International tax for business

Your obligations if you're a foreign resident doing business in Australia or an Australian doing business overseas.

Australians doing business overseas

Income you receive from foreign business activities and what you need to do.

Working out your residency

Work out the residency status of your business entity to determine your Australian income tax obligations.

Foreign residents doing business in Australia

If you are doing business in Australia, you may need to register in our tax system and pay taxes in Australia.

GST for non-resident businesses

Australian GST may apply to you for retail sales of imported services, digital products or low value imported goods.

Payments to foreign residents

What to do if you're an Australian resident business making payments to someone who isn't an Australian resident.

Transfer pricing

What happens if your business has international transactions with a related party.

Private capital program

We work to give the community greater confidence that private capital investors pay the right amount of tax.

Private Wealth International Program

How we support privately owned and wealthy groups that are engaged in international dealings.

Foreign ships and recreational vessels

Tax obligations for special recreational vessels in Australian waters and foreign ships visiting Australia.

Cross-border dealings

Multinationals, transfer pricing, GST on transactions between businesses, and insurance with non-resident insurers.

International tax agreements

Information about international tax agreements affecting both residents and non-residents of Australia.

Foreign exchange gains and losses

The tax rules for gains and losses on the disposal of, or rights or obligations to receive or pay, foreign currency.

Thin capitalisation

Explains how certain entities investing or controlled across the Australian border have their debt deductions limited.

QC 18210

Australians doing business overseas

Income you receive from foreign business activities and what you need to do.

Last updated 16 February 2016

Media: Doing your business overseas: Tax basics for small business http://tv.ato.gov.au/ato-tv/media?v=bd1bdiubfiyse1 (**Duration:** 2:23)

This section is about income from business activities. If you're earning foreign income from passive investments (such as securities and rental properties), interest or royalties, refer to Investing overseas.

Follow the links below for more information about:

- Foreign business income
- Capital gains on overseas assets
- Exports and GST
- Employing Australians overseas

Foreign business income

As an Australian resident, you are taxed on your worldwide income. This means you must report all income you receive from foreign business activities on your Australian tax return. The tax treatment of your income depends on a number of factors, such as whether your activities are carried out in a listed country such as the United Kingdom.

Capital gains on overseas assets

Your capital gains on overseas assets are treated in the same way as your capital gains on Australian property. If you make a capital gain that is taxable in Australia and you have paid foreign tax on it, you may be entitled to a foreign income tax offset.

Exports and GST

Work out if exported goods, services and other exports from Australia are GST-free.

Employing Australians overseas

If you have Australian employees working overseas you generally have the same tax and super obligations as you would if they were working in Australia, though there are some important exceptions.

QC 45586

Foreign business income

As an Australian resident, you are taxed on your worldwide income. This means you must report all income you receive from foreign business activities on your Australian tax return. The tax treatment of your income depends on a number of factors, such as whether your activities are carried out in a listed country such as the United Kingdom.

Last updated 16 February 2016

Follow the links below for more information about:

- Listed countries
- Australian-owned subsidiaries incorporated in another country
- Reporting income from international transactions
- Non-assessable non-exempt business income
- International dealings schedule
- Limits to debt deductions under thin capitalisation rules

Listed countries

A 'listed' country is a country listed in Part 1 of Schedule 10 to the Income Tax Regulations 1936 (ITR 1936). Listed countries are:

- Canada
- France
- Germany
- Japan
- New Zealand
- United Kingdom
- United States of America.

Australian-owned subsidiaries incorporated in another country

Generally, a subsidiary incorporated overseas will be treated as a foreign resident under Australian tax law.

If the overseas subsidiary does not satisfy the 'active income test', the Australian owner may be taxable in Australia under Australia's controlled foreign company (CFC) rules on certain kinds of income earned by the subsidiary, such as dividends and interest. If the overseas subsidiary is resident in one of the listed countries, such as the United Kingdom, the Australian owner is taxable on fewer kinds of income than for countries that are not listed, such as Singapore.

See also:

- Chapter 1 of the Foreign income return form guide

Reporting income from international transactions

If you have assessable income from overseas, you must declare it on your Australian tax return. If you have paid foreign tax in another country, you may be entitled to an Australian foreign income tax offset, which provides relief from double taxation.

You must report any foreign employment income you receive that is exempt from Australian tax because we may take it into account to work out the amount of tax you are liable to pay on both your Australian and foreign income.

