employee for the year ending 30 June 2020 is AUD55,270 per quarter.
- No obligation is imposed to make contributions with respect to OTE above that level unless otherwise required by employment contractual terms.

Contribution	Resident Individuals	Employer
Medicare Levy	2% of taxable Income	
Superannuation (Pension)		9.5% of employee's OTE



# Deductible Expenses

## Employment Expenses

- To the extent that expenses are not reimbursed, residents and non-residents can deduct properly substantiated expenses incurred in earning employment and other income, for example, business-connected travel expenses, automobile expenses, subscriptions to professional or trade organizations, and protective clothing.
- Prepaid expenditures are generally only deductible over the period to which the expenditure relates, subject to certain limited exceptions.

## Personal Deductions

- Deductions can be claimed for losses and outgoings incurred in the gaining or producing of assessable income.
- Tax deductions are not available for expenses of a private or domestic nature, for example, the cost of personal medical expenses, private health insurance premiums, the costs of child care alimony, life insurance premiums or interest incurred in respect of borrowings to fund the acquisition of an individual's place of residence.
- Individuals can claim a deduction for contributions made to complying superannuation funds, regardless of the extent of their employment-related activities.
- However, additional tax may apply to the extent that the total of all superannuation contributions made in a year for the individual (including contributions made by an employer) exceed the annual 'concessional contributions cap' of AUD 25,000.

- Charitable contributions of AUD 2 or more are generally deductible where they are made to entities that are specifically named in the tax law or endorsed by the Commissioner of Taxation as 'deductible gift recipients'.
- However, deductions for such gifts cannot generate tax losses.

## Personal Allowances

- Residents receive the first AUD 18,200 of taxable income tax-free.
- Non-residents generally do not benefit from a tax-free threshold, nor do they qualify for the various tax rebates and tax offsets
- Provided family income is below certain thresholds, resident individuals (or individuals in Australia with a special category visa or an approved visa for family tax benefit purposes) may be entitled to Family Tax Benefit payments if they have a dependent child or a secondary school student under the age of 20 (who is not receiving a pension, payment, or other government allowance) for whom one cares for at least 35% of the time.



## Deductible Expenses

<b>Employment Expenses</b>	<ul style="list-style-type: none"><li>• To the extent that expenses are not reimbursed, residents and non-residents can deduct properly substantiated expenses incurred in earning employment and other income, for example, business-connected travel expenses, automobile expenses, subscriptions to professional or trade organizations, and protective clothing.</li></ul>
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# Immigration

- An individual wishing to enter Australia for employment reasons may apply for a temporary work short stay specialist (subclass 400) visa, temporary activity (subclass 408) visa or temporary skill shortage (subclass 482) visa.

## Temporary work short stay specialist visas

- Individuals who need to enter Australia to perform short-term, highly specialized work that is not ongoing or to assist in a national emergency can apply for a subclass 400 visa.
- The subclass 400 visa can be granted for a period of up to three months.
- If a period of up to a maximum of six months is requested, a strong business case must be demonstrated.
- After grant, applicants have up to six months to make their first entry into Australia on this visa.

## Temporary activity visas.

- The subclass 408 temporary activity visa allows individuals to enter Australia to do the following:
  - Participate in a reciprocal staff exchange program
  - Participate in a high-level sports competition
  - Participate in an event at the invitation of an Australian organization
  - Perform work in relation to an Australian government-endorsed event
  - Perform as an entertainer or work in a production or technical role for a production
  - Undertake academic research at a tertiary or research institution

- Be a full-time religious worker
- Work full time in the household of certain foreign senior executives
- Work in Australia as a crew member of a superyacht
- Participate in an approved special program Each stream has its own criteria, including sponsorship or support by an approved organization.
- This visa has a maximum stay period of 4 years for the Australian government-endorsed event stream and a maximum stay period of 12 months for the superyacht and special program streams.
- A maximum stay period of two years is available for the other streams.

## Temporary skill shortage visas

- Individuals intending to work in Australia may apply for a subclass 482 Temporary Skill Shortage (TSS) visa.
- The TSS visa may be granted for up to two years if the occupation is listed on the Short-term Skilled Occupation List (STSOL), subject to international trade obligations, or up to four years if the occupation is on the Medium and Long-term Strategic Skills List (MLTSSL) or Regional Occupation List (ROL).
- A TSS visa may be renewed, provided that the application criteria are met each time.
- TSS visa holders in occupations on the STSOL may only renew their visa once in Australia with very limited options to renew again from outside Australia.
- The visa application process involves the following three steps:
  - The employer must be approved as a sponsor.
  - The employer nominates the visa holder to fill a specific position.

