



ASSOCIATION FOR
FINANCIAL
PROFESSIONALS



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CASH AND TREASURY MANAGEMENT
COUNTRY REPORT

AUSTRALIA

Executive Summary

Banking

Australia's central bank, the Reserve Bank of Australia (RBA), is an independent body with sole responsibility for monetary policy, as well as other central bank functions such as banker to the state, lender of last resort and issuer of notes and coin. The RBA is also charged with maintaining the stability of the financial system, but financial sector supervision is undertaken by the Australian Prudential Regulation Authority (APRA).

The Australian Bureau of Statistics (ABS) collects information on balance of payments statistics using monthly, quarterly and annual surveys, and administrative data. All resident companies engaging in transactions with non-residents are surveyed annually, apart from approximately 1,000 resident companies engaging in the largest amount of transactions with non-resident companies which submit international investment surveys every quarter. Approximately 1,600 resident companies submit International Trade in Services (SITS) monthly surveys. Unprompted reporting is not required and companies are contacted individually.

Resident entities are permitted to hold convertible domestic and foreign currency bank accounts within and outside Australia. Non-resident entities are permitted to hold convertible domestic and foreign currency bank accounts within Australia.

The banking system is dominated by National Australia Bank, Commonwealth Bank of Australia, ANZ Bank and Westpac, and also includes another 36 domestic commercial banks, seven foreign bank subsidiaries, 46 branches of foreign banks and 12 representative offices of foreign banks.

Payments

Australia's national payment system includes the Reserve Bank Information and Transfer System (RITS), the High-Value Clearing System (HVCS), the Australian Paper Clearing System (APCS), the Bulk Electronic Clearing System (BECS) and the Issuers and Acquirers Community (IAC). The RBA launched a real-time retail payment system, the New Payments Platform (NPP), in February 2018.

The increased use of electronic and internet banking in recent years has led to growth in the use of electronic credit transfers and direct debits. Card payments are the most popular cashless method of payment and are increasing rapidly, especially in the retail sector. Check usage is in decline.

Liquidity Management

Australia-based companies have access to a variety of funding options. There is also a range of short-term investment instruments available.

Domestic cash concentration and notional pooling are used by companies in Australia to manage company and group liquidity.

Trade Finance

Australia has established free trade arrangements with ASEAN (the Association of South East Asian Nations) and New Zealand, China, South Korea, Japan, the USA, Chile, Malaysia, Singapore and Thailand.

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PNC's International Services

PNC can bring together treasury management, foreign exchange, trade finance and credit capabilities to support your international needs in a coordinated and collaborative way.

International Funds Transfers

PINACLE®, PNC's top-rated, online corporate banking portal provides access to International Funds Transfers to more than 130 countries in U.S. dollars and foreign currencies.

Multicurrency Accounts

Demand deposit accounts that hold foreign currency instead of U.S. dollars offer a simple and integrated way to manage and move money denominated in more than 30 currencies, including offshore Chinese Renminbi. In addition, our EUR and GBP multicurrency accounts (MCAs) are able to receive payments via the local payment systems, SEPA and BACS/ FPS, respectively. You can easily view deposit and withdrawal details through PINACLE.

PNC Bank Canada Branch ("PNC Canada")

PNC Bank, through its full service branch in Canada, can help you succeed in this important market. PNC Canada offers a full suite of products including payables, receivables, lending, and specialized financing to help streamline cross border operations. We offer a comprehensive treasury management platform in Canada including U.S. dollar and Canadian dollar accounts, payment initiation services (ACH, wire and check), receivables (A/R Advantage lockbox, branch deposits, electronic payments) and information reporting (with previous day through PINACLE®).

Multibank Services

PNC's Multibank Services provide you with balances and activity for all your accounts held with PNC and other financial institutions around the world. PINACLE's Information Reporting module can give you a quick snapshot of your international cash position, including U.S. dollar equivalent value, using indicative exchange rates for all your account balances. You can also initiate Multibank Transfer Requests (MT101s), and reduce the time and expense associated with subscribing to a number of balance reporting and transaction systems.

Establish accounts in foreign countries

Establishing good banking relationships in the

countries where you do business can help you simplify your international transactions. PNC offers two service models to help you open and manage accounts at other banks in countries outside the United States.

- PNC Gateway Direct comprises an increasing number of banks located in many European countries and parts of Latin America. PNC's team will serve as a point of contact for setting up the account, help with any language and time barriers and will continue to serve as an intermediary between you and the bank you select. You can access reporting and make transfers via PINACLE.
- PNC's Gateway Referral service can help you connect to a correspondent banking network that comprises more than 1,200 relationships in 115 countries.

Foreign Exchange Risk Management

PNC's senior foreign exchange consultants can help you develop a strategy to mitigate the risk of exchange rate swings so you can more effectively secure pricing and costs, potentially increasing profits and reducing expenses.

Trade Services

PNC's Import, Export, and Standby Letters of Credit can deliver security and convenience, along with the backing of an institution with unique strengths in the international banking arena. PNC also provides Documentary Collections services to both importers and exporters, helping to reduce payment risk and control the exchange of shipping documents. We assign an experienced international trade expert to each account, so you always know your contact at PNC and receive best-in-class service. And PNC delivers it all to your computer through advanced technology, resulting in fast and efficient transaction initiation and tracking.

Trade Finance

For more than 30 years, PNC has worked with the Export-Import Bank of the United States (Ex-Im Bank) and consistently ranks as a top originator of loans backed by the Ex-Im Bank both by dollar volume and number of transactions.

Disclosure

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PNC does not provide legal, tax or accounting advice unless, with respect to tax advice, PNC Bank has entered into a written tax services agreement.

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Financial Environment

Country Information

Geographical Information

Capital	Canberra
Area	7,741,220 km ²
Population	25.0 million
Official language	English
Political leaders	Head of state — Queen Elizabeth II. The head of state is represented by General Sir Peter Cosgrove (since March 28, 2014). Head of government — Prime Minister Scott Morrison (since August 24, 2018)

Business Information

Currency (+ SWIFT code)	Australian dollar (AUD)
Business/Banking hours	Business hours: 09:00–17:00 (Mon–Fri) Banking hours: 09:30–16:00 (Mon–Thu), 09:30–17:00 (Fri)
Bank holidays	2019 — June 10, August 5, October 7, December 25, 26 2020 — January 1, 27, April 10–13, 25, June 8, August 5, October 5, December 25, 28 Source: www.goodbusinessday.com
International dialing code	+ 61

Country Credit Rating

FitchRatings last rated Australia on October 24, 2018 for issuer default as:

Term	Issuer Default Rating
Short	F1 +
Long	AAA
Long-term rating outlook	Stable

Source: www.fitchratings.com, April 2019.

Economic Statistics

Economics Table		2012	2013	2014	2015	2016
GDP per capita	(USD)	68,037	64,509	61,073	51,052	51,969
GDP	(AUD billion)	1,505	1,555	1,600	1,629	1,693
GDP	(USD billion)	1,559	1,501	1,443	1,224	1,254
GDP volume growth*	(%)	+ 3.5	+ 2.0	+ 2.7	+ 2.5	+ 2.5
BoP (goods, services & income) as % GDP		- 4.1	- 3.3	- 2.9	- 4.6	- 2.5
Consumer inflation*	(%)	+ 1.8	+ 2.4	+ 2.5	+ 1.5	+ 1.3
Population	(million)	22.91	23.27	23.62	23.97	24.13
Unemployment	(%)	5.2	5.7	6.1	6.1	5.7
Interest rate (local currency MMR)[†] (%)		3.70	2.74	2.50	2.11	1.73
Exchange rate[‡]	(USD per AUD)[†]	0.9658	1.0358	1.1094	1.3311	1.3452

		2017	2018			
			Q1	Q2	Q3	Q4
GDP per capita	(USD)	56,382	-	-	-	-
GDP	(AUD billion)	1,799	-	-	-	-
GDP	(USD billion)	1,379	-	-	-	-
GDP volume growth*	(%)	+ 2.3	+ 3.1	+ 3.1	+ 2.7	+ 2.4
BoP (goods, services & income) as % GDP		- 2.3	-	-	-	-
Consumer inflation*	(%)	+ 2.0	+ 1.9	+ 2.1	+ 1.9	+ 1.8
Population	(million)	24.45	-	-	-	-
Unemployment	(%)	5.6	6.0	5.4	5.3	5.1
Interest rate (local currency MMR)[†] (%)		1.50	1.50	NA	NA	NA
Exchange rate[‡]	(USD per AUD)[†]	1.305	1.272	1.321	1.368	1.393

*Year on year. †Period average. ‡Market rate.