Before you calculate your income and deductions, you must convert all your foreign income, foreign deductions and foreign tax paid into Australian dollars.

See also:

- Converting foreign income to Australian dollars
- Guide to foreign income tax offset rules

Non-assessable non-exempt business income

If you are an Australian-resident company, certain types of foreign business income you receive are not subject to Australian tax. They include:

- foreign income and gains in carrying on business at or through an overseas permanent establishment, unless the 'active income test' is not satisfied and the income or gains are certain kinds of income, such as dividends or interest. If the overseas permanent establishment is in one of the listed countries, fewer kinds of income are not exempt if the 'active income test' is not satisfied than for countries that are not listed

- equity distributions from a foreign company made after 16 October 2014 if you had a minimum 10% participation interest in the company
- dividends from a foreign company paid before 17 October 2014 if you had at least a 10% voting interest in the company.

See also:

- Part 2 of Chapter 3 of the Foreign income return form guide

International dealings schedule

When lodging a company, superannuation, trust or partnership return, you must complete an international dealings schedule and include it with your tax return if you have:

- transactions or dealings with international related parties greater than $2 million (including the value of property transferred or the balance outstanding on any loans), or
- completed certain labels on your company, trust or partnership return, such as the interest expenses overseas label – the instructions to the tax return will tell you when you need to complete the schedule.

Next steps:

- International dealings schedule
- International dealings schedule instructions

Limits to debt deductions under thin capitalisation rules

For income years starting from 1 July 2014, if you have claimed interest or other debt deductions in Australia totalling more than $2 million in the income year, special rules may limit your debt deductions if you:

- operate an Australian entity with overseas investments
- are an Australian entity with overseas branch operations or control an overseas company, or
- are a foreign controlled Australian entity.

For earlier income years, the special rules may apply if you have debt deductions totalling more than $250,000 in the income year.

See also:

- Thin capitalisation – what you need to know.

QC 45587

Capital gains on overseas assets

Your capital gains on overseas assets are treated in the same way as your capital gains on Australian property. If you make a capital gain that is taxable in Australia and you have paid foreign tax on it, you may be entitled to a foreign income tax offset.

Last updated 16 February 2016

If you are an Australian resident, your capital gains on overseas assets are treated in the same way as your capital gains on Australian property. If you make a capital gain that is taxable in Australia and you have paid foreign tax on it, you may be entitled to a foreign income tax offset.

If you operate an Australian company, from 1 April 2004 certain capital gains and capital losses you make on the disposal of your shares in foreign companies with underlying active businesses are disregarded or reduced.

QC 45588

Exports and GST

Work out if exported goods, services and other exports from Australia are GST-free.

Last updated 28 July 2023

How GST applies to exports

GST is a broad-based tax of 10% on most goods, services and other items sold or consumed in Australia (the indirect tax zone) and on most imports of goods.

Exports of goods and services from Australia are generally GST-free. If you're registered for GST, this means you:

- don't include GST in the price of your GST-free exports
- can still claim credits for the GST included in the price of purchases you use to make your exported goods and services.

See the definitions for GST terms.

Export of goods

Exported goods are GST-free if they are exported from Australia by the supplier within 60 days of one of the following, whichever occurs first:

- the supplier receives any payment for the goods
- the supplier issues an invoice for the goods.

If the goods are paid for by instalments, the payment or invoice referred to is for the final instalment.

Suppliers can contact us via Online services for business to request an extension of the 60-day period.

The 60-day period does not apply for new boats sold for private recreational use if the boat is exported from Australia within 12 months.

Australia includes all land territory except external territories (such as Norfolk Island, Christmas Island and the Cocos (Keeling) Islands). Under the export rules outlined above, sales of goods to residents of Australia's external territories may also be treated as GST-free export sales by the supplier.

For more information on the external territories, see Law Companion Ruling LCR 2016/1 *GST and carrying on an enterprise in the indirect tax* *zone (Australia)*.

Exports of services and other exports

Other exports can include the sale of things other than goods or real property for consumption outside Australia, such as:

- services
- various rights
- financial supplies
- other professional services.

A supply of a service is GST-free if the:

- recipient of the service is outside Australia, and
- use of the service is outside of Australia.

