

US Subsidiary Guide

Operating in Australia

What every US parent company needs to know about Australian compliance, tax, and financial reporting

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1. Why Australian Operations Need Dedicated Oversight

Australia is one of the most attractive markets for US companies expanding internationally — a stable democracy, strong rule of law, English-speaking, and closely aligned with US business culture. But the financial and compliance environment is materially different from the United States, and those differences catch US parent companies off guard more often than not.

This guide explains the key Australian obligations in terms a US CFO or Controller will recognise, so you can identify where the gaps are in your current Australian operations and what needs to be addressed.

The core risk for US parent companies

Without dedicated senior financial oversight in Australia, US-owned subsidiaries routinely accumulate compliance gaps, reporting mismatches and tax exposures — none of which become visible to US leadership until they are already material. The ATO is well-resourced and actively targets foreign-owned entities. ASIC enforcement of reporting obligations is increasing. And transfer pricing scrutiny has never been higher.

2. Goods and Services Tax (GST)

The US equivalent: Sales tax — but federally uniform and broadly applied.

Australia's GST is a 10% consumption tax that applies to most goods and services. Unlike US state sales tax, which varies by jurisdiction and has many exemptions, GST is a single national rate administered by the Australian Taxation Office (ATO). It operates on a credit mechanism — businesses collect GST on sales, claim credits for GST paid on purchases, and remit the net amount to the ATO.

Key points for US parent companies

- **Registration threshold:** Any business with annual turnover exceeding AUD \$75,000 must register for GST. Most US subsidiaries will exceed this threshold quickly.
- **BAS lodgement:** Registered businesses lodge a Business Activity Statement (BAS) monthly or quarterly, reporting GST collected and claimed. Penalties for late lodgement are automatic.
- **Input tax credits:** GST paid on business purchases is recoverable as an input tax credit — reducing the net GST liability. Proper record-keeping is essential.
- **Taxable vs. GST-free supplies:** Some supplies are GST-free (basic food, most health services, exports). Most B2B services provided by a US subsidiary will be taxable at 10%.
- **Reverse charge for imported services:** US companies providing digital services or certain professional services to Australian consumers may have GST obligations even without a physical presence.
- **Record-keeping:** Tax invoices must meet strict ATO requirements. Invoices from suppliers must include the ABN and GST amount to support credit claims.

Practical note: Many US subsidiaries initially underestimate BAS compliance. Late lodgements and incorrect GST treatment of intercompany charges are among the most common compliance issues we encounter.

3. Payroll Tax

The US equivalent: There is no direct US equivalent — this is a state-level employer tax with no federal analogue.

Payroll tax is a state and territory tax levied on employers whose total Australian wages exceed a threshold. It is paid entirely by the employer — employees are unaware of it and it does not appear on payslips. Each Australian state and territory has its own rate and threshold, which creates complexity for businesses operating across multiple states.

Key points for US parent companies

- **Rates and thresholds:** Victoria has a threshold of approximately AUD \$700,000 in annual wages, above which payroll tax applies at 4.85%. NSW, QLD and other states have different thresholds and rates.
- **Grouping provisions:** Related entities — including the Australian subsidiary and its US parent — may be grouped for payroll tax purposes, potentially eliminating threshold concessions. This is a significant risk for US-owned subsidiaries.
- **What counts as wages:** Wages include salary, director fees, fringe benefits, contractor payments (in many cases), and share-based payments. The definition is broader than most US companies expect.
- **Monthly registration and lodgement:** Once threshold is exceeded, registration and monthly returns are mandatory. Annual reconciliation is required in most states.
- **Contractor provisions:** Payments to contractors who are not truly independent may be treated as wages. This requires careful structuring of contractor arrangements.

Victoria	AUD \$700,000	4.85%
New South Wales	AUD \$1,200,000	5.45%
Queensland	AUD \$1,300,000	4.75%
Western Australia	AUD \$1,000,000	5.50%
South Australia	AUD \$1,500,000	4.95%

Thresholds and rates are indicative for 2024–25 and are indexed annually. Always confirm current rates.

