



# Australia Tax Profile

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# 1 Corporate Income Tax

## Corporate Income Tax

Corporate income tax.

## Tax Rate

30 percent generally. Special rates apply to life insurance companies, non-profit companies and credit unions.

Currently, small businesses with annual turnover below \$2 million are taxed at a lower rate of 28.5 percent.

In the 2016 Federal Budget, the Government announced proposed progressive reduction of the corporate tax rate to 25 percent by 2026-27. For the 2016-17 year, tax rate for businesses with annual turnover below \$10 million will be reduced to 27.5 percent. The turnover threshold will progressively rise until the 27.5 per cent rate applies to all in the 2023-24 income year. The corporate tax rate will then be cut to 27 per cent for the 2024-25 income year and by one percentage point in each subsequent year until it reaches 25 per cent for the 2026-27 income year. (The maximum franking credit that can be allocated to a frankable distribution paid by a company will be based on the company's applicable corporate tax rate.)

## Residence

A company is regarded as a resident of Australia if it is incorporated in Australia, or if not incorporated in Australia but carrying on a business in Australia, and has either its central management and control in Australia or its voting power controlled by shareholders who are residents of Australia.

As a general proposition, a resident company is liable to income tax on its worldwide income and capital gains. A non-resident company is only liable to income tax in Australia on Australian sourced income and on capital gains from the disposal of particular types of assets defined in the Australian tax law as 'taxable Australian property'.

## Compliance requirements

Companies are required to self-assess their tax obligations and income tax liability. An annual 'tax return' must be lodged by 15 January for companies with a 30 June year-end. Tax accounting periods other than 30 June are allowed in certain circumstances. A company with a 31 December year end will be required to lodge an annual return by 15 July. It is presumed that the information contained in the tax return is correct and companies may be subject to a tax audit. The tax authority uses data matching and tax risk reviews in determining which companies to audit.

Income tax liability is collected throughout the year under a Pay-As-You-Go (PAYG) system. Companies with a 30 June year-end are required to pay quarterly instalments on 21 October, 21 January, 21 April and 21 July. The instalment amount is based on the company's previous year's income tax liability. A final payment is required by 1 December for companies with a 30 June year-end. From 1 January 2015, corporate tax entities with annual instalment income of at least AUD 100 million will be required to make monthly PAYG instalments. From 1 January 2016, corporate tax entities with annual instalment income of at least AUD 20 million will be required to make monthly PAYG instalments. This requirement will be gradually phased in by 1 January 2017 for all taxpayers in the PAYG instalment system that meet or exceed an AUD 20 million annual instalment income threshold.

### **International Withholding Tax Rates**

Dividends paid to non-residents (except for foreign-owned Australian branches) are subject to withholding tax on the unfranked (i.e. untaxed) portion of dividends received. The dividend withholding tax rate is 30 percent. The withholding rate may be reduced by an applicable income tax treaty between Australia and the recipient country, typically to 15 percent or less.

Generally, royalties paid to a non-resident are subject to withholding tax at 30 percent and is a final tax. However, where the recipient is a resident of a country with which Australia has concluded a tax treaty, the rate of royalty withholding tax is generally reduced, unless the royalties are effectively connected with a branch in Australia.

Interest paid by a resident of Australia to a non-resident, is normally subject to a final withholding tax of 10 percent on the gross interest payment. A number of interest withholding exemptions exist (e.g. certain publicly offered debenture issues). In addition, there are a growing number of tax treaties (e.g. USA, UK, Japan, France, Finland and Norway) which provide for a withholding tax exemption on interest paid to certain Government bodies and unrelated financial institutions.

Payments made to non-residents that dispose of certain "taxable Australian property" is subject to a non-final withholding tax of 10 percent on the purchase price. This new rule applies from 1 July 2016 and applies to transactions with a market value of \$2 million or above. Broadly, 'taxable Australian property' constitutes land and buildings in Australia, mining, quarrying and prospecting rights in Australia, and assets used in carrying on a business through a permanent establishment in Australia. Vendors can apply to the Australian Taxation Office for a variation of the withholding rate if believed that 10 percent is inappropriate.

## Holding rules

Dividends received by a resident company from non-resident companies will be treated as non-assessable, non-exempt income if a participation interest of at least 10 percent is held in the non-resident company. This exemption will only apply to equity dividend distributions, and excludes debt interests such as redeemable preference shares.

