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BUSINESS ENVIRONMENT

THE CONSUMER

Consumer Profile

Australia 2022 population is estimated at 25,5 million people according to UN data. The median age in Australia is 37.5 years in 2022, it has increased by 3 years over the last two decades (rising from 35 years in 1998). The population is ageing and growing at a growth rate of 1.09%. According to the latest data provided by the World Bank, the proportion of the population under the age of 15 is 18.7% and decreases year by year, while the proportion of the population over 65 continues to increase to 16%. The proportion of family households has been declining and they are getting smaller. According to the Australian Institute of Family Studies, households are composed of an average of 2.6 people. Some 24.4% of households have only one person, and 71.3% are family households. The gender ratio is 98.4 men per 100 women while 85.9% of the population lives in urban areas. New South Wales has 32% of the population, Victoria has 26% and Queensland 20%. The south of the country is the most populated and the cities of Sydney, Melbourne and Brisbane have the most inhabitants. Australia is among the best countries in the OECD in terms of education where some 81% of 25- to 64-year-olds have secondary education, and 43.3% have higher education. The labour force consists of 23.7% professionals, 14.4% office and administrative workers, 14% technicians and skilled workers, 12.5% managers, 10.7% community and personal service workers, 9.7% workers, 8.8% of commercial and 6.6% of machine operators and drivers.

Purchasing Power

The GDP per capita PPP in the country is 52,518 US dollars in 2022, as reported by the World Bank. According to the latest data provided by the Australian Bureau of Statistics, full-time earnings in Australia averaged A\$67,860 a year in 2022. The purchasing power of Australians is high and has increased appreciably over the recent decades. In Australia, the average household net-adjusted disposable income per capita is USD 42 547 a year, more than the OECD average of USD 33 604 a year. The Gini index is in the average of OECD countries, at 0.33. The Consumer Price Index (CPI) increased of 2.1% in March 2022. Women are more likely than men to live below the poverty line and are paid nearly 15% less than men. The average full-time male salary (excluding overtime) in Australia is A\$87,209 per annum, whereas the average full-time female salary is A\$74,563 per annum. In March 2022, unemployment rate decreased to 4% and the youth unemployment rate decreased 1.0 pts to 8.3%. Single parents, people over 65, people from non-English speaking countries and the unemployed have the lowest incomes in Australia.

Consumer Behaviour

Australia is mass consumer society. Purchase decisions in Australia are usually made with a price-performance analysis. Indeed, the price is an important determinant, but the quality, the image projected by the product its authenticity and popularity have an influence. The places where Australians shop are varied ranging from department stores or supermarkets to small retailers. On average, prices are high when purchased and tend to increase with the demand for quality products. Australian household sentiment slumped to the lowest since September 2020 in March 2022, as soaring gasoline prices pushed inflation expectations to 6%. Australians often use the internet for purchases and often buy from retailer sites. The share of ecommerce is rising. Since

domestic production does not cover the country's consumption, consumers are accustomed to buying foreign products. In general, the proven sources are Asia, North America and Europe. Since the beginning of the COVID-19 crisis, Australian consumers have consistently been more concerned and cautious than consumers in US or China, according to McKinsey & Company survey. In the pre-COVID-19 period, Australia consumers were more focused on just-in-time, convenience-driven behaviours and preferences for online shopping—a channel synonymous with immediacy. Currently, there is a reversal in direction, consumers are attracted to more planned buying and purchases. The factors pushing a consumer to be faithful are quality (in particular consumers are focusing on healthier and Australian brands), the price (consumers plan to buy more products on promotion or cheaper ones) and the quality of the after-sales service. Older people are more loyal than younger consumers and faced with a negative shopping experience nearly half of consumers say they are ready to stop buying the brand. Social networks are useful to learn about products (thanks to consumer comments in particular), but also to discover new products and change their buying habits. Protecting their data is usually an important issue for Australians. The worldwide awareness of global warming and more generally the environment is present in Australia. The consumption of natural and organic products is increasing, especially for fruits and vegetables. According to Gumtree, the second-hand market is important and is estimated at 45 billion dollars in 2020 and almost 95 million used items were traded, for economic and ecological reasons. The collaborative economy is growing in Australia, mainly for financial reasons (saves money or saves money).