Source: *International Financial Statistics, IMF*, April 2019 and 2018 Yearbook.

Sectoral Contribution as a % of GDP

Agriculture - 3.6%

Industry - 25.3%

Services - 71.2% (2017 estimate)

Major Export Markets

China (33.5%), Japan (14.6%), South Korea (6.6%), India (5.0%), Hong Kong (4.0%)

Major Import Sources

China (22.9%), USA (10.8%), Japan (7.5%), Thailand (5.1%), Germany (4.9%), South Korea (4.5%)

Political and Economic Background

Economics

Interest Rate Management Policy

Australia's independent central bank, the Reserve Bank of Australia (RBA), is responsible for monetary policy and sets interest rates to achieve the goal of price stability. The RBA targets an inflation rate of 2-3% over the medium term.

Foreign Exchange Rate Management Policy

The Australian dollar (AUD) is a free floating currency determined by market forces.

Major Economic Issues

The Australian economy has enjoyed a sustained period of economic growth over a number of decades, largely due to increased competitiveness abroad (notably Chinese demand for coal and iron ore) and consumer spending. Australia was one of the few Western countries to experience economic growth throughout the global financial crisis.

In Q4 2018, the economy declined 0.2%, on a per capita basis, following a 0.1% decline in Q3. Australia's growth for the year was 2.3%, down from the 2.8% predicted by the central bank. A fall in household spending and in investment in housing contributed to the decline. Consumption rose just 0.4% in Q4. Government spending was the largest contributor to economic growth. Public spending accounts for nearly 24% of the country's AUD 1.8 trillion in annual GDP.

There are concerns that Australia's economy could be impacted by the China-USA trade war - China accounts for 30% of Australia's exports and high demand for natural resources (iron ore and coal) has helped buoy the Australian economy. Consultancy KPMG predicts that a prolonged trade war could cost the economy at least AUD 36 billion over the next ten years. Recent restrictions by China on Australian thermal coal imports are also likely to impact the economy - exports of coal to China accounts for 3.7% of Australia's GDP. Political tensions between the two countries have been singled out as a cause for the delay at customs, as well as infrastructure changes within China.

The government is committed to returning the budget to surplus in 2021. The deficit in 2017/18 was AUD 10.1 billion, the smallest budget deficit for a decade. The government predicts a deficit of AUD 5.2 billion in 2018-19 and an AUD 4.1 billion surplus in 2019-20. It is expected to be AUD 10.2 billion surplus in 2020/21.

In March 2019, the RBA kept its core interest rate at 1.5%. The RBA warned that further falls in house prices could undermine household wealth and spending and prompt a future cut in interest rates. A sustained increase in the country's unemployment rate (4.9% in February 2019) could also justify a reduction in interest rates.

Politics

Government Structure

Australia is a Commonwealth realm and a federal parliamentary democracy. Any powers not explicitly wielded at federal level are devolved to six states (New South Wales, Queensland, South Australia, Tasmania, Victoria, Western Australia) and two mainland territories (Australian Capital Territory and Northern Territory).

The territories differ from the states in that the Federal Parliament is able to override any of their parliaments' legislations. In contrast, the Federal Parliament can only override state legislation in certain areas stipulated in the Constitution. Education, hospitals, education, the judiciary, police, public transport, roads and local government issues are the responsibility of the state parliaments.

Queen of Australia, Elizabeth II is the hereditary head of state. She has been represented by Governor General Quentin Bryce since September 5, 2008, who was appointed by her on the prime minister's recommendation. The role of monarch is ceremonial.

The government is based in Canberra in Australian Capital Territory.

Executive

Executive power belongs to the government, which is headed by the prime minister. The prime minister forms a government, from members of the House of Representatives, which is then sworn in by the governor general.

The current Australian Liberal-National Party coalition government is headed by Prime Minister Scott Morrison.

Legislature

Australia has a bicameral Federal Parliament, consisting of the Senate and the House of Representatives.

Half of the 72 Senate members from Australia's six states (12 from each state) are elected by popular vote every three years to serve six-year terms. Another four members (two from each of Australia's two mainland territories) meanwhile are elected to serve three-year terms.

The 150 members of the House of Representatives are elected for up to three years, via popular preferential vote. Like the US House of Representatives, each state's representation is determined by population size. No state (including the ACT and Northern Territory) has less than five members.

International memberships

Australia is a member of APEC (the Asia-Pacific Economic Co-operation), the Bank for International Settlements (BIS), the OECD (Organization for Economic Co-operation and Development), G-20 and the World Trade Organization, and is a dialogue partner of ASEAN.

Major Political Issues

In August 2018, Malcolm Turnbull was ousted as prime minister. Scott Morrison, the government's treasurer, replaced him as leader of the Liberal Party. He will also lead the party into elections which must take place before May 2019.

When elections are held, border security, immigration and access to affordable housing are likely to be key issues among all the political parties. High immigration is credited with headline growth in the country but is also blamed for low GDP growth per capita. Immigration is also impacting on the availability and affordability of housing in the country. A shortage of affordable housing is causing high levels of homelessness in the country; between 2011 and 2016, homelessness increased by 14%.

With drought affecting territory across large swathes of Australia, addressing climate change has increasingly become an issue for voters - according to a study by the Australia Institute, 73% of respondents are concerned about climate change (up from 66% in 2017) and 68% believe domestic targets should be set to comply with the country's Paris commitments. Prime Minister Morrison confirmed Australia would not pull out of the Paris agreement but has abandoned plans for a national energy guarantee that would have imposed an emissions reduction target on the electricity sector. The World Economic Forum has singled out Australia as one of the least prepared of the world's advanced economies to make the transition to low-carbon energy.

Concerns about widening income inequalities (the top 20% of households in Australia receive 50% of the income, the bottom 20% just 4%), longstanding issues of inclusion (notably Australia's indigenous population) and an aging population need to be addressed through social care and active labor market policies. If it wins the elections in May 2019, the Labor Party has pledged to change the country's minimum wage (AUD 18.93) into a living wage thereby lifting Australia's lowest paid employees from poverty.

In its budget of May 2018, a seven-year plan for lower and simpler income taxes was announced. From July 1, low and middle income earners will get an annual lump sum of up to AUD 530 a year. However, even with the changes, Australians will still pay one of the highest personal tax rates in OECD (45% after AUD 200,000). Plans to encourage the employment of the elderly were also unveiled, as was increased spending to provide care to the elderly in their own homes. AUD 550 million was allocated to address housing needs for indigenous Australians in remote areas.

It is widely expected that in its annual budget on April 2, 2019, and the run-up to the May elections, the government will announce fresh tax cuts.

Taxation

Resident/Non-resident

A company is resident in Australia for income tax purposes if it is incorporated there.

It is also resident in Australia if it carries on business in Australia, and either its central management and control are in Australia, or its voting power is controlled by shareholders who are residents of Australia.

Tax Authority

Australian Taxation Office (ATO); States and Territories Revenue Offices; Foreign Investment Review Board (FIRB) assists the Australian Treasurer in regulating foreign investment into Australia, including intra-group transactions. A transaction requiring FIRB approval can be unwound if such approval is not obtained.