There are specific rules that determine if the sale of things other than goods or real property for consumption outside Australia, are GST-free or excluded from being treated GST-free.

Example: payments from overseas social media platforms

Liz is located in Australia and registered for GST.

She posts content to a social media platform. Under Liz's agreement with the platform, subscribers from around the world can purchase and view her content.

The platform facilitates transactions between Liz and her subscribers. Through the platform, she receives payments for subscriptions and purchases of her content, messages and tips.

The platform provides Liz with the location of each subscriber and the value of her sales. She works out her GST-free sales by determining which sales are made to offshore subscribers. She works out which sales are taxable by determining if they are made to subscribers in Australia.

Liz collects GST on her taxable sales and pays it to the ATO. She also claims GST credits for the GST included in the price of any goods and services she buys for her business.

If she can't obtain the location of each subscriber, all her sales will be taxable.

When services are used outside Australia

The supply of service is GST-free if the supply is used or enjoyed outside Australia or the supply is made to a non-resident who is not in Australia when the supply is made.

Example: service used outside Australia

Tom, a GST registered Australian freelance writer, is engaged by an English company to write a chapter of a book that will be published in England.

He writes the chapter in Australia and sends it to the non-resident publisher based in England. His service has been exported to the non-resident publisher who is not in Australia when the supply is made, so he does not include GST in his invoice to the publisher.

When services are used in Australia

The supply of service is not GST-free if the service is provided in Australia even if the recipient is not in Australia.

Example: service used in Australia

A GST registered school in Australia provides tuition to overseas students currently studying in Australia. However, it bills the overseas parents of the students directly.

The supply may be under an agreement entered into between the Australian school and the overseas parents. However, as it is provided to the students in Australia, the supply is not GST-free.

For rulings on GST and the exports of services and other exports, see Goods and Services Tax Ruling GSTR 2002/6 *Exports of goods, items*

1 to 4A of the table in subsection 38-185(1) of the A New Tax System (Goods and Services Tax) Act 1999.

Tourist refund scheme

Foreign or Australian tourists travelling from Australia are considered to be exporting if they take goods out of Australia as accompanied luggage, which means the goods are:

- carried or worn by the traveller
- checked into the hold of the aircraft or ship that the traveller is using.

Conditions for such supplies are included in either the GST-free sealed bag method or tourist refund scheme.

Goods must be declared to Australian Customs and Border Protection Services and the GST refund will have to be repaid if:

- a traveller brings goods back into Australia for which they have made a claim for a GST refund under the tourist refund scheme
- the value of those goods (combined with any other overseas purchases) exceeds A$900.

GST is payable on the entire value of the items, not just the amount that is over the A$900 limit. Penalties may apply to undeclared taxable goods.

Residents of Australia's external territories can claim refunds of GST and wine equalisation tax where applicable under the tourist refund scheme for unaccompanied goods exported from Australia back to their home territory.

Registering for GST

You must register for GST in Australia if **both** of the following apply:

- you are carrying on a business or enterprise
- your GST turnover from sales that are connected with Australia from your enterprise is equal to, or greater than the registration turnover threshold of A$75,000 (or A$150,000 if you are a non-profit organisation).

If you're a non-resident business you will need to register for GST to ensure you meet your GST obligations.

When you calculate your GST turnover, you need to include export sales connected with Australia, even though they are GST-free.

> Example: sales connected with Australia
>
> Alex runs an internet business selling mobile phone parts through his website. About half his sales are to Australian customers and half to overseas customers. He is not registered for GST.
>
> Recently Alex took on a new line of accessories and his sales have increased. His total sales for the past 12 months are now $50,000 for his Australian customers and another $50,000 for his overseas customers.
>
> Alex's sales to Australian customers are included in his GST turnover.
>
> His sales to overseas customers are also included in his GST turnover because they are 'connected with Australia'. It doesn't matter that these sales, as exports, are GST-free.
>
> Alex's GST turnover is his total sales of $100,000 so he must register for GST.
>
> Once registered, Alex must include GST in his sales to Australian customers, but his sales to overseas customers are GST-free. He can claim GST credits for any of his business purchases that include GST.

