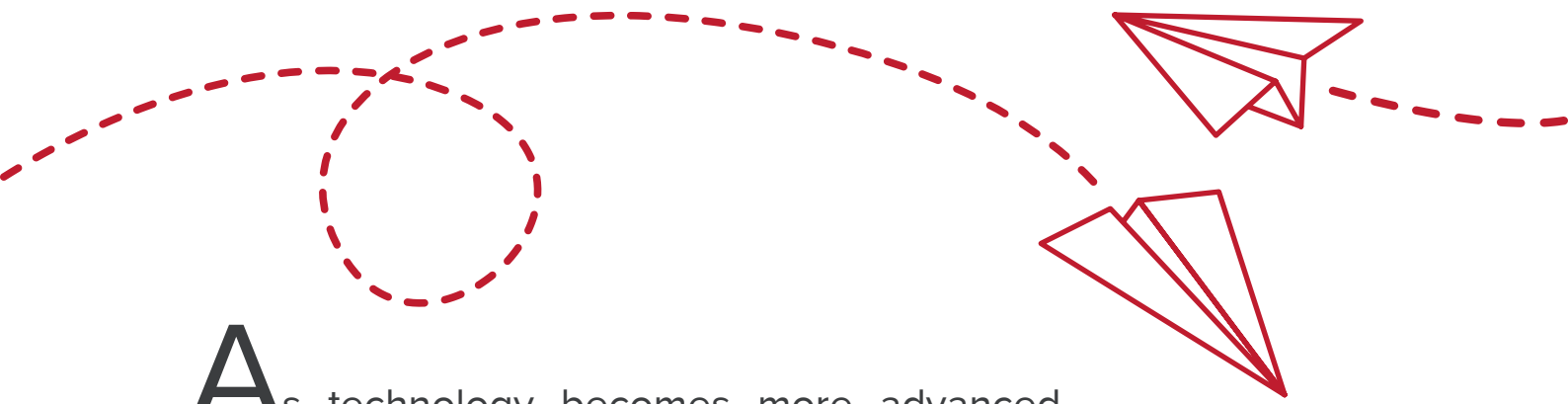


How to Expand Your Business to Australia

A POLYGLOT GROUP INSIDER GUIDE





As technology becomes more advanced and the globe more accessible than ever before, expanding your business overseas as well as operating on a global scale has never been more important or competitively advantageous.

No longer restricted by geographical proximity, businesses are now turning their attention towards historically remote countries as their destination of choice for their global expansion.

Australia, a once relatively unknown & untapped market, has become a popular choice for global business expansion. With a **strong investment landscape** and a **fast-growing population**, the land “Down Under” offers thriving opportunities for businesses looking to expand.

Often viewed as **the gateway between Eastern & Western countries**, it is no wonder Australia appeals to so many growing businesses across the globe.

In fact, thanks to Australia’s convenient location, countries such as China, Japan or South Korea, can get their feet wet with English-speaking countries closer to their time zones; while the **lower cultural** and **language barriers** between Europe / The US and Australia make the East more approachable...

Yet, as with every significant step in a business's life cycle, there are plenty of **complexities, regulations, costs** and **challenges** to address before contemplating expansion. In light of managing these risks, a vital question becomes apparent:

What is the most efficient way to **expand to Australia?**

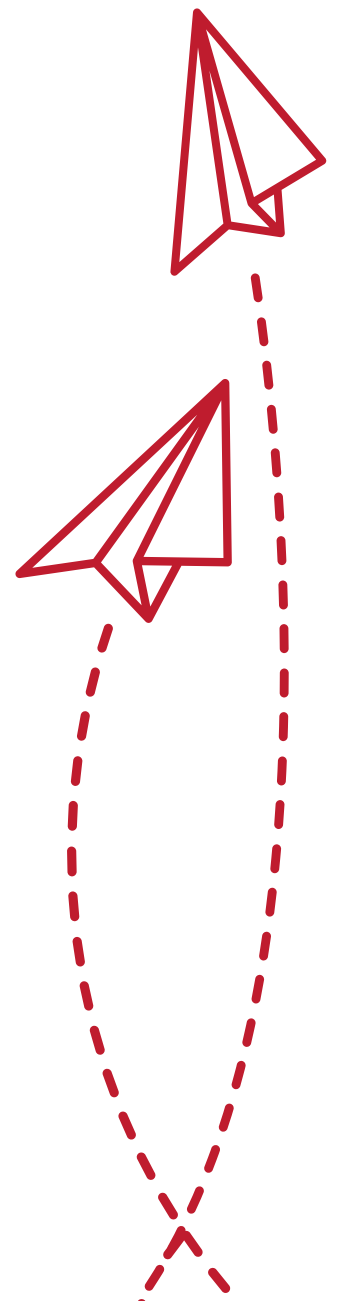


To answer this critical question, we will explore the benefits and implications of **4 popular solutions**. In addition, we will discuss the intricacies of an associated team mobility project.

Each of the 4 solutions will suit different types of businesses (depending on their size & industry) — yet can all be **tailored** to suit your specific business goals and requirements.

Regardless of your business's size, industry or country of origin, it is important to consider **Deadlines, Budget, Market Size** as well as **Product & Service Regulations** when kick-starting your expansion “Down Under”.

Keeping this in mind, let's delve further into how to sustainably and successfully expand your business to Australia...





Menu

1. Expand using Employer of Record Services
— Employment Outsourcing
2. Expand by registering one of your foreign entities as a compliant employer in Australia
3. Expand by establishing an Australian Incorporated Subsidiary Company
4. Expand by establishing a Registered Foreign Company - Branch Office
5. How does a global mobility project fit in?



Quick Tip

Hello there. I'm an **interactive menu**. That means you can click me to get to where you want faster.

01.

**Using Employer of Record Services
— Employment Outsourcing**

01.

What is Employment Outsourcing — Employer of Record Services?

Employment Outsourcing - also known as “Employer of Record” (EOR), Portage, Co-Employment or even Professional Employer Organisation (PEO) - refers to the service of **outsourcing all employment and administrative duties**.

This solution is often employed by businesses looking to **expand without the hassle** of researching and complying with the numerous local laws in the jurisdiction.

By choosing an Employment Outsourcing solution, your business does not have to set up a formal entity in the host country, which saves you an enormous amount of time and effort.

01.

How Does it Work & How Does it Affect my Business?

The Professional Employer Organisation (PEO) you choose as a partner becomes the **legal in-country Employer of Record (EOR)** of your staff.

Your EOR holds all the necessary **licenses, registrations and insurances** to employ and process the payroll for your team on your behalf. **They are responsible for making sure you remain compliant with all local laws.**

You remain in charge for the day to day management of your employees, but your EOR administers all local employment steps such as **employment contracts, payroll, tax & withholdings** as well as **immigration requirements.**

This solution provides the opportunity to **dip your toes in the Australian market** without having to make too big a commitment financially. By choosing an EOR partner, you can easily send a team member to conduct **market research** to ascertain if there is long term expansion potential.

This is also a great method to monitor your local stakeholders (clients, suppliers, distributors, etc.) — **without the constraint of administrative duties.**

01.

This Option will Suit your Business Goals if..



You want to ensure compliance

All legal employment requirements for your business will be covered under the EOR contract, as they will be listed as the **employer of record**, and thereby be **fully accountable for all employment obligations**.



You want to fast-track your expansion

With the help of a capable & knowledgeable EOR partner, you can be operational in **just one day**.



You want to have fewer administrative duties

Partnering with an EOR means they take care of what would usually be your administrative responsibilities including **public liability, payroll tax, worker's compensation** and **creation of employment contracts**, which gives you the chance to concentrate on your core competencies.



You want to nurture your current market

As the employee in Australia will be freed from administrative duties, you can ensure all attention is directed towards **developing your business** and operations in Australia as well as **nurture** your current stakeholders.

01.

This Option will Suit your Business Goals if..



You want to relocate members of your team

If you need to relocate members of your team from your parent company instead of hiring locally, look for an EOR partner that has an **On Hire Labour Agreement** (OHLA). By possessing this agreement, your EOR partner can organise your team member's sponsorship on your behalf.