Tax Year/Filing

The tax year is July 1 to June 30. Self-assessed tax returns are made to the ATO. The due date for filing the annual return generally is January 15 for large/medium-size companies (annual turnover exceeding AUD 10 million) and February 28 for all others, following the end of the year of income.

Extensions to file the return may be granted in certain cases.

Companies must pay tax installments (Pay As You Go – PAYG) for their current income year in the fourth, seventh, tenth and 13th months. The quarterly installments are calculated at a rate which is advised by the ATO, applied to the previous quarter's income, or at an amount calculated by the ATO based on the recently filed tax return.

A consolidation regime allows wholly Australian-owned groups to elect to be taxed as a single consolidated entity ('consolidated group'). The regime focuses on the consolidated group as the tax entity and disregards intragroup transactions for income tax purposes. The law reduces impediments to group restructuring, allows for pooling of losses within the group and allows tax-free movement of assets within the group without any formal rollover requirements. There also are rules allowing certain Australian-resident wholly owned subsidiaries of a foreign company to form a consolidated group known as a multiple entry consolidated (MEC) group.

The election to form a consolidated group or a MEC group is optional. However, once made, the election is irrevocable.

Corporate Taxation

Resident companies are taxed on worldwide income. A non-resident company generally pays taxes only on income derived from Australian sources. As a general rule, tax rates and treatment are the same for all companies, including branches of foreign companies. However, there are

exceptions for special types of companies such as cooperative firms, mutual and other life insurance companies and non-profit organizations, which are taxed at slightly different rates.

Only the federal government taxes corporate income. There is no state or municipal tax on corporate income.

Corporate tax is levied at a rate of 30%, or 27.5% for companies with an aggregate annual turnover of less than AUD 50 million in the 2018-19 and 2019-20 income years. This will reduce to 26% by the 2020-21 income year and 25% by the 2021-22 income year. There is no surtax or alternative minimum tax.

Foreign-owned branches' attributable income is taxed at the same rate.

Australia operates a full imputation system for the avoidance of economic double taxation of dividends. Under this system, the payment of company tax is imputed to shareholders in that domestic shareholders are relieved of their tax liability to the extent profits have been taxed at the corporate level. Dividends paid out of profits on which corporate tax has been paid are said to be 'franked' and generally entitle shareholders to an offset for the corporate tax paid.

Tax losses may be utilized and carried forward indefinitely to offset against future assessable income, provided a "continuity of ownership" (more than 50% of voting, dividend and capital rights) or a "same business" test is satisfied. Capital losses are subject to the same tests, but may be offset only against capital gains.

Under the foreign income tax offset (FITO) rules, taxpayers are not required to divide assessable foreign income amounts into separate classes. The rules allow taxpayers to claim a tax offset against Australian tax on assessable income that is foreign income or on which they have paid foreign income tax. The amount of the offset is equal to the foreign income tax paid, subject to a cap. The offset may be used only in the income year to which the foreign tax relates; offsets may not be carried forward to future income years.

Disclosure Requirements

All taxpayers in Australia must maintain adequate records to document their tax affairs, including transfer pricing. While there is no requirement to submit documentation by a certain date, contemporaneous tax and transfer pricing documentation is a prerequisite to having a reasonably arguable position for penalty mitigation purposes.

Australian taxpayers are required in certain circumstances to file an International Dealings Schedule (IDS) with their annual income tax return. The IDS requires various details in respect of a taxpayer's cross-border related party dealings, including specific disclosures in relation to areas that the ATO considers high-risk (i.e. certain types of transactions and dealings with related parties in favorable tax jurisdictions). The IDS also requires disclosure of information related to the application of the CFC and thin capitalization rules.

In addition, significant global entities (SGEs - companies that are members of groups with turnovers of at least AUD 1 billion) must provide additional information to the ATO as part of Australia's country-by-country (CbC) transfer pricing reporting requirements. Three annual statements (a CbC report, a master file and a local file) must be filed with the ATO in the approved form within 12 months of the end of the income year. However, an exemption may be granted in certain circumstances.

The ATO requires most economic groups with turnovers in excess of AUD 250 million to file a Reportable Tax Position (RTP) Schedule with their tax returns.

A Voluntary Tax Transparency Code encourages the disclosure of more tax and accounting information from businesses with at least AUD 100 million of turnover.

An SGE is also required to file general purpose financial statements with the ATO in certain circumstances.

Hybrid Mismatch Rules

Hybrid mismatch rules based on action 2 of the BEPS project will have effect for tax years starting on or after January 1, 2019 (with limited deferral to January 1, 2020 for some imported hybrid mismatches). In addition, a targeted integrity rule can deny a deduction in Australia for interest on intragroup financing arrangements where the interest income is subject to foreign tax at a rate of 10% or less.

Advance Tax Ruling Availability

The ATO can issue public and private rulings. Rulings generally are binding on the ATO where they apply to a taxpayer and the taxpayer relies on the ruling by acting in accordance with the ruling. Public rulings may apply to all entities or a class of entities, either generally or in relation to a particular arrangement. The ATO will issue a private ruling on the tax consequences of a specific scheme at a taxpayer's request. However, only the taxpayer requesting the private ruling can rely on it. The ATO also operates an advance pricing arrangement programme, under which taxpayers can obtain certainty on the application of the arm's-length principle to their cross-border dealings with related parties.

Withholding Tax (Subject to Tax Treaties)

Payments to:	Interest	Dividends	Royalties	Technical Fees	Branch Remittances
Resident companies	0%	0%	0%	None	NA
Non-resident companies	10%	0% / 30%**	30%*	None	None

* Reduced to 15% for dividends and 10% for royalties under most tax treaties.

† Dividend payments are exempt from dividend withholding tax to the extent that they are franked.

Fund payments made to foreign residents by a managed investment trust are subject to withholding at 15% when made to a foreign resident in a country that has a exchange of information agreement with Australia, Otherwise the withholding rate is 30%.

Transfer Pricing

The transfer pricing rules may apply to any international transactions and do not necessarily require direct ownership between the two transacting parties (i.e. “any connection” between the parties is all that is required). The rules apply to international transactions/dealings between separate legal entities, as well as permanent establishments. The commonly accepted transfer pricing methods in Australia are the comparable uncontrolled price, resale price, cost plus, profit split and transactional net margin methods, out of which the most appropriate and reliable method should be applied. The ATO has powers to adjust the pricing of transactions that are considered not to be at arm’s length.

Transfer pricing rules are applied to situations where a party obtains a transfer pricing benefit and require the substitution of arm’s-length conditions for actual conditions.

General Anti-Avoidance

Australia operates a general anti-avoidance rule (GAAR) that supplements other specific anti-avoidance rules. The GAAR is a provision of last resort and applies where there is a scheme, the sole or dominant purpose of which is to obtain a tax benefit.

The Multinational Anti-Avoidance Law (MAAL) targets the avoidance of permanent establishment status in Australia by foreign entities. Broadly, the MAAL will apply where a foreign entity supplies goods or services to Australian customers, an Australian affiliate performs activities in Australia directly in connection with those supplies and there is a relevant “principal purpose” to obtain a tax advantage.

A 40% diverted profits tax applies to SGEs, on profits transferred offshore through related party transactions (the “diverted profit”). Cross-party related-party transactions where the diverted profit is subject to foreign tax paid of less than 24% potentially are within scope of the DPT; the foreign tax test for this purpose is based on foreign tax paid, not the headline rate.

Broadly, the DPT can apply in certain circumstances if a tax benefit is obtained in connection with a scheme and it can be concluded that the scheme, or any part of it, was entered into for the principal purpose of enabling a tax benefit to be obtained. There are limited carve-outs for nonapplication of the DPT. One such exemption is the “sufficient economic substance” test which tests whether the profit of each relevant entity reasonably reflects the economic substance.