Dividends received by a resident company from other resident companies which are part of the same tax consolidated group are disregarded for income tax purposes. Outside the tax consolidation regime, the total dividend amount must be included in assessable income. Double taxation of dividends is avoided through the imputation system whereby companies attach 'franking credits' (representing corporate income tax paid) to dividends. The franking credit is generally permitted as a tax credit (i.e. a fully franked dividend will result in zero additional tax to pay by the recipient in respect of the dividend income).

Dividends paid to a non-resident parent are subject to withholding tax on the unfranked portion of the dividend at a rate of 30 percent (or lower if an applicable tax treaty applies). Conduit foreign income rules can apply to reduce the Australian tax liability on dividends paid to a foreign resident by an Australian holding company.

A number of anti-avoidance rules (e.g. dividend stripping; at risk holding period rules) apply to prevent profits being distributed as capital or vice versa and enable access to franking credits.

Income tax is payable on capital gains when defined 'capital gains tax events' (e.g. disposals) occur, in respect of a 'capital gains tax asset'. A capital gains tax asset is defined widely as any kind of property or legal or equitable right that is not property and includes land and buildings, shares, goodwill, options, foreign currency, etc. Residents are subject to tax on all capital gains while non-residents are only subject to tax on capital gains arising from capital gains tax events involving 'taxable Australian property'. Broadly, 'taxable Australian property' constitutes land and buildings in Australia and assets used in carrying on a business through a permanent establishment in Australia.

Capital gains are taxed at prevailing income tax rates but discounts may apply for qualifying capital gains of individuals, trusts, complying superannuation funds, approved deposit funds, pooled superannuation trusts and life insurance companies. Capital losses may only be deducted against capital gains. Capital gains arising from transactions between companies in the same tax consolidated group are disregarded for income tax purposes.

## Tax Losses

Generally, tax losses may be carried forward indefinitely and be offset against assessable income (including against capital gains). Capital losses may be offset against current and future capital gains only. If no capital gains are available, the capital loss may be carried forward indefinitely.

There are restrictions on the utilization of carried forward tax and capital losses incurred in prior years. The company must satisfy either a continuity of ownership (COT) or, failing COT, a relatively strict same business test (SBT). The Government announced in December 2015 proposals to introduce a new Similar Business Test, which is more relaxed than the current SBT. The corresponding legislation has not been enacted. Companies may choose the amount of prior year tax losses to be deducted in a particular year.

**Tax Consolidation / Group relief**

Australia has a system of consolidated income taxation (tax consolidation) for entities within a wholly owned group. Under this regime, if a group elects to consolidate, the wholly-owned Australian resident entities in the group will generally be treated as a single entity for income tax purposes.

**Transfer of shares**

Transfers of shares are taxable events and the tax treatment of the transfer depends on whether the shares are held as revenue assets, capital assets or trading stock. Generally, where a foreign resident disposes of a non-portfolio interest (10 percent or greater) in a company that holds Australian real property, capital gains tax will apply. An Australian company's capital gain or loss on disposal of a foreign subsidiary may be disregarded based on the foreign subsidiary's proportion of 'active business assets'. Stamp duty may be imposed in some Australian jurisdictions on the transfer of shares in private companies.

**Transfer of assets**

Transfers of tangible and intangible assets are generally subject to income tax with the determination of tax liability dependent on the nature of the holding – revenue assets, capital assets or trading stock. In certain cases (eg. transfer of land and buildings) stamp duty and goods and services tax (GST) may also be payable. Stamp duty is levied on the transfer of land or fixtures (such as buildings) in all Australian jurisdictions. Exemptions for GST may be available in certain circumstances such as for supplies of "going concerns".

**CFC rules**

Australia has CFC provisions which tax certain income earned by foreign companies controlled by Australian residents on an accruals basis. A CFC will generally arise where a group of five or fewer Australian entities (together with their associates) holds a greater than 50 percent interest, or a single Australian entity together with associates holds a 40 percent or greater interest, or the entity is controlled by a group of Australian entities.

The amount of income of the CFC attributable to the Australian resident(s) depends on whether the CFC is resident in a listed or an unlisted country. Generally, for a CFC resident in a listed country, only passive or tainted income that is also Eligible Designated Concession Income (defined list of foreign country tax concessions) is attributable. For a CFC resident in an unlisted country, all passive income or tainted income is attributable. In both cases, income attribution may be eliminated where the CFC satisfies an active income test.