See more about GST Rulings including:

- Goods and Services Tax Ruling GSTR 2018/1 *Supplies of real property connected with the indirect tax zone (Australia)*
- Goods and Services Tax Ruling GSTR 2018/2 *Supplies of goods connected with the indirect tax zone (Australia)*
- Goods and Services Tax Ruling GSTR 2019/1 *Supply of anything other than goods or real property connected with the indirect tax zone (Australia).*

QC 45589

Employing Australians overseas

If you have Australian employees working overseas you generally have the same tax and super obligations as you would if they were working in Australia, though there are some important exceptions.

Last updated 16 February 2016

- PAYG withholding and fringe benefits
- Superannuation

PAYG withholding and fringe benefits

If you make payments to Australian employees who are working overseas, you have the same tax obligations as you would if they were working in Australia, unless you're satisfied that the employee's income is exempt from tax in Australia.

If you post an Australian employee overseas, you need to:

- continue withholding from payments of foreign income you make to them according to the Australian pay as you go (PAYG) withholding rules
- issue them with a PAYG payment summary - foreign employment (NAT 73297) for the foreign income
- meet any fringe benefits tax (FBT) obligations for any benefits you provide to your employee.

See also:

- PAYG withholding and employees who work in a foreign country

Exempt payments

Some Australian employees working overseas are exempt from paying tax in Australia. These exemptions are specified by law and are typically for activities like overseas development, charity or security work.

If you are satisfied that an employee's income is exempt from tax in Australia, you don't have to withhold amounts from payments you make to them. The employee can apply for a private ruling from us on whether their income is exempt.

See also:

- Foreign employment income and Section 23AG - employers

Superannuation

You continue to have superannuation obligations when you send someone to work overseas, but bilateral superannuation agreements can prevent double superannuation coverage.

Under these agreements, you will be exempt from making compulsory super contributions in the country your employee is working in, provided you continue to meet compulsory super arrangements in Australia.

You can obtain a Certificate of Coverage from us for Australian employees sent to work temporarily in another country. You are then exempt from paying super contributions in the relevant foreign country.

For example, if you sent an employee to work temporarily in the United States of America, the US authorities may request that you provide a certificate of coverage to claim an exemption from their Social Security and Medicare taxes, which are otherwise payable on work undertaken in the US.

See also:

- Bilateral agreements

QC 45590

Working out your residency

Work out the residency status of your business entity to determine your Australian income tax obligations.

Last updated 11 June 2025

Residency criteria

Foreign resident entities are generally taxed in Australia on any income that has an Australian source. Australian resident entities are generally taxed on their worldwide income.

There are different residency criteria for:

- sole traders and ordinary partnerships
- companies
- corporate limited partnerships
- trusts

Sole traders and ordinary partnerships

If you operate your business as a sole trader or an ordinary partnership, your Australian income tax obligations are based on your individual residency. Refer to Your tax residency.

Companies

A company is a resident of Australia if it is either:

- incorporated in Australia, or
- not incorporated in Australia but carries on business in Australia, and has either its
  - central management and control in Australia, or
  - voting power controlled by shareholders who are residents of Australia.

We provide our view on the central management and control test of corporate residency in:

- Taxation Ruling TR 2018/5 *Income tax: central management and control test of residency*
- Practical Compliance Guideline PCG 2018/9 *Central management and control test of residency: identifying where a company's central management and control is located*

COVID-19 had a temporary effect on our approach to the following issues for foreign-incorporated companies:

- central management and control
- permanent establishments

Corporate limited partnerships

A corporate limited partnership will be considered a resident of Australia if either the partnership:

- was formed in Australia
- carries on business in Australia or has its central management and control in Australia.

It is usually not necessary to determine the residency status of ordinary partnerships (which do not have the benefit of limited liability). The individual partners are taxed on their share of the net partnership income according to their individual residency status.

Trusts

Generally, trusts are considered Australian residents for an income year if either:

- a trustee of the trust estate was a resident at any time during the income year
- the central management and control of the trust estate was in Australia at any time during the income year.

For capital gains tax (CGT) purposes, the resident conditions are the same, unless the trust is a unit trust. A unit trust is a resident trust for CGT purposes for an income year if it meets the **unit trust residency requirement** at any time during the year.

For public trading trust purposes, the conditions for determining whether a unit trust is an Australian resident for an income year are the same as those for unit trusts for CGT purposes.

The **unit trust residency requirement** has 2 parts. A condition in both the first and second parts must be met.