- The individual completes the visa application.

### **Permanent residence**

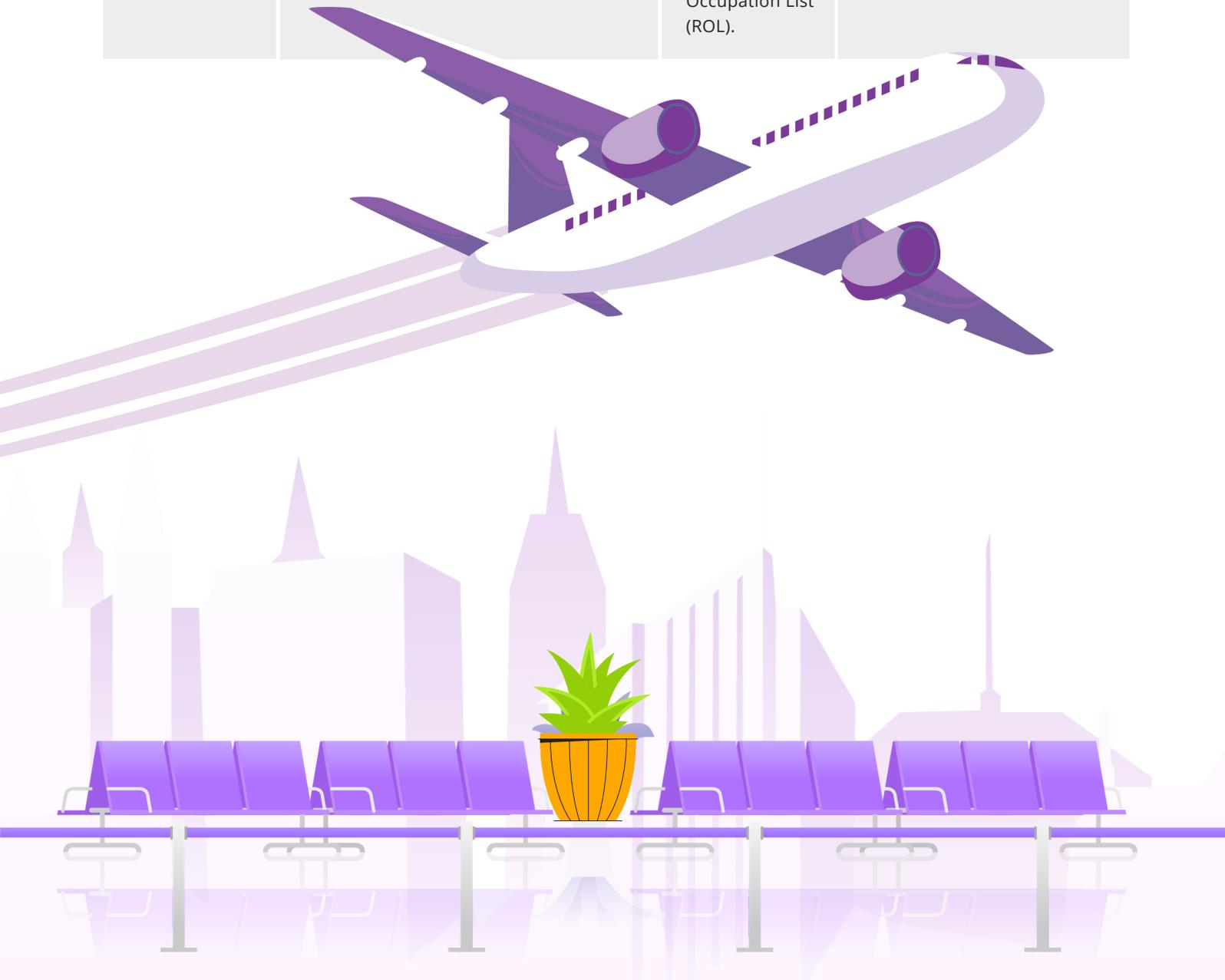
- Under the Employer Nomination Scheme, Australian employers may nominate highly skilled individuals from overseas for permanent residence.
- Applicants for a permanent residence visa under the Employer Nomination Scheme must be nominated in an occupation on the MLTSSL or ROL and satisfy one of the following criteria:
  - They have worked in their nominated position in Australia for their nominating employer while on a subclass 457 visa or TSS visa for at least three of the last four years immediately before applying.
  - They have three years post-training experience in the nominated occupation and have their skills formally assessed by a specified skills-assessing body in Australia.
  - They hold a subclass 444 (special category) visa or subclass 461 (New Zealand family relationship) visa and have worked in their nominated occupation for their nominated employer for at least three of the last four years immediately before applying