## Transfer Pricing

The Commissioner has the power to review the pricing of international transactions between parties (in some cases, whether related or not) for tax purposes and:

- For international transactions between parties whether related or not – apply the arm’s length consideration where the consideration for the supply or acquisition of property (including services) is either less than (in the case of revenue), or greater than (in the case of expenses), the arm’s length consideration; and
- For international transactions with related parties situated in countries with which Australia has concluded a DTA – make transfer pricing adjustments where the actual profits (as opposed to consideration) are less than the arm’s length profits due to non-arm’s length conditions existing between the parties.

Under Australia’s transfer pricing regime, there is no requirement for the Commissioner to find a motive of tax avoidance.

Australia has enacted legislation to adopt the OECD transfer pricing documentation standards from 1 January 2016, which require multinational taxpayers (with global revenue of at least \$1 billion) to lodge with the tax authority the following information:

- a Country-by-Country Report showing information on the global activities of the multinational, including the location of its income and taxes paid;
- a master file containing an overview of the multinational’s global business, its organisation structure and its transfer pricing policies; and
- a local file that provides detailed information about the local taxpayer’s intercompany transactions.

While there is currently no formal legislative requirement to prepare transfer pricing documentation, taxpayers are strongly advised by the tax authority to prepare contemporaneous transfer pricing documentation. In transfer pricing disputes with the tax authority, appropriate documentation assists in substantiating the taxpayer’s position and mitigating the risk of penalties on adjustments.

New transfer pricing rules were enacted and came into effect for income years starting on or after 1 July 2013. The rules enable the Commissioner to make transfer pricing adjustments where the actual profits are less than the arm's length profits due to non-arm's length conditions existing between the parties.

Under the legislation:

- Taxpayers are required to self-assess their tax position with respect to transfer pricing;
- The Commissioner is given broad powers to reconstruct actual transactions in cases where the economic substance of an international transactions differs from its legal form and where independent parties acting independently would have entered into differently structured transactions

One method to comply with the self-assessment obligation is to prepare transfer pricing documentation - which documents how the new rules apply to the taxpayer's business and quantify any required profit adjustments.

In addition, taxpayers that do not prepare their transfer pricing documentation prior to filing their tax returns may be deemed not to have a "reasonably arguable position" and thus may be subject to increased penalties.

Transfer pricing adjustments under the new rules can only be made within seven years of the original assessment. Previously there was no time limit.

Advance Pricing Agreements (APAs) are viewed by the tax authority as an efficient means of resolving transfer pricing issues before they turn into disputes as they provide long-term certainty in relation to a taxpayer's international related party dealings. APAs are prospective and typically cover a three to five year period.

All of Australia's DTAs have a Mutual Agreement Procedure (MAP) article. Taxpayers are generally required to present their case to the tax authority of the country where they are resident and generally within three years from the first notification to the taxpayer of the actions giving rise to taxation not in accordance with the DTA.



## Thin Capitalisation

Australia's thin capitalization regime seeks to limit tax deductions (debt deductions) on financing costs relating to all debt funding of a taxpayer's Australian operations. Under the current regime, debt deductions will generally be denied to the extent the relevant prescribed gearing limits are breached, irrespective of whether or not the debt is from related parties.

The thin capitalization rules affect Australian companies that are foreign controlled (i.e. inbound investors) and Australian companies which control foreign operations (i.e. outbound investors). These rules may limit interest deductions and other costs associated with debt funding to the extent that certain prescribed gearing limits are breached.

Generally, the safe harbour limit to debt funding imposed on an Australian entity is 1.5:1 debt-to-equity ratio for income years commencing on or after 1 July 2014, however, the exact threshold will depend on the type of entity in question (i.e. financial/non-financial entity). For income years commencing before 1 July 2014, the threshold was 3:1 debt-to-equity ratio,

Debt deductions on financing costs can also be limited under Australia's transfer pricing rules in some cases notwithstanding that safe harbour limits have been satisfied. Taxpayers should seek relevant transfer pricing advice if gearing levels are likely to approach the safe harbour limits.

## General Anti-avoidance

General anti-avoidance provisions allow the Commissioner to cancel the effect of any tax benefit that a taxpayer derived from an arrangement if it could be concluded that a person (not necessarily the taxpayer) entered into or carried out the arrangement for the sole or dominant purpose of enabling the taxpayer, or the taxpayer and other persons, to obtain a tax benefit.

A new Multinational Anti-Avoidance Law for multinational companies with annual global revenue of at least AUD 1 billion applies from 1 January 2016. The new rule extends the general anti-avoidance rules to a new category of schemes that 'limit a taxable presence in Australia'.