Consumer Recourse to Credit

The use of credit and debit cards is common in Australia with 70.2% of adults having a credit card while young people tend to have less. Average purchases by credit card amount to 114.69 AUD while average debit card purchases amount to 46.82 AUD. The debt level of Australians is among the highest in the world. In June 2018, outstanding household credit is up to A \$ 2,241 trillion. The majority of households (74%) use indebtedness, and 29% are considered over-indebted. Credits for personal consumption (cars, vacations, weddings, furniture, renovation) are up 17% in 2017, while mortgages are down. Some regulators in Australia are vigilant with rising debt and new regulations to limit lending have appeared. The use of credit should therefore slowdown in the coming months.

consumer_growing_sectors_new

Growing Sectors

Robotics, E-commerce, Construction, Virtual Reality, Healthcare, connected products, education, personal care and cyber security.

Consumers Associations

CHOICE , Australian Consumer Association

ACCC , Australian Competition Authority and Consumer Commission

CFA , Australian Federation of Consumers

IMPORTING & DISTRIBUTING

Import Procedures

Australia does not require a general licence to meet the **importing requirements**. However, depending on the nature of the goods and regardless of value, importers might need to obtain permits to clear certain imported goods from customs control. Importers need to verify:

- what import permits, quarantine permits and treatments apply to the specific category and type of imported goods

- whether imported goods are subject to mandatory safety or information standards.

All goods whose value is over AUD 1,000 must enter the country via a [Self-Assessed Clearance \(SAC\) declaration](#). If importers are clearing goods directly into home consumption and the goods have a value of more than AUD1,000 they will need to make an Import Declaration (N10 Form), and pay the duties, taxes and charges that apply.

These declarations can be done by Internet, via the Integrated Cargo System (ICS). An alternative option for lodging Import Declarations is in documentary (paper) form, through:

- the Import Declaration (N10) (Form B650) if the goods are arriving by sea or air cargo
- the Import Declaration (N10) – Post (Form B374) if the goods are arriving by international mail.

It is advisable for new importers to use the services of a Customs broker, who will assist in filling out the Import Declaration document, and can take charge of a certain number of import processes on the importer's behalf. The broker will find the most cost-efficient tariffs for the Customs procedures, but will bill you for the services.

You can also take charge of the procedure yourself and obtain all the necessary information on refund of customs duty from the [Australian Border Force](#). You will find all the necessary information in the [How to Import Comprehensive Guide](#).

Specific Import Procedures

Special restrictions could apply to certain goods while some may be prohibited. Traders involved in the import of industrial chemicals or products containing industrial chemicals (e.g. cosmetics, paint, glue, printing ink and cleaning products) need to register with the National Industrial Chemicals Notification and Assessment Scheme (NICNAS). Registration involves an annual fee.

An importing permit is required for goods that are subject to quarantine regulations. The Department of Agriculture and Water Resources will need to inspect and/or treat products for pests or diseases.

From 1 July 2019, new laws apply to the import of tobacco products. Importers must be allowed to import tobacco products.

[Consult the Customs website for the list of products whose import is prohibited or restricted.](#)

Distribution channels

Distribution points in Australia are centralised. All major supermarket chains and warehouse/wholesale clubs operate their own network of national and regional distribution centers. Banner groups are used by a large number of independent retailers to improve the buying, advertising, and competitive power of smaller grocery and convenience stores. Under banner groups, retailers are able to negotiate better prices, coordinate marketing campaigns, and collaborate to establish new programs that benefit consumers. According to the estimates of the [Australian Bureau of Statistics](#), food retailing increased by 0.5% in March 2022, in seasonally adjusted terms. Australian turnover in retail sector rose 9.4% in March 2022. By industry subgroup, health, wellness, and the environment continue to be major focuses among Australian consumers.

Australians tend to choose modern grocery retailers over traditional ones due to the more comprehensive range of products than traditional retailers. Furthermore, the scale of these modern grocery retailers allows them to offer better prices, further encouraging consumers to choose this channel.

The Supermarkets and Grocery Stores industry is one of the most fiercely competitive industries in Australia. The cause is to be traced back to development of discount operators such as ALDI and Costco. The rapid expansion of ALDI has significantly altered the industry's operating landscape, with the popularity of its low-cost private-label products underpinning strong growth. Large foreign companies, such as Amazon's grocery division, AmazonFresh, and the Germany-based Schwarz Group's supermarket brands, Lidl and Kaufland, will further intensify competition in the near future. The rise of discounts has forced the two established industry giants, Woolworths and Coles, to cut prices and expand their private-label product ranges in response. Smaller supermarket chains have struggled to compete in an ever more price-competitive sector.

Another defining feature of Australia's supermarket and grocery industry is that it is highly concentrated, with the four largest operators accounting for 83.3% of total industry revenue in 2021. Coles and Woolworths account for more than 65.8%. ALDI's strong growth has increased industry concentration and currently holds an

estimated 10.5% of Australia's market.

