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Dear Sir/ Madam

**SUBJECT: STRENGTHENING AUSTRALIA'S FOREIGN INVESTMENT FRAMEWORK
OPTIONS PAPER**

CPA Australia represents the diverse interests of more than 150,000 members in 120 countries, including more than 25,000 members working in senior leadership positions and 36,000 members in Asia. Our vision is to make CPA Australia the global accountancy designation for strategic business leaders.

Against this background we provide this submission in response to the 'Strengthening Australia's foreign investment framework' options paper.

Foreign investment is vital for Australia's future. Unnecessarily increasing barriers to foreign investment ultimately hurts Australia and Australian jobs. Foreign investors are not hurt, they simply invest elsewhere.

Further, care must be taken that any policy initiatives do not convey – either intentionally or unintentionally - the message that foreign investment is not welcome. Foreign investors, possibly more so than local investors, need certainty and security to invest.

The current rules on foreign ownership of real estate make a clear distinction between new and established housing stock. However, it is apparent that there is a lack of information on such transactions, making it difficult it to come to conclusions on the best policy approach.

As such, CPA Australia is supportive of initiatives to improve data collection capability. This will over time provide the evidence base needed to enable a thorough examination of the issues and identify any necessary additional reforms.

If sufficient evidence emerges to support the need for reform, and one of the Government's preferred responses is to introduce application fees, the Government should set the fee at such a level to cover the cost of compliance and enforcement activity while taking into account the impact such a fee may have on foreign investment into Australia.

Without significant foreign investment Australia will miss the opportunities we have right in front of us. The ANZ Insight Report, *Greener Pastures: The Global Soft Commodity Opportunity for Australia and New Zealand* provides a very good example of the importance of foreign investment to Australia's future. The report found that for Australia to more than double the real value of annual agricultural exports by 2050, it will require around \$400 billion to fund farm consolidation and changes in farm ownership, and an additional \$600 billion to lift farm productivity.

These are significant levels of investment which will invariably require foreign investment.

It is therefore critical that the views of foreign investors - both actual and potential - be considered by the Government as part of its consultation. To assist with this, CPA Australia engaged with a number of members in Asia to seek their views on the options paper.

These members had divergent views on the options paper. Some stated that the proposed reforms should have no or little impact on genuine investors and the magnitude of the proposed application fees should not act as a deterrent and would simply be factored into their investment appraisal. Significantly, a number of members were of the view the proposed changes, including the application fee, will make Australia a less attractive country in which to invest and could encourage potential investors to consider alternative investment destinations.

Given that some foreign investors may be discouraged from investing in Australia if the proposed changes are implemented, we suggest that if the Government decides to implement application fees, the level at which they are set needs to carefully balance the cost of funding new compliance and enforcement activities while preserving Australia's reputation as a desirable investment destination.

If you have any questions regarding this submission, please contact Gavan Ord, Manager, Business and Investment Policy on (03) 9606 9695 or via email at gavan.ord@cpaaustralia.com.au.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Paul Drum', written in a cursive style.

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Head of Policy

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