Thin Capitalization

Interest deductions claimed against Australian assessable income for both foreign-controlled Australian investments (inward investors) and Australian entities investing overseas (outward investors) are restricted where an entity’s debt exceeds a certain prescribed level. The maximum

allowable debt generally is determined by applying one of the following tests:

- For both inward and outward investors, under the safe harbor test, the prescribed debt-to-equity ratio is broadly 60% of total assets less non-debt liabilities and certain related party investments/receivables, as disclosed in the accounts. A separate test applies for financial institutions;
- For both inward and outward investors, under the arm's-length debt test, the prescribed level of debt is the maximum amount of debt the entity could reasonably have borrowed from commercial lending institutions; and
- Separate worldwide gearing tests are available to inward and outward investors.

The rules apply to total debt, rather than just related-party foreign debt, and cover Australian multinational companies, as well as foreign multinational investors. Taxpayers who, together with their associates, have interest deductions of less than AUD 2 million, or outward investing entities with 90% or more of their total average value of assets consisting of Australian assets, are exempt from the rules.

Controlled Foreign Companies

Qualifying Australian shareholders are subject to taxation on an accruals basis on their proportionate share of a CFC's "attributable income". For a foreign company to be a CFC, either (1) five or fewer Australian residents must hold 50% or more of the company; (2) (subject to additional considerations) a single Australian entity must hold no less than 40% of the company; or (3) five or fewer Australian entities (including associates) effectively must control the company. Where the CFC rules apply, the Australian shareholder includes in its assessable income its share of the attributable income at the end of the CFC's statutory accounting period. Dividends subsequently paid out of attributable profits are treated as non-assessable non-exempt income.

Stamp Duty

The states and territories impose stamp duty at rates of up to 5.75% on the transfer of real property and other business property. Rates vary depending on the state/territory and class of business property transferred. Stamp duty also is imposed on the indirect transfer of real property held by certain companies and unit trust schemes, at rates of up to 5.75%.

Tax Treaties/Tax Information Exchange Agreements (TIEAs)

Australia has exchange of information relationships with 81 jurisdictions through 44 double tax treaties and 38 TIEAs (www.eoi-tax.org).

On January 27, 2016, Australia, as part of the OECD/G20 Base Erosion and Profit Shift (BEPS) initiative, signed a multilateral co-operation agreement with 30 other countries ("the MCAA"). Under this multilateral agreement, information will be exchanged between tax administrations, giving them a single, global picture on some key indicators of economic activity within multinational enterprises (MNE).

With Country-by-Country reporting tax administrations of jurisdictions where a company operates

will have aggregate information annually relating to the global allocation of income and taxes paid, together with other indicators of the location of economic activity within the MNE group. It will also cover information about which entities do business in a particular jurisdiction and the business activities each entity engages in. The information will be collected by the country of residence of the MNE group, and will then be exchanged through exchange of information supported by such agreements as the MCAA.

Australia is a signatory of the OECD Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI). The MLI entered into force on January 1, 2019.

Research and Development (R&D) Concession

Expenditure on eligible R&D activities is entitled to beneficial treatment.

Expenditure on eligible R&D activities is entitled to beneficial treatment. Under the R&D tax incentive program, companies with an aggregated group turnover of less than AUD 20 million are entitled to a 43.5% refundable tax offset and larger companies are entitled to a 38.5% nonrefundable tax offset on expenditure up to AUD 100 million.

Investors of an Australian early stage innovation company (ESIC) are eligible for a nonrefundable carryforward tax offset equal to 20% of the amounts paid for newly issued equity interests (shares) in the ESIC, provided the investor does not fall within of the list of specified exclusions (and capped at AUD 200,000). There are also capital gains tax concessions for eligible shares.

There are special rules for the taxation of a managed investment trust (MIT), which is a type of collective investment vehicle. A MIT enjoys a concessional 15% withholding tax rate on distributions from the MIT to certain non-residents investors. A MIT also can make an irrevocable election to treat gains and losses on certain assets as being on capital account.

An Investment Manager Regime (IMR) provides concessional taxation treatment in certain circumstances where foreign-managed funds invest in Australia using Australian resident fund managers. Various other incentives also are available (e.g. film tax incentives).

Sales Taxes/VAT (including Financial Services)

The federal government levies a goods and services tax (GST) at 10%.

GST is a transaction-based value-added tax applicable to most goods and services. Basic foods, exports, and certain medical and educational supplies are, in general, GST-free (zero-rated). Most financial services and residential rents are input taxed (exempt).

Entities making input taxed supplies generally suffer a restriction on the recoverability of GST incurred on purchases in relation to making those supplies.

The GST applies on an extra-territorial basis in certain circumstances and may require businesses supplying services and digital products to Australian consumers from offshore, and business

supplying low-value goods (AUD 1,000 or less), to become registered, and collect and remit GST on those supplies.

Capital Gains Tax

Assessable income includes any capital gains after offsetting capital losses. Net capital gains derived by companies are taxed at the 30% corporate rate. Australian tax residents (excluding temporary residents) are liable for tax on worldwide capital gains (subject to double tax relief). Where a company holds a direct voting interest of 10% or more in a foreign company for a certain period, any capital gain or loss on the sale of the shares in the foreign company may be reduced (see under “Participation exemption”). Foreign investors include capital gains in assessable income only for assets that are “taxable Australian property” (e.g. the business assets of Australian branches or non-residents and direct and indirect interests in Australian real property).

Participation Exemption

Capital gains or losses on the disposal of shares in a foreign company, at least 10% of which is held by an Australian resident company for a certain period, may be reduced by a percentage that reflects the degree to which the assets of the foreign company are used in an active business. Furthermore, foreign equity distributions received (directly or indirectly through one or more interposed trusts and partnerships) from a foreign company in which an Australian corporate tax entity holds a 10% participation interest are non-assessable non-exempt income.

Payroll and Social Security Taxes

All states and territories impose payroll tax on employers with amount based on salaries, wages and benefits paid to employees.

There are exemptions for employers with smaller payrolls.

Employers are required to contribute to a complying superannuation fund or retirement savings account on behalf of their employees, at a rate of 9.5% of the employee’s “ordinary times earnings,” up to a maximum earnings base of AUD 54,030 per quarter in 2018/19. Exemptions from the superannuation requirement apply in limited circumstances.

State legislation requires employers to insure employees against work-related injuries and compensate them for injury, disability or death arising from, or in the course of, employment.

Employers are required to pay fringe benefits tax (FBT) on the value of fringe benefits (e.g. motor vehicles, low-interest loans and school fees) provided to their employees at a rate of 47% on the grossed up value of each benefit. FBT is deductible for income tax purposes.

Insurance Premium Tax

States levy duties on insurance premiums.

Import and Excise Duties

Most goods imported into Australia are subject to import (customs) duties.

The general rate of customs duty is 5%.

Concessional and preferential rates apply in some cases.

Excise duty (or customs duty) applies to petroleum products, alcohol and tobacco.

Financial Transactions/Banking Services Tax

There are no specific financial transactions / banking services taxes.

Local Municipal Taxes

Charges are typically based on the unimproved value of land (although some places use capital improved value).

Other Taxes

A petroleum resource rent tax is levied on income from the recovery of all petroleum products from certain offshore areas.

All tax information supplied by Deloitte Touche Tohmatsu and Deloitte Highlight 2019 (www.deloitte.com).

Cash Management

Banking System

Banking Regulation

Banking Supervision

Central bank

Australia's central bank, the Reserve Bank of Australia (RBA), is an independent institution accountable to parliament whose responsibilities and authority are framed by the Reserve Bank Act of 1959 and its amendments.

The RBA has no formal role in bank supervision, but is responsible for supporting government economic policy, i.e. maintaining a favorable environment for economic stability and growth. In addition to management of monetary policy (with the aim of achieving price stability), the RBA fulfils other typical central banking functions such as banker to the government and to other banks, lender of last resort and issuer of notes and coin.

The RBA is also responsible for promotion of payment system efficiency and shares responsibility for the operation of the Australian payment system with Australia's credit institutions.