You want an all in one solution

If you prefer having **one point of contact** for all of your international expansion needs, Employer of Record services is the solution for you. The only requirement is a **commercial agreement** with the local EOR to be up and running.



You don't require a local office / facility

This solution will suit if you don't require a **local office** (storage facility, IT infrastructure or factory) for goods or services you supply and are instead happy for your team member to be hosted at a co-working space,.

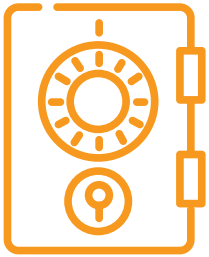


You are after a temporary commitment

This solution is the most convenient if you are looking to **opt for a light presence** (Representation Office) or a **very small team** as you have **no need to incorporate** nor register with any local authorities.

01.

Restrictions To Remember...



You cannot open a **local bank account**.



You **cannot draw local business contracts** (as you have no legal entity locally).



You **cannot claim the Goods & Services tax (GST)** - also referred to as “sales tax”(USA), TVA (FRA), IVA (SPA), VAT (UK, EU), etc.

Quick Tip

“ Ask for a **certificate of currency** of your EOR partners’ **worker’s compensation insurance**, as well as their **public liability**.

02.

Registering one of your foreign entities as a compliant employer in Australia.

02.

Registering one of Your Foreign Entities as a Compliant Employer in Australia.

When entering the Australian market, you may wish to **remain the employer of record** for your Australian employees. To do so, the business can **register one of its non-Australian entities as a local employer in Australia.**

In order to be a compliant Australian employer, you will need to:

- 1.** Apply for a **Withholding Payer Number (WPN)** with the Australian Taxation Office (ATO).
- 2.** Apply for **Worker's Compensation Insurance** (in each State where employees are located).
- 3.** Choose and establish a **default Superannuation fund.**
- 4.** **Pay State payroll tax** (only if payroll value is above the threshold).

02.

This Option will Suit your Business Goals if..



You just need a representation presence

If you don't require signing local business contracts and are instead only looking to foster **brand awareness**, **check on local manufacturing** or **strengthen** your relationship with **suppliers**, this solution is for you.



You want to directly employ your Australian team

If the business is looking to **strengthen their internal team relationship** whilst managing their local corporate strategy and operations, this set-up will allow to directly hire their Australian employee / team.



You don't require a local office / facility

This solution is ideal if you don't require a **local office** (storage facility, IT infrastructure or factory) for goods or services you supply and are instead happy for your team member to be hosted at a co-working space.



You don't mind the extra administrative duties

If you are looking to have a small number of representatives in Australia and are happy to take care of their local administrative duties, this setup is for you. Otherwise, you can always **outsource your HR & Payroll** duties to a 3rd party partner to **assure compliance**.

02.

Ongoing Administrative Duties



Minimum HR Compliance

Including setting up local employment contracts, respecting the Modern Awards, creating local Policies & Procedures, etc.



Local Payroll Processing & Payment

This includes minimum registrations such as PAYG withholding & instalments, staff payroll calculations, regular lodgements & payments as well as annual end of year processes.

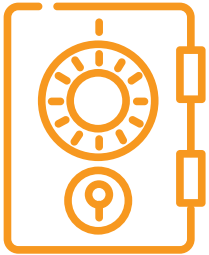


Local Address

A local address is recommended to receive communications from government agencies (ASIC, ATO, etc.) and other stakeholders.

02.

Restrictions To Remember...



