

Thinking about establishing a head office in Australia?

If you're looking to expand your business overseas or setting up a head office in Australia, you may be interested to discover that recent reforms have greatly improved the attractiveness of Australia as a regional headquarters.

Traditionally, Australia hasn't been seen as an attractive location to set up a holding company due to its wide tax base. The reforms mean that Australia can now effectively participate in the global economy and that businesses can expand beyond its borders to compete on the global stage. So here's what it means for you.

Foreign dividends

Dividends received by an Australian resident company from a non-resident company - with shareholdings of 10% or more - will not be taxed on the receipt.

Foreign branch profits and gains

Some foreign branch profits and capital gains may be exempt from Australian taxation when derived by resident companies.

Capital gains tax participation exemption

If an Australian resident company has ownership of shares in a non-resident company, then capital gains or losses are reduced to the extent that the non-resident company carries on an active business offshore.

Conduit foreign income

This regime allows Australian resident companies to distribute dividends to foreign resident shareholders free of Australian income tax to the extent that the dividends are paid from foreign sourced income. Of course there are conditions that must be satisfied before the above



exemptions can be relied upon.

Foreign loss and foreign tax credit

Foreign loss and foreign tax credit quarantining have been overhauled. This means that the class of income approach has been removed and adopts a more global approach. Australian residents are no longer required to quarantine assessable income into four baskets and claim the foreign credit within each class.

Anti-deferral regimes

The anti-deferral regimes are designed to tax foreign income before it is repatriated back to Australia. These rules have been under review and the new rules aim to narrow the application and improve the global competitiveness.

Find out more

If you want to know more about expanding your business offshore or establishing a holding company, call Matt Zhou on 02 9957 4033. Alternatively, contact Matt via email on mzhou@batescosgrave.com.au.