Other banking supervision bodies

The Australian Prudential Regulation Authority (APRA) is the regulatory and supervisory authority for Australia's credit institutions (domestic and foreign banks, building societies and credit unions). The APRA is an independent non-governmental company, whose responsibilities and authority are framed by the APRA Act of 1998, the Banking Act of 1959 and the Financial Sector Act of 2001 and their amendments.

The Australian Securities and Investments Commission (ASIC) regulates the provision of financial products and services within Australia.

Central Bank Reporting

General

The Australian Bureau of Statistics (ABS) collects information on balance of payments statistics using monthly, quarterly, and annual surveys, and administrative data.

Unprompted reporting is not required and resident companies are contacted individually by the ABS.

What transactions - listed

Information on all residents' transactions with non-residents is submitted in surveys. Information on international trade in services is submitted on a monthly basis, while information on

international investment is submitted on a quarterly and annual basis. The quarterly international investment survey is much more detailed than the annual coverage survey.

Information on trade in goods is compiled on a monthly basis using customs data and supplementary information if available.

Whom responsible

All resident companies engaging in transactions with non-residents are surveyed annually apart from approximately 1,000 resident companies engaging in the largest amount of transactions with non-resident companies, which submit international investment surveys every quarter.

Approximately 1,600 resident companies from a survey frame of approximately 4,500 companies submit International Trade in Services (SITS) monthly surveys. The level of trade varies across all surveyed companies.

Companies requested to fill out quarterly international investment surveys and SITS surveys must submit these surveys no later than the 15th business day of the following reporting period. Historical revisions are permitted.

Additional reporting for liquidity management schemes

Resident and non-resident bank accounts do not participate in the same liquidity management schemes and thus are not subject to reporting requirements.

Exchange Controls

Exchange structure

Australia's official currency is the Australian dollar (AUD), the exchange rate of which is free floating. Its value is determined by market forces and the central bank intervenes only rarely, i.e. to bring under control excessive fluctuations in the exchange rate.

A bilateral AUD/CNY currency swap agreement worth up to AUD 40 billion established by the RBA with the People's Bank of China was extended on April 8, 2018 for a period of three years. As a result of a currency pact, the AUD can now be traded directly with the CNY. A bilateral AUD/JPY currency swap agreement worth up to AUD 20 billion was established by the RBA with the Bank of Japan on March 18, 2016 for a period of three years. A bilateral AUD/IDR currency swap agreement worth up to AUD 10 billion established by the RBA with Bank Indonesia in December 2015 was extended in August 2018. On February 8, 2017, the RBA and Bank of Korea extended a bilateral currency swap agreement originally signed in 2014. The new agreement is worth up to AUD 10 billion.

Classification

The currency is free floating.

Exchange tax

There is no exchange tax.

Exchange subsidy

There is no exchange subsidy.

Forward foreign exchange market

There are no restrictions on Australia's active forward foreign exchange markets.

Capital flows

The relevant Australian authorities are generally required to be notified of any securities purchased by non-residents in Australia.

Controls are in place for foreign investment in the banking sector, life insurance sector, real estate, telecommunications, media, civil aviation, and Australian flag shipping vessels.

Loans, interest and repayments

There are no restrictions.

Royalties and other fees

There are no restrictions.

Profit remittance

There are no restrictions on the remittance of profits into or out of Australia.

Bank Account Rules

Resident entities are permitted to hold convertible domestic and foreign currency bank accounts within and outside Australia.

Non-resident entities are permitted to hold convertible domestic and foreign currency bank accounts within Australia.

Anti-money Laundering and Counter-terrorist Financing

- Australia has implemented anti-money laundering and counter-terrorist financing legislation (the Financial Transaction Reports Act of 1988, as amended 2012, the Proceeds of Crime Act of 1987, the Anti-Terrorism Act (No.2) of 2005, the Anti-Money Laundering and Counter-Terrorism Financing Act of 2006, as amended, the Crimes Legislation Amendment (Serious and Organised Crime) Act of 2010, the Australian Transaction Reports and Analysis Centre Supervisory Cost Recovery Levy Act of 2011, as amended 2014, and The Combatting the Financing of People Smuggling and Other Measures Act of 2011). Additional AML/CTF Rules and Regulations have been published by the Australian Transaction Report and Analysis Centre (AUSTRAC). New customer due diligence requirements, for example, took effect from June 2014 through amendments to seven chapters of the AML/CTF Rules.
- Australia is a Financial Action Task Force (FATF) member. Australia also permanently co-chairs the Asia/Pacific Group on Money Laundering (APG).
- Australia has established a financial intelligence unit (FIU), the Australian Transaction Report and Analysis Centre (AUSTRAC), which is a member of the Egmont Group.
- Account opening procedures require formal identification of the account holder and beneficial owners.

- Financial institutions must apply a risk-based approach in verifying a customer's identify.
- Financial institutions must conduct ongoing due diligence assessments of the money laundering and terrorism financing risk posed by the customer.
- Financial institutions in the broadest sense are required to record and report suspicious transactions to AUSTRAC within 24 hours if the transaction relates to terrorism financing and three business days in all other cases.
- All cash transactions of AUD 10,000 or above, in a single or series of linked transactions, and all international funds transfers must be reported to AUSTRAC within 10 business days.
- All cross-border movements of currency above AUD 10,000 (or foreign currency equivalent) must be reported to AUSTRAC within ten business days.
- All records must be kept for a minimum of seven years after the end of the business relationship.

Data as at April 2019.

Banking Sector Structure

Major Domestic Banks

Bank	Total assets (USD million) September 30, 2018
Commonwealth Bank of Australia	719,732*
ANZ Bank	680,988
Westpac	635,452
National Australia Bank	582,654

*as at June 30, 2018.

Source: www.accuity.com

Overall Trend

The banking system is dominated by the country's four largest banks which together account for around two-thirds of the total assets of the banking sector. The government has committed itself to a "four pillars" policy, which prevents these four banks from merging with each other.

The Australian banking sector consists of 36 domestic commercial banks, seven foreign bank subsidiaries, 46 branches of foreign banks, 12 representative offices of foreign banks, three building societies and 47 credit unions. Most recently in December 2018, China Everbright Bank received authorization to begin operations. It opened its first branch in February 2019.

There are two main financial centers in Australia, in Sydney and Melbourne, each of which is home to a similar number of the country's leading domestic banks. Sydney, however, is more popular for the majority of foreign banks located in Australia.

In February 2019, the Royal Commission established to investigate misconduct in the financial services sector released its findings. The Royal Commission recommended, among other things, that corporate regulators to be subjected to a new oversight body and that remuneration structures across the industry be overhauled. An additional AUD 550 million has been earmarked to police the country's financial sector.

In March 2018, the banking regulator the APRA, gave approval to ING Bank (Australia) to use its own internal models to calculate regulatory capital. This approval puts the bank on a similar footing to the country's biggest banks, which hold proportionally lower levels of regulatory capital (typically, banks have held 25-50% more capital for mortgage loans relative to the top five banks.) This decision by the APRA is expected, in the long-term, to make the banking sector more competitive.

Payment Systems

Overview

The RBA operates RITS (the Reserve Bank Information and Transfer System), the country's national RTGS system. In March 2018, the RBA removed the requirement that all banks must have an Exchange Settlement Account (ESA), whether or not they use an agent to settle their RTGS transactions.

More than 98% of all cashless retail payments in Australia are processed by the APNL (the Australian Payments Network Ltd), which is owned by a consortium of Australia's banks. The APNL operates:

- The High-Value Clearing System (HVCS);
- The Australian Paper Clearing System (APCS);
- The Bulk Electronic Clearing System (BECS) for low-value credits and debits and;
- The Issuers and Acquirers Community (IAC).

The New Payments Platform (NPP), launched in February 2018, is an open access infrastructure for fast payments settled individually on a 24/7 basis, 356 days a year. The NPP is owned by 13 banks. PayID and Osko by BPAY are the first of the products and services supported by the NPP. More than 2.5 million PayIDs have been created to date. Seventy-five banks, credit unions and building societies currently participate in the NPP.