Type of Visa/ Permits	Documentation	Validity	Eligibility
<b>Temporary work short stay specialist visas (subclass 400)</b>	<ul style="list-style-type: none"> <li>• Notarized copy of all pages of current passport</li> <li>• One recent passport-sized photograph</li> <li>• Copies of bank statements (personal and business)</li> <li>• Taxation documents for the last three years.</li> <li>• Letter from your employer – stating your position and salary, length of employment, confirming the reason for your travel and providing contact details of the person providing the letter.</li> <li>• A letter of invitation from the host organization in Australia <ul style="list-style-type: none"> <li>◦ Detailed itinerary, with contact details of the business parties involved</li> <li>◦ Your employment contract</li> <li>◦ Details of your educational and professional qualifications</li> </ul> </li> </ul>	3 months (maximum 6 months)	<ul style="list-style-type: none"> <li>• Individuals who need to enter Australia to perform short-term, highly specialized work that is not ongoing or to assist in a national emergency can apply for a subclass 400 visa.</li> </ul>
<b>Temporary activity (subclass 408) visa</b>	<ul style="list-style-type: none"> <li>• Online application form for a Temporary Activity (subclass 408) visa</li> <li>• Visa Application Charge</li> <li>• A clear photocopy of your passport biodata page (the page with your photo), along with all stamped pages in your passport.</li> <li>• One recent passport sized photograph</li> <li>• Copy of your National Identification Card</li> <li>• Evidence of family (copy of House Registration Certificate, family book or similar), employment and other ties to your country of usual residence</li> <li>• Evidence that you have adequate fund or access to adequate funds to support yourself, (and any family members travelling with you) during the period of intended stay</li> </ul>	<p>4 years (for Australian government endorsed event stream)</p> <p>12 months (for superyacht and special program streams)</p>	<ul style="list-style-type: none"> <li>• Foreign individuals seeking to perform in high level sports competition, perform work in an Australian government endorsed event, undertake academic research etc. are eligible to apply for subclass 408 visa.</li> </ul>



Type of Visa/ Permits	Documentation	Validity	Eligibility
<b>Temporary skill shortage (subclass 482) visa</b>	<ul style="list-style-type: none"> <li>• Current passport</li> <li>• A national identity card</li> <li>• Letter of invitation, job offer, employment contract or other document from an Australian organization confirming they have employed you to work in Australia</li> <li>• Evidence of funds (employment contract, bank statements), or               <ul style="list-style-type: none"> <li>◦ A letter from your bank or financial institution stating your financial position</li> </ul> </li> </ul>	<p>2 years (if the occupation is listed on the short term skilled occupation list)</p> <p>4 years (if the occupation is on the Medium and Long-term Strategic Skills List (MLTSSL) or Regional Occupation List (ROL)).</p>	<ul style="list-style-type: none"> <li>• Individuals intending to work in Australia may apply for a subclass 482 Temporary Skill Shortage (TSS) visa.</li> </ul>



## Value Added Tax (VAT)

- The federal government levies goods and services tax (GST) i.e. VAT
- The current Australia VAT (Value Added Tax) is 10.00%.
- The VAT is a sales tax that applies to the purchase of most goods and services, and must be collected and submitted by the merchant to the Australia governmental revenue department.
- Australia has one of the lowest VAT tax rates in the world, charging a maximum VAT rate of 10%.

VAT	
Standard Rates	10%

## Withholding Tax

### Dividends

- Dividends paid by Australian-resident companies from profits already taxed at the corporate 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.
- To the extent distributions to foreign residents are unfranked distributions, they are subject to withholding tax at the statutory rate of 30%, which may be reduced under a tax treaty.