4. Superannuation Guarantee

The US equivalent: Mandatory 401(k) employer contribution — but compulsory for all employees, at a fixed statutory rate, with no opt-out.

The Superannuation Guarantee (SG) requires every Australian employer to contribute a minimum percentage of each eligible employee's ordinary time earnings into a complying superannuation fund. Unlike US 401(k) matching (which is discretionary and tied to employee contributions), Australian super contributions are mandatory regardless of whether the employee contributes anything.

Key points for US parent companies

- **Current rate:** 11.5% of ordinary time earnings for 2024–25, rising to 12% from 1 July 2025. This is in addition to the employee's gross salary — not deducted from it.
- **Who is covered:** All employees aged 18+ earning more than AUD \$450 per month (threshold removed from 1 July 2022 — all earnings now covered). Also applies to many contractors.
- **Choice of fund:** Employees can choose their own super fund. If they don't, employers must contribute to a default MySuper fund.
- **Quarterly payment deadlines:** Super must be paid by the 28th of the month following each quarter (Jan, Apr, Jul, Oct). Late payment triggers the Superannuation Guarantee Charge (SGC), which is non-deductible and includes interest and admin fees.
- **SGC penalties:** The SGC is significantly more expensive than simply paying on time. The ATO takes late super very seriously — it is one of the most common triggers for audit activity.
- **Salary sacrifice:** Employees can salary sacrifice into super, reducing their taxable income. This needs careful payroll setup to ensure correct treatment.
- **US parent budgeting:** When modelling Australian headcount costs, US parents must include 11.5%+ on top of salary — a cost that does not exist in the same form in the US.

5. Fringe Benefits Tax (FBT)

The US equivalent: Fringe benefit taxation — but levied on the employer at a flat rate, not on the employee, and calculated on a grossed-up value.

Fringe Benefits Tax (FBT) is a tax paid by employers on non-cash benefits provided to employees or their associates. It applies to benefits like company cars, entertainment, loans, and certain expense reimbursements. The FBT year runs from 1 April to 31 March — different from the income tax year — and returns are lodged annually.

Key points for US parent companies

- **FBT rate:** 47% — applied to the grossed-up taxable value of fringe benefits. The effective cost to the employer is substantial.
- **Common benefit types:** Motor vehicles (including personal use of company cars), entertainment (meals, events), employee loans below market rate, housing assistance, and living-away-from-home allowances.
- **Car fringe benefits:** One of the most common FBT triggers. If a company car is available for private use — even if the employee doesn't actually use it privately — FBT may apply.
- **Entertainment:** Business meals and functions have complex FBT treatment. The 50% entertainment deduction limitation interacts with FBT in ways that surprise most US financial managers.
- **FBT and employment packaging:** FBT is commonly used by Australian employers to structure salary packages. Certain employers (NFPs, hospitals) have FBT concessions that can significantly affect compensation design.
- **Reporting on payment summaries:** Reportable fringe benefits must be disclosed on employee payment summaries, which can affect employees' eligibility for government benefits.

6. Franking Credits and Dividend Imputation

The US equivalent: There is no direct US equivalent. Australia operates a dividend imputation system designed to avoid double taxation of corporate profits.

When an Australian company pays income tax, it accumulates a "franking account". When dividends are paid to shareholders, those dividends can be "franked" — carrying a tax credit that represents the corporate tax already paid on the underlying profits. For Australian resident shareholders, franking credits reduce their personal tax liability.

Key points for US parent companies

- **Why it matters for US parents:** When your Australian subsidiary pays a dividend to the US parent, the franking credit position affects the economics of that distribution. An unfranked dividend means profits have not yet borne Australian tax — which can trigger Australian dividend withholding tax.
- **Withholding tax on dividends:** Australia levies a 30% withholding tax on unfranked dividends paid to non-residents. Under the Australia–US Tax Treaty, this is reduced to 15% (or 5% for corporate shareholders holding 10%+ of voting power).
- **Fully franked dividends:** A fully franked dividend carries enough franking credits to fully offset the withholding tax, often reducing it to zero. Maximising franking before repatriation is a key cash management strategy.
- **Franking account balance:** Not all Australian tax paid creates equal franking credits — timing matters. The franking account must be carefully managed to optimise distributions.
- **Integrity rules:** The ATO has franking credit integrity rules that prevent artificial manipulation of the franking account. These must be considered in any repatriation planning.