The Australian Payments Council is the industry coordination body for payment systems in Australia.

High-value

Name of system	RITS (Reserve Bank Information and Transfer System)
Settlement type	Real-time gross settlement
Settlement cycle	Obligations are settled continuously and irrevocably in real time and with immediate finality. Payments are settled in three periods daily: between 07:30 and 08:45, between 09:15 and 16:30 and between 17:20 and 22:00 AEST (Australian Eastern Standard Time) / AEDT (Australian Eastern Daylight Time). The RITS Fast Settlement Service (FSS) is available for the settlement of NPP transactions 24 hours per day, on every day of the year.
Links to other systems	NA
Payments processed	Interbank obligations from participant banks' transactions in the country's other clearing systems and its securities settlement systems
Currency of payments processed	AUD
Value and other limits to processing	NA
Operating hours	07:30-22:00 AEDT
System holidays	The system is closed on weekends and bank holidays.
Cut-off times	NA
Participants	167 participants.
Access to system	Obligations from HVCS are in SWIFT format.
Future developments	NA

Name of system	HVCS (High-Value Clearing System)
Settlement type	Multilateral net settlement
Settlement cycle	Payments are settled in real time, between 09:15 and 18:05 AEST (or between 09:15 and 20:05 AEDT). Final settlement between participating institutions is through RITS across settlement accounts held at the RBA.
Links to other systems	NA
Payments processed	High-value and urgent electronic payments e.g. credit transfers
Currency of payments processed	AUD
Value and other limits to processing	There are no value thresholds.
Operating hours	HVCS operates between 09:15 and 18:30/20:30 AEST/AEDT, Monday to Friday.
System holidays	The system is closed on weekends and bank holidays.
Cut-off times	NA
Participants	HVCS has 49 participants, including the RBA.
Access to system	Payment instructions via the SWIFT Payment Delivery System
Future developments	NA

Low-value

Name of system	BECS (Bulk Electronic Clearing System)
Settlement type	Deferred net settlement
Settlement cycle	Financial institutions exchange payments in bulk, six times a day (10:00, 13:00, 16:00, 18:30, 20:45 and 22:30 Sydney time, Monday to Friday). Settlement occurs on the same-day after each of the first five official exchanges.
Links to other systems	NA
Payments processed	Low-value automated transactions in Australia, including direct debits and direct credits
Currency of payments processed	AUD
Value and other limits to processing	There are no value thresholds.
Operating hours	NA
System holidays	The system is only closed on weekends and bank holidays.
Cut-off times	NA
Participants	BECS currently has 71 participants, including the RBA.
Access to system	Payment instructions can be transmitted via COIN (the Community of Interest Network) or via SWIFT's FileAct messaging service.
Future developments	NA

Name of system	Issuers and Acquirers Community (IAC)
Settlement type	Deferred net settlement
Settlement cycle	Payments are settled in batches on a next-day basis. Final settlement takes place via RITS Low Value Settlement Service.
Links to other systems	NA
Payments processed	Proprietary debit card payments. (Scheme debit card and credit card payments are processed separately by their respective international card company schemes.)
Currency of payments processed	AUD
Value and other limits to processing	There are no value thresholds.
Operating hours	NA
System holidays	The system is only closed on weekends and bank holidays.
Cut-off times	04:00 AM/EST/ESST.
Participants	IAC currently has 16 participants, including the RBA.
Access to system	NA
Future developments	NA

Name of system	APCS (Australian Paper Clearing System)
Settlement type	Deferred net settlement
Settlement cycle	Payments are settled in batches on a next-day basis. Batches of payments processed by APCS are settled across participants' ESAs held at the RBA at 09:00 AEST/AEDT on the morning of the working day after they were first submitted. Checks usually take three days to clear although it can sometimes take up to ten days. The retention period for physical checks has been reduced from eight to five days.
Links to other systems	NA
Payments processed	Check payments and other MICR-encoded paper-based payment instruments (i.e. paper-based credit transfers, bank warrants, traveler's checks, and money orders)
Currency of payments processed	AUD
Value and other limits to processing	There are no value thresholds.
Operating hours	NA
System holidays	The system is only closed on weekends and bank holidays.
Cut-off times	NA
Participants	APCS currently has 72 participants, including the RBA.
Access to system	Payment instructions can be transmitted via COIN or via SWIFT's FileAct messaging service.
Future developments	NA

Name of system	NPP (New Payments Platform)
Settlement type	Real-time gross settlement
Settlement cycle	Payments are settled in real time with no 'cut off' times.
Links to other systems	NA
Payments processed	Low-value transactions.
Currency of payments processed	AUD
Value and other limits to processing	There are no value thresholds.
Operating hours	24/7/365 days a year
System holidays	Operational 365 days a year
Cut-off times	NA
Participants	The NPP currently has 65 participants.
Access to system	NA
Future developments	NA

Payment and Collection Instruments

Overview and Trends

The most important cashless payment instruments in Australia are electronic credit transfers and, in terms of volume, card payments. Although in decline in terms of volume, checks remain relatively popular for commercial payments. Direct debits have increased in popularity over recent years.

Statistics of Instrument Usage and Value

	Transactions (million)		% change 2017/16	Traffic (value) (AUD billion)		% change 2017/16
	2016	2017		2016	2017	
Checks	111.7	89.7	- 19.7	1,154.9	1,110.7	- 3.8
Debit card payments*	4,848.5	5,597.1	15.4	249.1	274.2	10.0
Credit and charge card payments	2,485.8	2,690.4	8.2	302.8	315.5	4.2
Credit transfers†	2,090.8	2,254.3	7.8	8,440.2	9,077.7	7.5
Direct debits	1,082.4	1,232.7	13.9	5,895.4	6,184.8	4.9
Total	10,619.2	11,864.2	11.7	16,042.4	16,962.9	5.7

*Not including ATM cash withdrawals.

†Not including transfers cleared via HVCS.

Source: Bank for International Settlements, December 2018.

Paper-based

Checks

The usage of checks has fallen by 80% in the past two decades as a result of the increasing availability of electronic alternatives. In 2017/18, the volume of checks processed fell 20%, value fell by 12.5%, and checks now account for less than 1% of the total of non-cash payments.

Checks are primarily used for companies' commercial transactions and financial institution (bank) checks for certain transactions such as property settlements.

Checks are cleared by APCS, a paper-based exchange and settlement system. Checks usually take three days to clear although it can sometimes take up to ten days.

Paper-based Credits

Paper-based credit transfers are permitted but not widely used. They are cleared by APCS and manually exchanged overnight.

Postal Payment Instruments

Domestic postal money orders (for values up to AUD 5,000), express money orders (paper-based funds transfers of AUD 10,000 or below) and bulk money orders are offered by Australia Post.

Australia Post also uses the worldwide Western Union Money Transfer service.

Electronic

Credit Transfers

Credit transfers are the dominant payment instrument in Australia in terms of value and represent over a quarter of all cashless payments in terms of volume. Most credit transfers are automated.

A common method of payment with companies (commercial payments, salary payments, share dividend payments) and the Australian government (benefit payments, tax refund payments), they are also increasingly being used to pay rent, suppliers and service providers as well as for payments between individuals.

All large-value and urgent electronic credit transfers are cleared by the HVCS. Low-value electronic credit transfers are cleared in batches by BECS or, as of February 2018, via the NPP in real time.

Cross-border transfers are processed by bilateral correspondent banking arrangements. The majority of these are processed via SWIFT.

Direct credit payments grew by 6.9% in 2017/18. Value of payments increased by 2.8%.

Direct Debits

Direct debits are cost-effective and increasingly popular for recurring low-value payments such as utility bills, mortgage payments, superannuation contributions and insurance premiums.

Direct debits are cleared by BECS.