### Interest

- Interest paid by an Australian company to a foreign resident generally is subject to a 10% withholding tax.

- There are some exemptions, including for certain publicly offered debentures and limited no debenture debt interests.
- An interest withholding tax exemption applies for interest paid to unrelated foreign financial institutions or government bodies under specific tax treaties.

### Royalties

- Royalties are subject to a withholding tax of 30%, unless the rate is reduced under a tax treaty

### Technical Service Fees

- Australia does not levy withholding tax on payments of technical service fees that fall outside the definition of royalties.

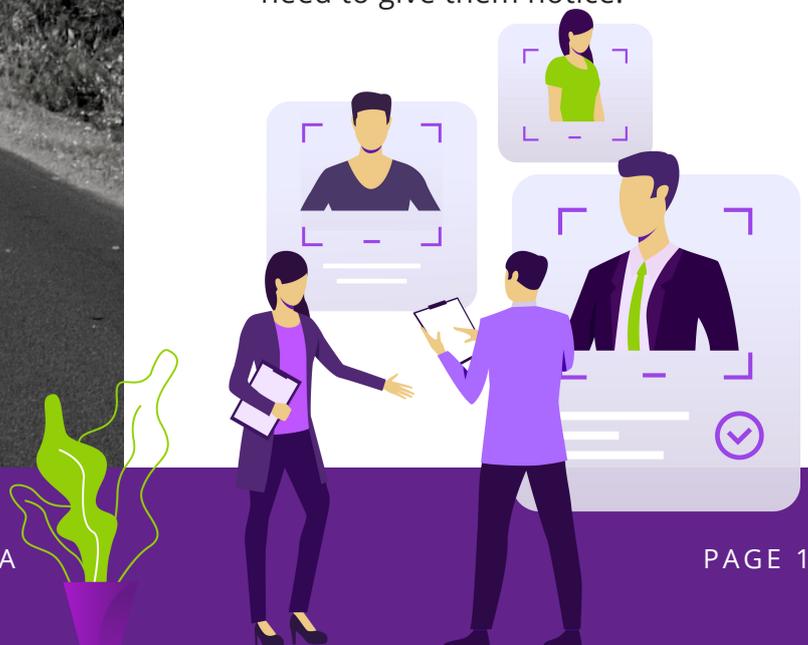
WHT	
Dividends	30%
Interest	10%
Royalties	30%
Technical Service	0%





## Termination

- Employment can end for many different reasons. An employee may resign or can be dismissed (fired).
- Employees can resign at any time without discussing the decision with you. However, modern awards, enterprise agreements and employment contracts may require a minimum notice period.
- If you do not need the employee to work their notice period, you can pay them in lieu of notice and let them leave early.
- A job becomes redundant when an employer either:
  - doesn't need an employee's job to be done by anyone
  - becomes insolvent or bankrupt
- Employees may be entitled to redundancy benefits depending on their length of service and the award, agreement or contract they were employed under.
- If you need to dismiss an employee, you must have a valid reason, such as:
  - poor performance
  - conduct
  - changes to operational requirements
- If you dismiss an employee, you may need to give them notice.



## Statutory Benefits

- These are mandatory benefits as postulated by law
- These include probationary period, annual leave, public holidays, sick leave, parental leave, overtime pay, notice period, and severance pay
- Statutory benefits also include social security benefits

### Statutory Benefits

Probationary Period

Annual Leave

Public Holidays

Parental Leave

Sick Leave

Overtime Pay

Notice Period

Severance Pay

Social Security Benefits

## Payments and Invoicing

- Returns for the tax year ended 30 June generally are due by 31 October.
- Extensions may be available if the return is filed by a registered tax agent.
- Nonresidents are subject to the same filing requirements as residents.
- No specific additional filing requirements are imposed on persons arriving in, or on persons preparing to depart from Australia.
- Visitors entering Australia for employment or to take up residence who have not previously applied for an Australian tax file number must apply with the Australian Taxation Office.
- Married persons are taxed separately, not jointly, on all types of income.
- Joint filing of returns by spouses is not permitted. A tax assessment is issued by the Australian Taxation Office after a tax return is filed.
- For a timely filed tax return, taxpayers generally have 21 days after the date of assessment to pay tax due and may be allowed a longer period.



## Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Mexico ranked 14th in the World in 2019 in terms of ease of doing business.



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