7. Transfer Pricing — the ATO's #1 Priority

The US equivalent: IRC Section 482 — but Australian rules are independently codified and the ATO's enforcement focus on foreign-owned subsidiaries is intense.

Transfer pricing rules govern the prices charged between related parties in cross-border transactions. For US parent companies with Australian subsidiaries, virtually every intercompany transaction — management fees, royalties, loans, services, and goods — falls within the scope of Australia's transfer pricing rules. The ATO's transfer pricing compliance program is one of the most active in the world.

Key points for US parent companies

- **Arm's length standard:** All cross-border related-party transactions must be priced as if conducted between independent parties. The burden of proof rests with the taxpayer.
- **Contemporaneous documentation:** Australian law requires documentation to be prepared at the time of the transaction — not retrospectively. US documentation prepared for IRS purposes does not satisfy Australian requirements.
- **Local file requirement:** Australian subsidiaries of foreign multinationals with annual turnover above AUD \$25 million are required to maintain a Local File meeting ATO specifications.
- **Country-by-Country Reporting (CbCR):** Multinational groups with global revenue above AUD \$1 billion must lodge CbCR with the ATO. Even if the US parent lodges with the IRS, Australian notification obligations may still apply.
- **Common related-party transactions at risk:** Management fees charged by the US parent, royalties for IP, intercompany loans (interest rates and loan terms), back-office service charges, and cost-sharing arrangements.
- **Reconstruction of transactions:** Where the ATO determines that the actual arrangement differs from what arm's length parties would have entered into, it can reconstruct the transaction entirely — not just adjust the price.
- **Penalties:** Shortfall penalties for transfer pricing adjustments start at 25% and can reach 75% for schemes. Interest charges apply from the original assessment date.

Critical warning for US parent companies

The ATO's International Structuring and Profit Shifting (ISAPS) program specifically targets foreign-controlled entities. Subsidiaries that lack documented transfer pricing policies — or that rely on US-prepared documentation without Australian adaptation — are routinely selected for audit. The cost of a transfer pricing audit, including legal fees, ATO time, and potential adjustments, typically far exceeds the cost of proper contemporaneous documentation.

8. ASIC and Corporations Act Obligations

The US equivalent: SEC reporting and Delaware/state corporate law obligations — but administered by the Australian Securities and Investments Commission (ASIC).

All Australian companies — including subsidiaries of US multinationals — must comply with the Corporations Act 2001. For foreign-controlled entities, specific reporting obligations apply under Chapter 2M of the Act. Non-compliance with ASIC obligations carries civil and criminal penalties.

Key obligations

- **Annual financial reports:** Most foreign-controlled entities must prepare and lodge audited financial statements with ASIC each year, even if the subsidiary is a small company. These are public documents.
- **Audit requirements:** Financial statements must be audited by a registered Australian auditor. This is not optional for most foreign-owned subsidiaries — ASIC grants few exemptions.
- **Directors' report:** A directors' report must accompany the financial statements, including commentary on the company's operations, results, and future prospects.
- **Resident public officer:** Every Australian company must have a resident public officer — a person physically located in Australia who is responsible for the company's tax obligations. This is separate from the director and cannot be the company itself.
- **Registered office and directors:** At least one director of an Australian company must ordinarily reside in Australia. Companies must maintain a registered office address.
- **Company secretarial:** Annual reviews, changes in directors/officers, and changes to company details must be lodged with ASIC within prescribed timeframes.
- **Large proprietary company classification:** If the subsidiary meets two of three size thresholds (revenue >\$50M, assets >\$25M, employees >100), more extensive reporting requirements apply.