Direct debits grew by 16.2% in 2017/18. Value of payments increased 4.2%.

Payment Cards

The use of debit and credit cards continues to increase in Australia, especially among retail consumers. In 2017/18, cards overtook cash as the most popular method of payment, with over 8.7 billion payments made worth AUD 591 billion. Debit card payments have risen at an average annual rate of 14% over the last decade, compared to 7% for credit cards.

There are approximately 15.9 million credit and charge card accounts in Australia and about 55% of the adult population holds at least one credit or charge card. Some credit cards have domestic debit card functionality. Both Visa and MasterCard branded cards are issued. American Express, Diners Club and JCB credit cards are also used. Credit cards in Australia are operated by the

international card schemes. In 2017/18, the number of credit card transactions grew by 6.8%. The value of transaction grew 3.2%.

There are approximately 37.8 million debit card accounts with over 85% of the adult population holding at least one debit card. In 2017/18, the number of debit card transactions grew by 16.2%. The value of transaction grew 11.5%. Debit cards are also used for ATM transactions and cash withdrawals. The majority of debit card transactions are processed through the EFTPOS system composed of seven proprietary networks. Visa and MasterCard-branded cards are also issued.

Proprietary debit cards cannot be used for online transactions or outside Australia. Visa and MasterCard/Maestro branded debit cards can be used for online and overseas transactions and are processed by their respective company schemes.

All cards issued are EMV-compliant.

The Issuers and Acquirers Community (IAC) clears proprietary debit card payments. Scheme (Visa and MasterCard/Maestro branded) debit and credit card payments are cleared by the relevant international card companies.

ATM/POS

There is an increasing availability and use of ATMs and EFTPOS terminals. There were 29,510 ATM terminals as of December 31, 2018 and 975,622 EFTPOS terminals in Australia.

Over the past ten years, the number of ATM withdrawals has dropped by nearly 30% as consumers increasingly favor digital payments.

Electronic Wallet

A number of e-purse cards are available in Australia including the Visa payWave contactless e-purse card. Single-purpose e-purse cards are also in circulation. Most of these are issued by retailers to be used in their stores.

Mobile wallet apps are available, including Samsung Pay and Android Pay. Transport networks are trialing payments via mobile wallet. The launch of the NPP is likely to drive the widespread adoption of mobile payment services by making it easier and faster to transact payments.

According to the RBA, 61% of smartphone users use them to make payments.

Liquidity Management

Short-term Borrowing

Foreign-owned companies are able, subject to Australia's thin capitalization rules, to raise finance in all the same ways as domestic-owned companies.

Overdrafts

Overdrafts are extensively used by larger companies. Banks charge a variable or floating rate of interest and a service fee of 0.5 to 1% applies.

Bank Lines of Credit / Loans

Resident and non-resident entities can arrange short-term bank loans with a fixed rate of interest. Maturities usually range between one and three years.

Banks prefer companies to borrow by using bank bills (see Bankers' Acceptances below).

Trade Bills - Discounted

Banks accept and discount companies' bills of exchange under both short-term and medium-term lines of credit. Average tenor is one to six months.

Factoring

Factoring is offered by banks, finance companies and specialty factoring houses in Australia in the form of invoice discounting and book debt factoring.

Small and medium-sized enterprises often factor their receivables to fund their customers' slow invoice payments. Factoring of companies' receivables is not usually disclosed to their debtors.

Commercial Paper

There is a large, well developed commercial paper (CP) market in Australia. Leading issuers of commercial paper are conduits (established by investment banks), state government borrowing agencies and home loan financiers. Issuers in the Australian CP Market normally are rated by one or two of the three major credit rating agencies.

Liquidity back-up lines are often employed in case of market liquidity shortages at the maturity and roll-over of issued paper. A credit rating is required.

CP can be issued directly to investors or through a tender panel of underwriters.

Bankers' Acceptances

Bank bills are the main method for larger companies to raise short-term funds for one week up to 180 days. The most popular way of providing Bank bill finance to borrowers is in the form of a

Commercial Bill Acceptance Discount Facility (CBAD). Normal terms are typically from one to six months for variable rate facilities and from one to five years for fixed rate facilities.

Supplier Credit

Companies mostly supply goods and services on terms of 30 to 45 days, but extended payment terms of up to 60 days are common.

Intercompany Borrowing, including Lagging Payments

Intercompany and intra-group borrowing is legal and common practice, especially between companies of high credit quality.

Intercompany lending is either direct between companies or arranged through brokers. Most intercompany loans are overnight, 24-hour or one-week loans. They tend to be agreed over the telephone and written confirmations are then sent.

Short-term Investments

Interest Payable on Bank Account Surplus Balances

Interest-bearing current accounts in AUD are permitted for both resident and non-resident entities. Interest-bearing savings accounts in AUD or foreign currency are also available.

Demand Deposits

Interest-bearing demand deposit accounts are available to both resident and non-resident entities in AUD or foreign currency.

Time Deposits

Banks usually offer time deposits in AUD or a major foreign currency with maturities ranging from one month to six months.

Certificates of Deposit

Certificates of deposit (CDs) are issued by commercial banks, with maturities usually ranging from one to six months. There is a lively secondary CD market in Australia.

Treasury (Government) Bills

Treasury notes are auctioned on Wednesdays and Fridays through the Australian Office of Financial Management. Terms are generally less than six months.

Commercial Paper

Discounted promissory notes are issued by domestic companies; maturities usually range between 30 days to 180 days.

Money Market Funds

Managed funds are increasingly available.

Repurchase Agreements

Repurchase agreements (repos) are used more by banks than companies in Australia. Terms are generally up to one week.

Bankers' Acceptances

Bank bills are popular short-term investment instruments with Australian companies and are issued with maturities typically of one week up to 180 days.

Liquidity Management Techniques

Cash Concentration

Cash concentration is used by companies to manage company and group liquidity in Australia and is offered on a selective basis by international cash management banks and leading domestic banks. It is possible to include resident and non-resident accounts, as well as accounts from different legal entities, within the same structure. Cross-border cash concentration is available in Australia.

Notional Pooling

Notional pooling is available in Australia from the country's larger commercial banks. It is possible to include resident and non-resident accounts, as well as accounts from different legal entities, within the same structure. Notional pooling is permitted, but not generally practiced on a cross-border basis.

Trade Finance

General Rules for Importing/Exporting

Australia has established free trade arrangements with China, Japan, Republic of Korea, New Zealand, Singapore, Thailand, USA, Chile, the Association of South East Asian Nations (ASEAN) (with New Zealand) and Malaysia. Australia is a signatory to a preferential trade agreement with Canada and a number of trade and economic framework agreements. In 2018, Australia signed the Peru-Australia Free Trade Agreement (PAFTA), the Indonesia-Australia Closer Economic Partnership Agreement (IA-CEPA) and the Australia-Hong Kong Free Trade Agreement. None of the 2018 agreements have yet entered into force.

Australia and New Zealand's bilateral FTA includes free trade in services and is one of the world's most comprehensive.

Australia is conducting the following FTA negotiations: bilateral FTA negotiations with India; and plurilateral FTA negotiations with the Gulf Cooperation Council (GCC), the Regional Comprehensive Economic Partnership Agreement (RCEP), the Trade in Services Agreement (TiSA) and the European Union. The country is also holding prospective FTA negotiations with the United Kingdom.

Australia and ten other Pacific Rim countries have signed the renamed Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The CPTPP entered into force on December 30, 2018. The deal will eliminate 98% of trade barriers between signatory countries.

Australia is a signatory of the Pacific Trade and Economic Agreement (PACER Plus) alongside New Zealand and 14 members of the Pacific Island Forum, under which imports from the Pacific Islands are subject to non-reciprocal preferential duty rates under the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA).

Imports

Documentation Required

Imports will need to be accompanied by a customs declaration, a commercial invoice, a bill of lading, a packing list, a packing declaration, a release order and a technical standard/ health certificate. A certificate of origin may also be required.