In the 2016 Federal Budget, a proposed Diverted Profits Tax was announced. The proposed new rule targets businesses (with annual global revenue of at least AUD 1 billion) that shift profits offshore from Australia and imposes an upfront 40 percent tax on the diverted profits. The corresponding legislation has not been enacted.

## Anti-treaty shopping

Australia's DTA with the United States contains a comprehensive limitation of benefits article while a number of Australia's other DTAs (eg. with China, Vietnam, Russia and the United Kingdom) contain limited anti-treaty shopping provisions. In addition, the tax authority can apply the general anti-avoidance provisions to target treaty shopping.

## Other specific anti-avoidance rules

There are a number of specific anti-avoidance provisions which should be considered. Due to the complexity of these rules, further advice should be sought prior to undertaking a transaction.

## Rulings

The tax authority publishes general tax rulings ('public rulings') which can be relied on by any taxpayer falling within the scope of the ruling. Taxpayers can also apply to the tax authority for a private ruling on the taxpayer's particular circumstances or transaction. Public and private rulings are binding on the tax authority but not the taxpayer.

## Intellectual Property Incentives

Incentives exist for R&D (below) and venture capital.

## R&D Incentives

A R&D tax incentive regime replaced the R&D tax concession for income years commencing on or after 1 July 2011. The R&D tax incentive provides the following benefits:

- 45 percent refundable tax credit for companies with a group turnover less than AUD 20 million per annum. If such companies are in a tax loss position they will be able to 'cash out' the R&D tax credit.
- 40 percent non-refundable tax credit for companies with a group turnover in excess of AUD 20 million per annum.

Special grouping rules apply for R&D tax incentive purposes.

From 1 July 2014, there is an AUD 100 million cap on R&D expenditure which is eligible for tax incentive entitlement at the above rates and, for expenditure in excess of AUD 100 million, the tax incentive entitlement will be calculated by reference to the corporate tax rate. This restriction will apply for 10 years from 1 July 2014.

## Other incentives

Australia has a 'Regional Headquarter' (RHQ) incentive regime, in which certain costs incurred in relation to the setup of a RHQ are specifically deductible. Additionally, an RHQ will benefit from the general exemption from dividend withholding tax available to companies in Australia for certain foreign sourced dividends passed through an Australian resident company to a foreign resident shareholder.

In addition, tax incentives are available in Australia for:

- Offshore banking units;
- Venture capital investment;
- Shipping industry;
- Film and television production; and
- Regional financial services centres.

## Hybrid Instruments

Specific debt-equity rules operate to classify hybrid instruments as solely debt or solely equity. Therefore, in some circumstances, the tax rules can produce a different result from the accounting treatment.

In the 2016 Federal Budget, the Government has announced proposed adoption of the anti-hybrid rules in the OECD BEPS report from 1 July 2018 or later. Corresponding legislation has not been enacted.

## Hybrid entities

In general, Australian partnerships and trusts are treated as transparent for income tax purposes i.e. they are taxed at the membership level. Corporate limited partnerships are an exception however, and will be taxed as a company. Trusts are typically taxed at the hands of the beneficiaries, with the exception of public trading trusts and corporate unit trusts, which will be taxed as a company.

Specific rules apply to international hybrid entities. Foreign hybrid entities will be taxed as partnerships for Australian tax purposes. This tax treatment is irrespective of the fact that an entity may have been a corporate limited partnership (and therefore taxed as a company) prior to becoming a foreign hybrid entity.

In the 2016 Federal Budget, the Government has announced proposed adoption of the anti-hybrid rules in the OECD BEPS report from 1 July 2018 or later. Corresponding legislation has not been enacted.

## Special tax regimes for specific industries or sectors

Specific tax rules apply for a number of industries including the mining and resources sector (see 'other taxes'); superannuation funds; managed investment trusts; investment manager regime; pooled development funds and primary production.

## Related Business Factors

The typical legal entities used for conducting business in Australia are a limited company (Ltd.) or a proprietary limited company (pty ltd). A company or trust may be used for holding activities. Partnerships can be utilised however this is only in specific commercial situations.

There are no capital requirements or other local requirements for establishing a legal entity in Australia.

There are no foreign exchange control rules in Australia.

## Accounting and reporting

Statutory financial statements are prepared in accordance with the principles set out in standards developed by the Australian Accounting Standards Board (AASB), which meet the requirements of International Financial Reporting Standards (IFRS) but contains some Australia specific standards.