9. Repatriating Cash to the US

One of the most common questions from US parent companies is how to efficiently move profits from Australia back to the US. There are several mechanisms, each with different tax and regulatory implications. Getting this wrong is expensive — proper planning is essential.

Dividend payments

- The most common repatriation mechanism. Dividends are paid from after-tax profits and should carry franking credits where possible.
- Withholding tax of 15% applies to unfranked dividends to US parent under the treaty (5% where US parent holds 10%+ voting shares). Fully franked dividends carry no withholding tax.
- A formal dividend declaration and payment must follow Australian company law requirements and be properly documented in the accounts.

Management fees and royalties

- The Australian subsidiary can pay management fees or royalties to the US parent for genuine services or IP use — but these must be arm's length and properly documented.
- Royalty withholding tax of 5% applies under the Australia–US tax treaty. Management fees may also be subject to withholding.
- These payments are deductible to the Australian subsidiary (reducing Australian tax), but create income in the US parent. The net tax outcome depends on the group's overall structure.

Intercompany loans

- The Australian subsidiary can repay principal on intercompany loans without withholding tax. Interest payments are subject to 10% withholding under the treaty.
- Loan terms must reflect arm's length terms — rate, term, and security provisions all require transfer pricing support.
- Thin capitalisation rules (Australia's equivalent of earnings stripping rules) may limit interest deductibility if the Australian entity is excessively debt-funded.

FIRB considerations

The Foreign Investment Review Board (FIRB) reviews significant foreign investments in Australia. While most routine cash repatriation does not require FIRB approval, restructuring transactions — including certain asset transfers between related entities — may require notification or approval.

10. Australian Compliance Calendar

Australia's compliance calendar is materially different from the US. The income tax year runs 1 July to 30 June (not the calendar year). Many lodgement deadlines are managed through registered tax agents, who receive extended deadlines unavailable to self-lodgers.

Monthly (21st)	BAS lodgement and payment	Monthly GST reporters
Quarterly (28th Jan, Apr, Jul, Oct)	BAS lodgement and payment	Quarterly GST reporters
Quarterly (28th Jan, Apr, Jul, Oct)	Superannuation payments	Must clear by due date
Monthly (payroll cycle)	PAYG withholding	Tax withheld from employee wages
31 March each year	End of FBT year	Benefits provided 1 Apr – 31 Mar
21 May each year	FBT return lodgement	Via registered tax agent
31 October each year	Income tax return (self-lodge)	Prior financial year (1 Jul–30 Jun)
28 February (or later)	Income tax return (agent lodgement)	Extended deadline via tax agent
Annually (30 Nov)	ASIC annual review	Company details and fee
Within 28 days	ASIC change of details	Director changes, address, etc.
4 months after year-end	Financial statements	For most large entities — earlier possible

Deadlines may differ based on your specific circumstances, registration status, and whether you use a registered tax agent. This calendar is a guide only and should be confirmed for your entity each year.

11. How CFO Direct Can Help

CFO Direct provides dedicated fractional CFO services to US parent companies with Australian operations. We bridge the gap between what your US parent needs to see and what Australian compliance requires — without the cost of a full-time hire.

US GAAP & Cross-Border Reporting	Monthly management reporting in US GAAP format, 10-Q/10-K ready reconciliations, SEC reporting support
Local Compliance & Risk Management	Full ATO compliance (GST, BAS, income tax, payroll tax, FBT, super), ASIC secretarial, transfer pricing documentation
Strategic CFO Oversight	Cash flow forecasting, KPI dashboards, board-ready reporting for US and Australian stakeholders
Full Finance Function Setup	Entity setup, accounting systems, chart of accounts aligned to US parent, finance team recruitment
Board Advisory & Governance	Australian resident director, board pack preparation, audit committee support, Corporations Act compliance
Treasury & Capital Management	Banking relationships, FX strategy, cash repatriation planning, intercompany funding structures

Ready to give your US parent company confidence in their Australian operations?

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