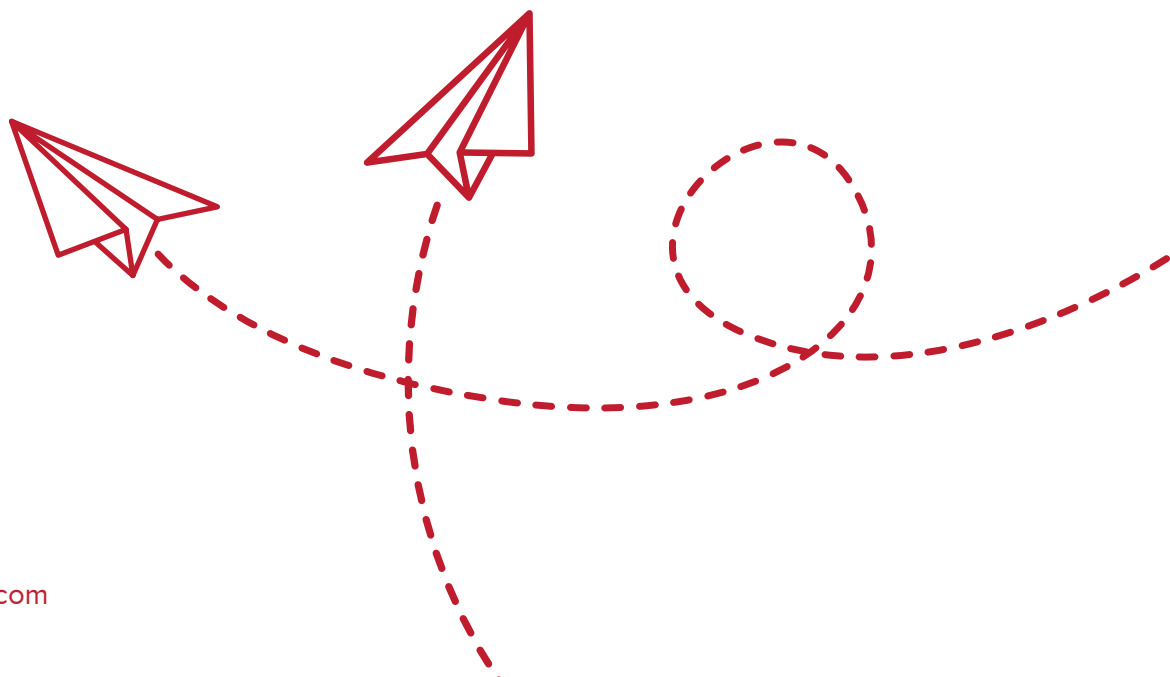
You cannot open a **local bank account**.



You cannot draw **local business / sales contracts** (as you have no legal entity locally).



You **cannot claim the Goods & Services tax (GST)**
- also referred to as “sales tax”(USA), TVA (FRA),
IVA (SPA), VAT (UK, EU), etc.



03.

**Establishing an Australian
Incorporated Subsidiary Company**

03.

What is an Australian Incorporated Subsidiary Company?

When expanding to Australia, you may have **long term expansion** plans in mind. In order to directly employ your Australian team as well as sign local contracts, you can incorporate a fully owned and registered local entity.

In Australia, the most common and most recommended way to do so is to **establish a legal entity** in the form of a **subsidiary**. A typical structure is the **Proprietary Limited (PTY LTD)** format.

By definition, a subsidiary is a **separate legal entity with limited liability** which has its **own identity for tax and legal purposes**.

Because it remains **legally independent**, all Australian **potential liabilities remain with the subsidiary**. The Australian subsidiary must have at least **1 resident director in Australia** but the company **can be wholly owned by a foreign shareholder**.

Usually depending on the shareholders' structure, the capital for the subsidiary can either be:

- An AU \$1 PTY LTD if there is **only one shareholder**.
- An AU \$100 PTY LTD when there is **more than one shareholder** (in order to facilitate the split of the shares).

03.

This Option will Suit your Business Goals if..



You want to assure reduced liability

As a **separate legal entity** which has its **own identity for tax and legal purposes**, a subsidiary remains **legally independent**, which means that all potential liabilities remain with the subsidiary. This assures that the parent company is “safe” from prosecution.



You want to be able to claim the Good & Service Tax

As a subsidiary, you are able to **sell and invoice locally**, in AUD. As such, your business will be entitled to **register for** and **claim back** the Goods & Services Tax (otherwise known as GST).