Distribution market players

The Australian foodservice industry is valued at 47 billion AUD. The distribution of foodstuffs is carried out mainly by large chains which share more than 83.3% of the market. We can quote the following, according to Euromonitor :

- Woolworths, an Australian-owned company operating both as a trading company and grocery retailing through supermarkets and convenience stores throughout Australia. Woolworths is the number one player in the grocery sector with a 37.4% value share of the market in 2021.
- Coles supermarkets are part of Wesfarmers Limited and are the second largest player in the grocery sector with a 28.4% value share in 2021.
- Aldi Stores Supermarkets Pty Ltd, the German based international discount food retailer which began trading in Australia in 2001, is the only discounter in Australia and continues to increase its value share (10.5% in 2021).
- Metcash Trading Limited Australasia ranks fourth in supermarkets in value terms, with a 7% share in 2021. Metcash is Australia's largest grocery wholesaler and is a leading marketing and distribution company operating in the food, and other fast moving consumer goods, under the brands IGA, Supa IGA (supermarkets) and IGA Express (convenience stores).
- 7-Eleven is the leading operator of convenience stores in Australia, the world's largest operator of convenience stores with more than 78,000 franchised and licensed stores in 19 countries generating annual sales exceeding \$69 billion.

Retail Sector Organisations

Australian Retailers Association

Food and Beverage Importers Association

Australian Food and Grocery Council

OPERATING A BUSINESS

Type of companies

Sole Trader

Number of partners: 1 person.

Capital (max/min): No minimum capital.

Shareholders and liability: The liability of the sole trader is unlimited.

Private or Proprietary Company

Number of partners: One or more.

Capital (max/min): No minimum capital.

Shareholders and liability: The partners' liability is limited to the amount of capital contributed.

Public Company

Number of partners: One or more.

Capital (max/min): No minimum capital.

Shareholders and liability: The partners' liability is limited to the amount of capital contributed.

Partnership

Number of partners: Two or more.

Capital (max/min): No minimum capital.

Shareholders and liability: Liability is joint and unlimited for all partners.

Limited Partnership

Number of partners: At least one general partner and one limited partner.

Capital (max/min): No minimum capital.

Shareholders and liability: Unlimited for general partner, limited to capital for limited partner if they do not participate to the company management.

Setting Up a Company	Australia	OECD
Procedures (number)	3.0	5.2
Time (days)	2.0	9.5

Source: Doing Business - Latest available data.

Cost of Labour

Minimum Wage

The national minimum wage is \$753.80 per week, for a 38 hour week, or \$19.84 per hour.

Average Wage

In 2019, the average annual wage had reached \$ 54,401 in Australia.

Social Contributions

Social Security Contributions Paid By Employers: A superannuation fund or retirement savings account contribution of 9.5% of the employee's ordinary time earnings (OTE) base (up to AUD 50,810 per quarter) is paid by employers. This rate is expected to be maintained until 30 June 2021. From 1 July 2021, the rate will increase to 10% and will progressively increase up to 12% from 1 July 2025.

Social Security Contributions Paid By Employees: There are no social security taxes in Australia. However, a levy is imposed on taxable income and reportable fringe benefits of residents for the funding of a National Health Scheme (Medicare). The Medicare levy of 2% applies to residents that qualify for the service.

Intellectual Property

National Organisations

The [Patent Trade Marks and Designs Office](#) is the organisation responsible for the protection of intellectual property and any requests should be made to them (administration of patents and registration of trade marks and designs). For copyright, there is also the [Australian Copyright Council](#).

Regional Organisations

The Asian Patent Attorneys Association (“APAA”) is a non-governmental organisation dedicated to promoting and enhancing intellectual property protection in the Asian region (including Australia and New Zealand).

International Membership

Member of the WIPO (World Intellectual Property Organization)

Signatory to the Paris Convention For the Protection of Intellectual Property

Membership to the TRIPS agreement - Trade-Related Aspects of Intellectual Property Rights (TRIPS)

TAX RATES

Consumption Taxes

Nature of the Tax

GST: Goods and Services Tax

Tax Rate

10%

Reduced Tax Rate

Some supplies are non-taxable. These include “input taxed” supplies (e.g. financial supplies, leasing of residential premises and the sale of residential premises that are not “new”), and “GST-free” supplies (e.g. the sale of going concerns and certain exports of goods and services). No other reduced rates are available.