Australia Multinational taxpayers with annual global revenue of \$1 billion or more are required to lodge a general purpose financial statement with the tax office, if they do not lodge one with the Australian Securities and Investments Commission. The new rule applies to income years commencing from 1 July 2016. Practically, for many taxpayers this means the requirement to taxpayers does not arise until early 2018.

# 2 Income Tax Treaties for the Avoidance of Double Taxation

## In Force

Argentina	Germany	Mexico	South Africa
Austria	Hungary	The Netherlands	Spain
Belgium	India	New Zealand	Sri Lanka
Canada	Indonesia	Norway	Sweden
Chile	Ireland	Papua New Guinea	Switzerland
China	Italy	Philippines	Taiwan
Czech Republic	Japan	Poland	Thailand
Denmark	Kiribati	Romania	Turkey
Fiji	Korea (Republic of)	Russian Federation	United Kingdom
Finland	Malaysia	Singapore	United States
France	Malta	Slovak Republic	Vietnam

Source: [Australia's Treasury](#)

## Negotiated, not yet in force at time of publication

A new amendment protocol has been negotiated with Belgium but is not in force yet as at July 2016.

# 3 Indirect Tax e.g. VAT/GST

**Indirect Tax(es)**

Goods and Services Tax (GST)

**Standard Rate**

The standard rate of GST in Australia is 10 percent.  
Certain supplies of goods and services are zero-rated or exempt from GST.

**Further information**

For more detailed information regarding GST in Australia, refer to:  
[KPMG's 2016 Asia Pacific Indirect Tax Guide](#)

# 4 Personal taxation

## Income Tax

Personal income tax

## Top Rate

The top marginal tax rate in Australia is 45 percent (applies to income AUD 180,001 onwards). From 1 July 2014 until 30 June 2017, a temporary Budget Repair Levy of 2 percent applies to personal income in excess of AUD 180,000.

Australia operates a pay-as-you-go (PAYG) system of deducting tax from salaries which covers both resident and non-resident employees. Tax withheld under the PAYG system is credited against the employee's tax liability for the year when it is finally assessed.

## Social Security

Generally a Medicare levy of 2 percent is also imposed on the taxable income of a resident individual. The Medicare levy is not payable or is reduced where taxable income or family income is below certain thresholds.

## Further information

For more detailed personal taxation information, refer to:

[KPMG's Thinking Beyond Borders](#)

## International Social Security Agreements

Australia has agreed Social Security Treaties with:

Austria	Czech Republic	India	Macedonia	Portugal
Belgium	Denmark	Ireland	Malta	Slovak Republic
Canada	Finland	Italy	The Netherlands	Slovenia
Chile	Germany	Japan	New Zealand	Spain
Croatia	Greece	Korea (Republic of)	Norway	Switzerland
Cyprus	Hungary	Latvia	Poland	United States

Source: [Australia's Department of Human Services](#)

Social Security Treaties have been agreed with Estonia (expected to start in 2017 subject legislation).

# 5 Other Taxes

## **Fringe benefit tax (FBT)**

FBT is a separate tax payable by employers on the value of certain benefits that have been provided to their employees (or to associates of these employees) in respect of their employment. The tax, which is deductible in calculating the employer's taxable income, is imposed at the rate of 46.5 percent on the total grossed-up value of fringe benefits provided to employees or associates. The gross-up is intended to eliminate any difference in the overall tax burden on cash salary and wages versus fringe benefits.

FBT is typically levied on benefits such as employer-provided cars, free or low interest loans, free or subsidized residential accommodation or board, free or discounted goods and services, meals and expenses paid on behalf of an employee.

## **Customs duty**

All goods imported into Australia must be reported to the Australian Customs and Border Protection Service (Customs) and are subject to customs duties. Customs duty is generally calculated as an *ad valorem* (percentage) rate of the customs value of the goods.

Most imported goods attract a duty rate of between 0 percent-5 percent of the customs value. The exception to this is goods such as alcohol, tobacco products, textiles, clothing and footwear which have significantly higher rates of customs duty.

## **Excise duty**

Excise duty is levied on a number of commodities manufactured or produced in Australia. Broadly, this includes fuel and tobacco products and certain alcoholic beverages. The rates of excise duty vary between products.

## **Stamp duty**

Each State and Territory of Australia imposes duty on certain types of transactions and instruments. Each State and Territory has its own legislation with different provisions, rates of duty and exemptions.