You want to directly employ your Australian team

As a registered local entity, you will be able to directly employ staff which sets **strong foundations** for the business’s local growth. Yet, even though the business is independent, it is still highly recommended to **outsource your HR & Payroll** when the subsidiary is in its infancy (and perhaps even beyond) to ascertain compliance.



You want a fully-owned registered local entity

As a registered local entity, you will be able to **sign local contracts** (sales, employment, purchasing, etc.), lease offices as well as warehouses and open a bank account, which will give your business **more credibility** with third parties such as banks, service providers and partners.

03.

Establishing a Subsidiary (PTY LTD) To Do List...

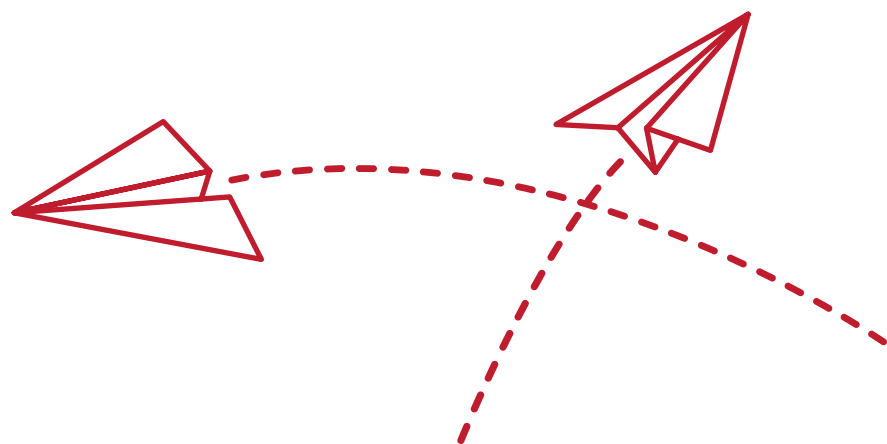
1. Incorporate as a Subsidiary

In order to incorporate a subsidiary, you will need to apply for an **Australian Company Number (ACN)** — and may want to lodge an **audit exemption** (form 384).

Note: The audit exemption is possible for the **first financial year**. (Some exceptions apply.) Financial years can also be amended to match with your HQ.

2. Establish a Local Directorship

To establish a local subsidiary, you will need to have at least one local director who is an **Australian resident**. Directors must be **over 18 years of age** and can also be an employee of the local company if you wish.



03.

Establishing a Subsidiary (PTY LTD) To Do List...

3. Register with the Australian Taxation Office

Post incorporation, an **Australian Business Number (ABN)** & a **Tax File Number (TFN)** will need to be obtained in order to trade in Australia.

The company can register for **Good & Services Tax (GST)** & must register for **Pay As You Go Withholding** in order to be able to hire employees (PAYG)

4. Apply for Worker's Compensation Insurance

To be done in each individual State.

5. Choose and Establish a Default Superannuation Fund

6. Register for State Payroll Tax

To be done only if Payroll value is above the threshold.

03.

Ongoing Administrative Duties to maintain a Subsidiary include...



Minimum HR Compliance

Including setting up local employment contracts, respecting the Modern Awards, creating local Policies & Procedures, etc.



Local Payroll Processing & Payment

This includes minimum registrations such as PAYG withholding & instalments, staff payroll calculations, regular lodgements & payments as well as annual end of year processes.



Local Address

A local address is recommended to receive communications from government agencies (ASIC, ATO, etc.) and other stakeholders.

03.

Ongoing Administrative Duties to maintain a Subsidiary include...



Local Accounting

Keep local Accounting and regularly lodge Business Activity Statements (BAS), among other financial reports.



Annual ASIC Declarations



Annual Company Income Tax Return



State Payroll Tax

Registration to be done only if Payroll value is above the threshold. Calculations, lodgements & payments frequency varies. Annual reconciliation is required.

04.

**Establishing a Registered Foreign
Company - Branch Office**

04.

Establishing a Registered Foreign Company - Branch Office

A foreign company establishing their presence in Australia can also choose to establish a branch office by registering itself as doing business in Australia.