Import Licenses

Imports of certain primary commodities, glazed ceramics, rough diamonds, armaments, narcotics, psychotropic and therapeutic substances, certain chemical products and other dangerous items require written authorization.

Import Taxes/Tariffs

Imports are subject to an average MFN import tariff of 2.7%. Over 96% of imports are subject to a maximum 5% tariff (46% are imported duty free).

If there is proof that no domestic manufacturer of a specific product exists, a tariff concession is usually applied to imports of this product.

Imports of products from East Timor and the world's least developed countries are duty-free.

Financing Requirements

There are no particular financing requirements for imports.

Risk Mitigation

Australia does not operate a national risk mitigation program for importers.

Prohibited Imports

Imports are also prohibited for moral reasons, to protect fauna and flora and to protect national security.

Exports

Documentation Required

Exports will need to be accompanied by a customs declaration, a commercial invoice, a bill of lading, certificate of origin, packing list and a technical standard/ health certificate.

Export Licenses

Export licenses are generally no longer required, although certain exceptions exist for restricted and prohibited goods.

Export permits from ARPANSA (Australian Radiation Protection and Nuclear Safety Agency) are required for certain radioactive materials, and permits from the Department of Agriculture and Water Resources are required for exporting livestock and cattle, goat and sheep meat.

Export Taxes/Tariffs

Australia does not levy taxes or tariffs on exports.

Proceeds

There are no restrictions on the use of export proceeds.

Financing Requirements

There are no particular financing requirements for exports.

Risk Mitigation

Short-term export financing is usually provided by commercial banks.

Efic is an independent government-owned entity that provides financing for Australian companies looking to expand globally. Private short-term export credit insurance is also available.

Prohibited Exports

Australia operates a list of prohibited exports and observes the Kimberley Process Certification Scheme on the trade of rough diamonds.

Information Technology

Electronic Banking

Most companies in Australia use electronic banking services offered by Australia's leading domestic and international banks. The Australian Bankers' Association has developed bank-independent electronic banking standards for ATMs, EFTPOS terminals, telephone banking and internet banking. The services on offer usually include balance and transaction reporting as well as payment initiation.

Browser-based banking services are offered by all the leading banks and are increasingly popular with individuals and small companies.

Clients can currently pay bills online, via mobiles or over the telephone via their banks using the automated BPAY system which processes credit transfers through a central automated clearing house. Over 23,000 billers, 23,000 sub-billers and over 299 financial institutions in Australia currently participate in BPAY. Over 92% of BPAY payments are initiated online or via cell phones. In 2017/18, the number and value of BPAY transactions increased by 2.1% and 9.7% respectively.

PayID, a function of the New Payments Platform infrastructure (NPP), allows consumers to link financial accounts to easy-to-remember pieces of information such as phone numbers and email addresses. Expected to become part of a bank's mobile or online process, a PayID can only be used to transfer money into an account. Osko, delivered by BPAY, is the first consumer payment service rolled out by the NPP, and enables users to make and receive payments via email or mobile phone number using a PayID or BSB in real time. Approximately 1.9 million Osko payments are processed between financial institutions every week. Approximately 30% of Osko payments are to or from business or between businesses. BPAY are developing 'Osko Requests', which will enable users to request a payment from within online banking. This functionality will be extended to allow businesses to use Osko Requests and include documents such as invoices.

Online and mobile services are provided across all of the country's banks and have been widely adopted. In 2018, 88% of the population owned a smartphone.

External Financing

Long-term Funding

Bank Lines of Credit / Loans

Term loans and revolving credit facilities are available to domestic and foreign owned companies. Average tenor is three to five years, although they can be longer.

Besides advances, bills can be discounted under revolving lines of credit.

Interest charged is either floating at a margin over the bank-bill swap rate or fixed.

Collateral taken includes security charges over assets, although stronger credit-rated companies can borrow on an unsecured basis by providing a negative pledge.

In addition to bilateral loan agreements, larger credit facilities and loans can be either syndicated or arranged with a club of banks. Australia's "big four" banks are prominent players with foreign banks also playing an increasing role.

Mortgage loans over real estate are popular with small and medium-sized enterprises (SMEs). Again they can be with floating or fixed interest.

Leasing

There is a well developed leasing market available to large companies and SMEs. Average tenor is three to five years, although maturities can be as long as ten years.

Leasing is a popular form of long-term finance for purchases of motor vehicles and increasingly of industrial equipment including IT software.

Leases tend to have fixed rates of interest.

Bonds

Strong investor demand and the lack of government issued debt have led to an increase in corporate bond issues. Average tenor is five to ten years.

Public domestic debt issues are regulated by the Australian Securities and Investment Commission (ASIC). Issuer name recognition is important.

Domestic and foreign-owned companies may issue debt in AUD. Bonds issued by foreign companies in Australia are known as Kangaroo bonds. Average tenor is five to ten years.

Companies may issue foreign currency bonds in Australia such as Eurobonds. Issues include straight fixed-rate bonds, FRNs, convertibles and hybrids (which can be exchanged for shares).

Private Placement

Domestic and foreign companies are permitted to place notes privately, generally through intermediaries.

A small-scale private offering is the most common form of capital raising as it does not require a regulated disclosure statement. A small-scale offering will not result in more than AUD 2 million being raised, from no more than 20 investors, in any rolling 12 month period.

Asset Securitization / Structured Finance

Australia has a mature securitization market. Domestic and foreign banks are prepared to arrange asset securitization programs for non-bank corporations.

Trade receivables, commercial and residential real estate mortgages and banks' loans can be securitized for funding. More recently, securitization structures and techniques have been used to fund local government authorities. Structured asset-backed finance is a popular method of funding mortgage loans.

Publicly issued securities are commonly listed on the ASX. Public offerings to retail investors are settled in the Clearing House Electronic Subregister System (CHES) and settlement of wholesale debt securities normally occurs in the Austraclear system. Special purpose vehicles are usually established in Australia. They may be established offshore where there are concerns about regulatory issues or to meet the preferences of particular investors.

Government (Agency) Investment Incentive Schemes / Special Programs or Structures

Australia's big four"banks and numerous foreign banks provide project finance (for periods of up to 17 years) and thus are an increasingly popular source of long-term finance for Australia's infrastructural development projects.

Mineral resource limited or non-recourse financing has long been a feature of Australian funding. This expertise is now applied to private finance initiatives for infrastructure projects.

Useful Contacts

National Treasurers' Association

Finance and Treasury Association — www.financetreasury.com.au

National Investment Promotion Agency

Australian Trade & Investment Commission — www.austrade.gov.au

Central Bank

Reserve Bank of Australia — www.rba.gov.au

Supervisory Authorities

Australian Prudential Regulation Authority — www.apra.gov.au

Australian Competition and Consumer Commission — www.accc.gov.au

Australian Securities and Investments Commission — www.asic.gov.au

Council of Financial Regulators — www.cfr.gov.au

Payment System Operators

Australian Payments Council — www.australianpaymentscouncil.com.au

Australian Payments Network Ltd — www.auspaynet.com.au

EFTPOS Payments Australia Limited — www.eftposaustralia.com.au

ATM Access Australia Limited — www.atmaccesscode.com.au

BPAY — www.bpay.com.au

Banks

National Australia Bank — www.nab.com.au

Commonwealth Bank of Australia — www.commbank.com.au

Westpac — www.westpac.com.au

ANZ Bank — www.anz.com.au

Macquarie Bank — www.macquarie.com.au

Stock Exchange

Australian Securities Exchange — www.asx.com.au

Ministry of Finance

Department of Finance — www.finance.gov.au

Ministry of the Treasury

The Treasury — www.treasury.gov.au

Ministry of Commerce

Department of Foreign Affairs and Trade — www.dfat.gov.au

Chamber of Commerce

Australian Chamber of Commerce and Industry — www.australianchamber.com.au

Bankers' Association

Australian Bankers' Association — www.ausbanking.org.au