Transactions and instruments which are subject to duty (although this varies significantly by State) typically include those affecting:

- Land;
- Certain types of personal property, goodwill and intellectual property;
- Shares in companies and units in unit trusts;
- Insurance policies; and
- Motor vehicles.



## Resource Taxes

The **Petroleum Resource Rent Tax** (PRRT) has applied to offshore petroleum projects except for the North West Shelf project and the Joint Petroleum Development Area since 1987. From 1 July 2012, the PRRT regime was expanded to apply to all Australian onshore and offshore petroleum projects including the North West Shelf project (but not to the Joint Petroleum Development Area in the Timor Sea) and coal seam gas projects. The PRRT is a profit based tax levied at 40 percent on the taxable profits derived from the petroleum project (broadly, the excess of assessable receipts over deductible expenditure and transferred exploration expenditure). State and Territory petroleum royalties may also apply to projects. The PRRT is deductible for income tax.

The **Minerals Resource Rent Tax** (MRRT), a project based tax, applied from 1 July 2012 to new and existing iron ore and coal projects in Australia and was repealed from 30 September 2014. The MRRT had a headline rate of 30 percent but was imposed at an effective rate of 22.5 percent.

## Property taxes

Land tax is imposed by each State and the Australian Capital Territory. The Northern Territory does not impose land tax. Each jurisdiction has its own legislation with different provisions, rates of land tax and exemptions.

Exemptions from land tax are typically available for land used and occupied as the owner's principal place of residence or land used for primary production.

## Inheritance/gift tax

There is no death, estate, inheritance or gift duties in Australia. However, certain capital gains tax rules may apply.

## Others

Superannuation guarantee scheme; wine equalisation tax; fuel tax credits; luxury car tax; carbon tax.

# 6 Free Trade Agreements (FTA)

## **In Force FTAs**

- ASEAN - Australia-New Zealand
- Chile
- Malaysia
- New Zealand
- China
- Japan
- Korea
- Singapore
- Thailand
- United States

## **Under negotiation / concluded or signed but not yet in force**

- Gulf Cooperation Council (GCC)
- India
- Indonesia
- Pacific Agreement on Closer Economic Relations (PACER) Plus
- Regional Comprehensive Economic Partnership
- Trade in Services Agreement
- Trans-Pacific Partnership Agreement

*Source: Australia's Department of Foreign Affairs and Trade*

# 7 Tax Authority

## **Tax Authority**

Australian Taxation Office (ATO)

[Link to Australian Tax Office Website](#)

## **Tax audit activity**

The tax authority primarily adopts a risk based approach to the selection of returns for audit. Returns are selected for audit on the basis of data matching; industry benchmarks; statistical sampling and/or risk reviews (including tax advisor risk). The tax authority generally conducts specific issue audits and only a small number of comprehensive audits are conducted each year.

A typical review or audit commences with the tax authority providing a letter requesting further information or documentation. A review may end at that stage or may proceed to an interview. The tax authority will provide the taxpayer with the findings of the review in writing. After a request for information, an audit will usually proceed with an interview and sometimes a site visit by the tax authority. The tax authority will provide the taxpayer with a draft audit management plan. After conducting investigations, the tax authority will provide the taxpayer with a draft position paper and the taxpayer can provide comments which will be considered in making the final decision. The tax authority will advise the taxpayer of the final position in writing.

A review or audit must commence within a particular time period which depends on the type of taxpayer and the nature of the non-compliance. The tax authority expects to complete a review or short-turnaround audit within three months and a more complex audit within 540 days.

## **Appeals**

A taxpayer who is dissatisfied with an assessment can object to the tax authority. The decision is reviewed by an independent member within the tax authority, not associated with the taxpayer's case. Alternatively, or following an unsuccessful objection, the taxpayer can appeal to the courts through the Administrative Appeals Tribunal or Federal Court of Australia. Differing costs and evidentiary rules generally govern the choice of forum to appeal. An appeal must be lodged within a particular time period which varies depending on the type of taxpayer.

## **Tax governance**

The tax authority adopts the approach that the large majority of taxpayers want to comply with their tax obligations and the tax authority provides assistance to those taxpayers to comply through volunteer programs, free software, rulings, etc. The tax authority uses a risk differentiation framework to identify those taxpayers who are unlikely to comply with their tax obligations and deterrent measures and the full force of the law are used to achieve compliance.

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