Unlike a subsidiary, a branch office is **not a separate legal entity**. This means it does **not have limited liability** and is not recognised as having a separate legal identity.

Note: It is important to note that a branch, even though treated as an extension of the foreign company, still needs to respect and abide by Australian legislation.

Furthermore, instead of a director, a branch needs a **local agent**. The agent can either be an **Australian resident** or an **Australian company**, and may be unrelated to the registered overseas company.

The registration process for a branch office is **more complex** and **time consuming** than for a subsidiary company with the business required to disclose both corporate information and supporting documentation to ASIC.

04.

Establishing a Registered Foreign Company - Branch Office

Despite certain tax-related benefits, a branch is not usually recommended, as the registration process is **more complex** and **time consuming** than for a subsidiary (to register a branch with ASIC it can take up to 6 weeks, as opposed to 1 week for a subsidiary.)

Registering a branch is also more **administratively heavy going forward** with the foreign company required to disclose both corporate information and supporting documentation to the Australian Securities and Investments Commission (ASIC).

In addition, the registered Australian branch **must verify financial Statements each calendar year** (at intervals of not more than 15 months) which **incur additional hidden costs** including fees for the annual lodgement of the 405 Form (including financial Statements from the headquarters with ASIC).

Another critical disadvantage of the branch is that the overseas company is **subject to unlimited liability for the activities (and losses)** of its Australian branch.

04.

This Option will Suit your Business Goals if..



You want to keep your reporting structure aligned

If the business's **reporting structure** is already set-up for Branches (due to previous setups in other countries), creating a subsidiary might end up being more time consuming and more complicated for the business. Therefore a Branch would be more suitable.



You have a complex global tax strategy

If you are looking to **limit local taxation**, a branch setup might be of interest to you. We would highly suggest seeking **professional advice** regarding **local taxation compliance** before choosing to venture towards a branch.



You are OK with HQ holding all risks & liabilities

A branch office is **not a separate legal entity** of the parent corporation. As such, operating a branch office does not shield the parent corporation from **liability** incurred at the branch level.



You do not want to create new shares

When creating a subsidiary, large corporations generally require **permission from the board** to create and release new shares. If you want to avoid the hassle, a branch will be a quicker and smoother process.

04.

Establishing a Registered Foreign Company - Branch Office To Do List...

1. Register with the Australian Securities and Investments Commission (ASIC)

Registration is required to obtain an **Australian Registered Body Number** (ARBN) in order to trade in Australia. You will need to have chosen your local agent prior to registering.

2. Register with the Australian Taxation Office (ATO)

Registration is required to obtain an **Australian Business Number** (ABN), a **Tax File Number** (TFN) as well as register for **Goods & Services Tax** (GST) in order to trade in Australia.

3. Apply for Worker's Compensation Insurance

In each individual State.

04.

Establishing a Registered Foreign Company - Branch Office To Do List...

4. Choose & Establish a Default Superannuation Fund

5. Register for State Payroll Tax

To be done only if Payroll value is above the threshold.

6. Establish adequate HR Support

7. Find a Local Address

A local address is recommended to receive communications from government agencies (ASIC, ATO, etc.) as well as from your other stakeholders.

How Does a Global Mobility Project Fit In?



How Does a Global Mobility Project Fit?

When **kick-starting your business expansion to Australia**, you may want or need to relocate members of your team from your parent company instead of hiring locally. If this is an important part of your strategy, a global mobility project may be the solution...

1. Employer of Record Services

Looking to dip your toes in the Australian market before settling in more permanently? Ideally, you would want to send one of your existing team members who knows the business inside out before hiring locally. If this sounds like you, you may be looking to sponsor one of your team members' to scout the market.

A practical solution is to choose an EOR partner that has an **On Hire Labour Agreement** (OHLA). By possessing this agreement, the EOR Partner can then organise your team member's sponsorship on your behalf.

The OHLA allows for a **4 year visa**, however it is important to note that this option doesn't allow the sponsored individual to apply for his/her Permanent Residency after 2 years. This can be inconvenient in case of a long term relocation.