Unit trust residency requirement

One of these requirements was satisfied:	Any property of the unit trust was situated in Australia.	The trustee of the unit trust carried on a business in Australia.
And also one of these:	The central management and control of the unit trust was in Australia.	One or more Australian residents held more than 50% of the beneficial interests in the income or property of the trust.

Note: The concept of 'property' is broad and is not restricted to tangible property. It may include items such as trading stock, cash and software.

Announced but unenacted legislative measures

In the 2020–21 Budget, the former government announced technical amendments to clarify the corporate residency test. Legislation to implement this announcement remains unenacted.

Announced measures that are not yet law will be subject to consideration by the government. In these circumstances, you need to self-assess based on the current law.

If you choose to anticipate new law in line with the announcement and it is not enacted, you may need to seek an amendment. For more information, see Administrative treatment of retrospective legislation.

Subject to any future legislative amendments, TR 2018/5 and PCG 2018/9 provide our existing view on the central management and control test of corporate residency.

Further guidance will be provided if the legislative amendments are enacted.

Public company disclosures for subsidiary entities

The Treasury Laws Amendment (Making Multinationals Pay Their Fair Share—Integrity and Transparency) Act 2024 introduced disclosure requirements for public companies in subsection 295(3A) of the *Corporations Act 2001*. This includes information regarding the tax residency of subsidiary entities.

The Australian Securities and Investments Commission (ASIC) and the Auditing and Assurance Standards Board (AUASB) have provided the following guidance on the consolidated entity disclosure statement (CEDS):

- ASIC Information Sheet 284 *Public companies to include a consolidated entity disclosure statement in their annual financial report*
- AUASB Bulletin Audit Implications of the Consolidated Entity Disclosure Statement – July 2024

The Treasury Laws Amendment (Fairer for Families and Farmers and Other Measures) Act 2024 amended subsection 295(3A) and inserted subsection 295(3B) of the *Corporations Act 2001* to clarify the tax residency disclosures required in annual financial reports for financial years commencing on or after 1 July 2024. The amendments clarify the disclosures required for dual resident public companies and subsidiaries, partnerships and trusts.

The amendments ensure disclosures in the CEDS align with income tax return disclosures, to improve multinational tax transparency. ASIC's information sheet has been updated to reflect these amendments.

ASIC's guidance states that entities that determine tax residency in good faith and in accordance with the Commissioner of Taxation's public guidance may declare that the tax residency status of a subsidiary is true and correct for the purposes of the CEDS. The ATO was consulted on the preparation of the ASIC and AUASB guidance.

QC 45541

Payments to foreign residents

What to do if you're an Australian resident business making payments to someone who isn't an Australian resident.

Last updated 16 February 2016

As an Australian resident you generally withhold tax from the following types of payments you make to someone who is not an Australian resident:

- interest
- unfranked dividends
- royalties.

You may also have to withhold tax if any of the above payment types have been dealt with (for example, reinvested or capitalised) on behalf of the non-resident.

However, if the payment is made to a resident of a country with which Australia has a tax treaty, you may be required to withhold less tax or no tax at all in some circumstances.

See also:

- Withholding from interest paid to foreign residents

You must also withhold tax from payments you make to someone who is not an Australian resident for the following types of activities:

- promoting or operating casino gaming junket arrangements in Australia
- entertainment or sports activities in Australia
- construction, installation and upgrading of buildings, plant and fixtures and for other works and related activities in Australia.

See also:

- Foreign resident withholding (FRW) - who it affects.

QC 45591

Transfer pricing

What happens if your business has international transactions with a related party.

Last updated 15 July 2020

If you have international transactions with a related party – such as a loan from your foreign subsidiary – your Australian tax can be affected if the amounts for the transaction don't comply with the arm's length principle under the transfer pricing rules.

Some multinational businesses attempt to shift their profits to low-tax jurisdictions by setting unrealistic prices for their actual commercial or financial dealings with their related parties.

Businesses with related party international dealings may have their transfer pricing reviewed or audited by us, with the possibility of pricing adjustments and penalties.

The more significant and broader the scope of a business's international dealings with related parties, the more likely we are to review those dealings. Businesses with significant levels of dealings whose tax performance is low compared to industry standards are at the greatest risk of review.

See also:

- International transfer pricing - introduction to concepts and risk assessment
- COVID-19 economic impacts on transfer pricing arrangements
- Transfer pricing arrangements and JobKeeper payments

QC 45592

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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