Other Consumption Taxes

Imports are subject to customs duties (maximum rate of 5%). Excise duties apply on products like beer, spirits, liqueurs, tobacco, cigarettes, and petroleum products. These excise duties are generally high and are indexed bi-annually based on movements in the consumer price index. Furthermore, a “Wine equalisation tax” applies at the wholesale level to wine from grapes, fruit and certain vegetables, mead, and sake, at a rate of 29% (in addition to GST, which is calculated on the price including the WET - rebates are available).

The government of Australia also levies a luxury car tax at the rate of 33% of the value of the car that exceeds the luxury car tax threshold (in the 2022/23 financial year: AUD 84,916 for fuel-efficient vehicles and AUD 71,849 for other vehicles) and is payable on the GST-exclusive value above the threshold.

Corporate Taxes

Company Tax

30%

Tax Rate For Foreign Companies

A company is a resident of Australia for income tax purposes if it is incorporated in Australia or if it carries on

business in Australia and either (a) its central management and control are in Australia (so-called CM&C test) or (b) its voting power is controlled by shareholders who are residents of Australia, (c) its core commercial activities are in Australia.

A company not incorporated in the country will be considered tax resident if it has a significant economic connection to Australia.

Capital Gains Taxation

Australian tax residents pay capital tax at an ordinary rate of 30% (or at a reduced rate of 26%/25%) on worldwide net capital gains. Capital gains or losses on the disposal of shares by an Australian company in a foreign company in which the Australian company held at least a 10% voting interest for a specified 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. Australian foreign tax residents only include capital gains in assessable income for "taxable Australian property".

For further information, consult the dedicated pages on the website of the [Australian Tax Authority](#).

Main Allowable Deductions and Tax Credits

Exempt income includes certain dividends received from pooled development funds and income from charitable organisations. Deductible items include business expenses, charitable donations to Australian-registered charities and fringe benefits tax payments. Tax offsets are provided for Australian tax residents, such as for dependents. Deductions may be claimed for tax depreciation and previous-year tax losses. Companies can claim a deduction for interest expenses incurred in relation to offshore investments that generate non-assessable, non-exempt dividend income. Bad debts that have been written off as bad before the end of an income year may be deductible. Certain start-up expenses may qualify for a five-year straight-line write-off. Fines and penalties are not deductible. Losses may be carried forward indefinitely, but cannot be carried back. However, in response to the COVID-19 crisis, a temporary loss carryback measure applies to businesses with a turnover below AUD 5 billion in the form of cash-back, for losses incurred in 2019/20, 2020/21, 2021/22 and 2022/23 income years (conditions apply).

Taxes (with the exception of the income tax and the Diverted Profits Tax) are deductible if they are incurred in producing assessable income or in carrying on a business for this purpose, and are not of a capital or private nature. Foreign income tax offsets are available to avoid double taxation in respect of foreign tax paid on income that is assessable in Australia. R&D activities undertaken in Australia may qualify for tax incentives. For further information, consult the pages dedicated to business deductions on the website of the [Australian Tax Authority](#).

Other Corporate Taxes

Other taxes on businesses include fringe benefits tax (47% on the "grossed-up value" of non-salary and wages fringe benefits provided to employees), payroll tax (varies according to the jurisdiction), land tax (except in the Northern Territory), stamp duty on the transfer of real properties (up to 6.5%, although some states may impose a surcharge, for example in case of properties bought by foreigners or for luxury properties).

Employers must contribute to a registered superannuation fund or retirement savings account on behalf of the employee. The rate is 10.5% of the employee's ordinary time earnings (will increase to a rate of 12% from 1 July 2025), with a maximum earning base capped at AUD 60,220 per quarter in 2022/2023.

Australian authorised deposit-taking institutions with total liabilities above AUD 100 billion are subject to a "Major Bank Levy" imposed at a rate of 0.015% on certain liabilities.

The petroleum resource rent tax (PRRT) is a profit-based tax levied at a rate of 40% on profits generated from all onshore and offshore Australian petroleum projects, excluding the joint petroleum development area (JPDA). The profits are taxed on the sale of marketable petroleum commodities.

Furthermore, States impose taxes on insurance premiums. Local taxes, including water, sewerage, and drainage charges, are levied based on the unimproved capital value of land. Payroll taxes also vary according to the jurisdictions, both in terms of rates and thresholds.

Other Domestic Resources

[Australian Taxation Office \(ATO\)](#)

Double Taxation Treaties

Countries With Whom a Double Taxation Treaty Have Been Signed

[Australia Tax Treaty Network](#)

Withholding Taxes

- Dividends: 0% (residents, where TFN provided)/30% (unfranked dividends paid to non-residents where no treaty relief is available);
- Interest: 0% (residents, where TFN provided)/10% (non-residents);
- Royalties: 0% (residents)/30% (non-residents)