2. Foreign entity as a compliant employer in Australia

This scenario enables you to sponsor team members from overseas directly without having to go through a 3rd party.

This setup option offers the **Overseas Business Sponsorship (OBS)**, which is ideal for businesses without a registered entity or branch in Australia.

If you choose to use the OBS sponsorship, the business may apply to bring employees to Australia for one of the following reasons:



To establish business activity such as **joint ventures** or **agency distributorships** in Australia.



To fulfil obligations for a **contract** or other business activity in Australia.

The usual duration of an OBS is **18 months**. If the purpose of the OBS is not fulfilled in the original timeframe, the sponsorships timeline can be extended.

3. Australian Subsidiary

Once incorporated, the subsidiary can **apply for a Standard Business Sponsorship (SBS)**. Under this type of sponsorship, skilled employees from the “parent company” may be selected to work in a nominated position in Australia.

An SBS is assessed as to whether the **482/TSS visa** entrant will be of benefit to Australia by:



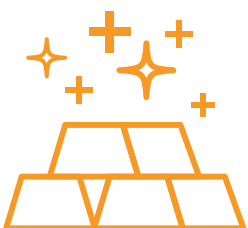
Creating or maintaining **employment opportunities** for Australians



Expanding Australian **trade**



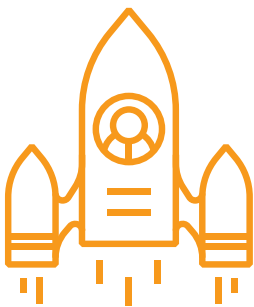
Improving Australian business links to **international markets**



Contributing to the **competitiveness** of sectors within the Australian economy

3. Australian Subsidiary

The employer must also show that their business operations will:



Introduce or use a new technology and / or business skill.



Have a record of, or commitment to training Australians in its operations.

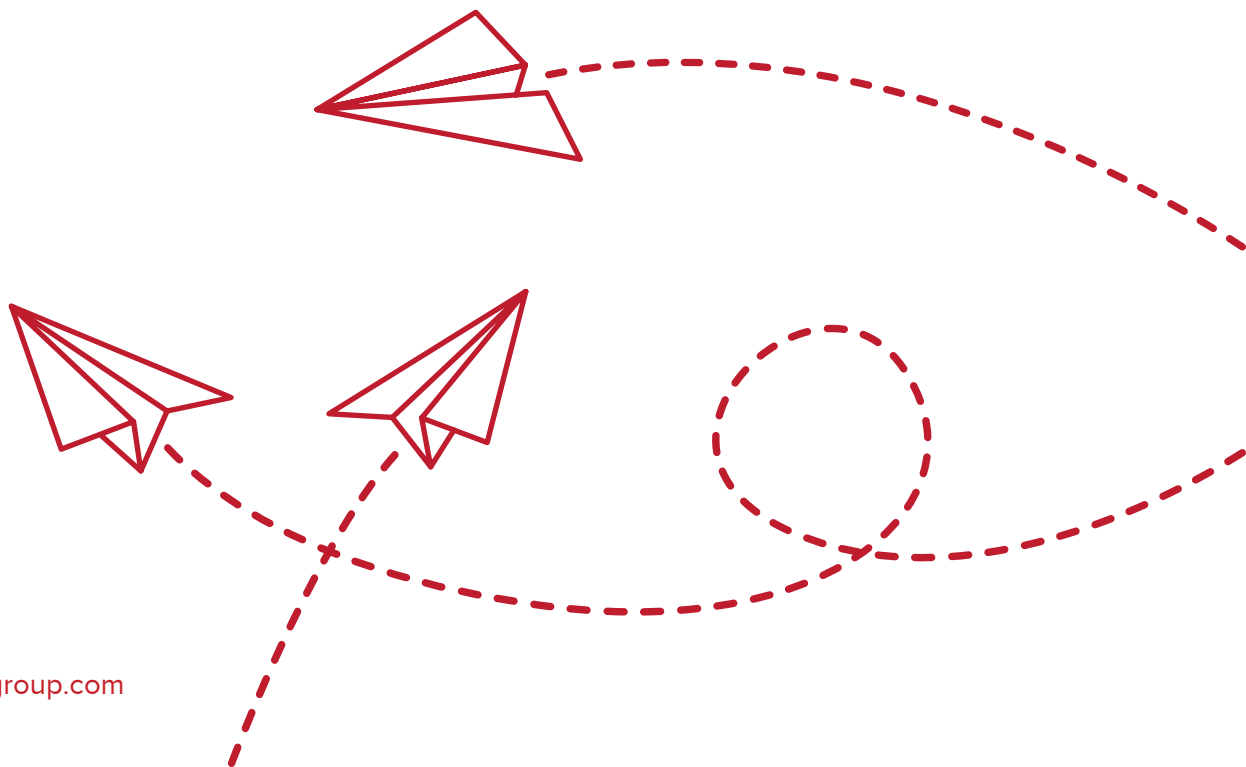
Standard Business Sponsorships are usually valid for **5 years**, while **TSS visas** are typically granted with a **4 year validity**.

For “start-up” scenarios (meaning the Australian entity has been operating for less than 12 months), there is a shorter validity period for the sponsorship and visas (both reduced to 18 months). The entire application process must be repeated within 18 months of the grant of the SBS and any other visa.

4. Branch (Foreign Company operating in Australia)

Similarly to the registration of a foreign entity as a local employer in Australia, this scenario also enables the sponsorship of employees from overseas through the **Overseas Business Sponsorship (OBS)**.

You will need to apply via your headquarters.

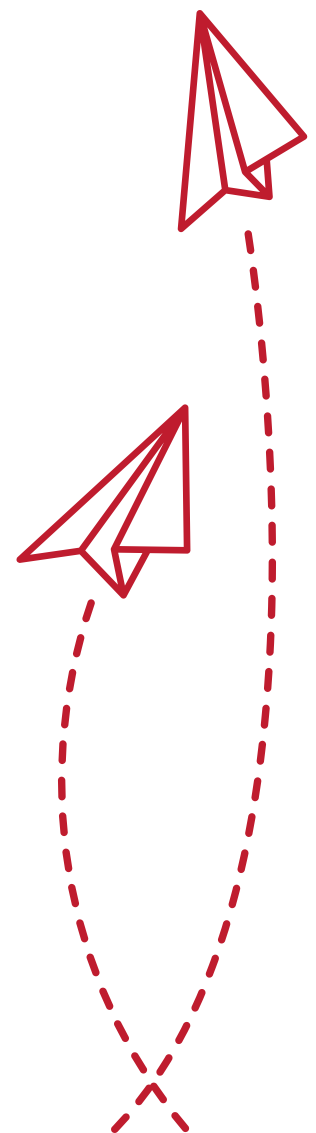


Australia is an exceptional place in which to do business. Its **strong economy**, skilled and **multilingual workforce**, competitive tax structure and **stable political environment** make it an ideal location to expand your business.

Enjoying the benefits of relatively **low set-up costs**, easy access to the Asia Pacific region, a vibrant financial services sector and a **time zone** which accesses both the close of business in the United States and trade opening in Europe, Australia is one of the **fastest-growing economies** in the OECD.

The country has built up strong **bilateral trade relationships** with Japan, Indonesia, Malaysia, China and the United Arab Emirates over many years, and are also party to a number of **Free Trade Agreements**, notably with the United States, Thailand, New Zealand and Singapore.

So what are you waiting for to expand your business to Australia?



Disclaimer: This document is based on recent Laws and Regulations and does not purport to be comprehensive nor is it intended to replace legal advice needed in specific transactions. Whilst every effort has been made to ensure accuracy, no responsibility can be accepted for errors and omissions, however caused. No responsibility for any loss occasioned to any person acting or refraining from actions as a result of material in this document is accepted by the contributors of this document at Polyglot Group. If advice concerning individual problems or other expert assistance is required, the services of a competent professional advisor should be sought. Australian Laws and regulations and government policy are constantly changing. It is important that investment decision concerning Australia not be made on the basis of the information contained in this document and without prior reference to an appropriate specialist.



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