



**Treasurer**



**NO. 55**

### **FOREIGN INVESTMENT POLICY CHANGES**

The Government has announced a number of changes to foreign investment policy. These follow from the outcome of the Joint Prime Ministerial Task Force on Australia New Zealand Bilateral Relations. In addition, a number of policy and administrative changes will be made following a review of foreign investment policy that formed part of the Government's schedule of reviews of legislation imposing costs on business.

The changes will reduce notification obligations on business and streamline the administration of foreign investment policy, while continuing to ensure that foreign investment is consistent with the interests of the Australian public.

The Prime Minister announced on 4 August 1999, that Australia will increase the acquisition threshold for foreign investment in existing businesses to \$A50 million on a multilateral basis, as well as remove approval requirements for special category visa holders investing in residential real estate through Australian based companies and trusts. Consistent with these measures, the Government will also increase to \$50 million the voluntary notification threshold for the Australian assets of an offshore company to be acquired by another offshore company. In addition acquisitions of residential property by Australian permanent resident visa holders, not ordinarily resident in Australia, purchasing through Australian companies or trusts will be exempt from notification.

Other modifications to foreign investment policy will be made in the following areas:

*Appendix E*

- the treatment of vacant land and housing packages;
- treatment of developed non-residential commercial property;
- the designation of integrated tourism resorts;
- the sale of strata titled hotel accommodation;
- Australian citizens and their foreign spouses purchasing as joint tenants; and,
- foreign trustees acquisition of interests in urban land.

Details of all the changes are attached.

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**ATTACHMENT**

**Proposed Changes to Foreign Investment Policy**

The Prime Ministers' statement of 4 August 1999 announced that Australia would:

- (a) increase the notification threshold for foreign investment in existing businesses from \$5 million (\$3 million for rural businesses) to \$50 million;
- (b) remove foreign investment approval requirements for individuals, who hold or are entitled to hold a special category visa and invest in Australian residential real estate through Australian companies and trusts; and
- (c) increase the limit for which applications for investment in businesses are registered but are generally not fully examined from \$50 million to \$100 million.

Consistent with measures (a) and (b) above, the Government has also decided:

- to increase the voluntary notification threshold to \$50 million (from \$20 million) for the Australian assets of an offshore company to be acquired by another offshore company.
- to exempt acquisitions of residential real estate by Australian permanent resident visa holders, not ordinarily resident in Australia, purchasing through Australian companies or trusts.

In addition the following modifications to policy are planned:

***Treatment of vacant land and house packages***

- The acquisition of house and land packages, 'off-the-plan' ie, where construction has not commenced, will no longer be limited to 50 per cent of the project's sales. Consistent with the policy applied to purchases of vacant land for development, approval will be conditional on continuous construction of the relevant dwelling commencing within 12 months.

***Treatment of developed non-residential commercial properties***

- Where properties are not subject to heritage listing, the notification threshold applying to the acquisition of developed non-residential (ie, it is not an accommodation facility) commercial properties will be raised from \$5 million to \$50 million.
- In addition, acquisitions of developed non-residential commercial properties, valued between the notification threshold and \$100 million, will no longer be subject to detailed examination, unless the facts of the proposal raise issues pertaining to the national interest.

***Integrated Tourism Resorts***

- The policy of designating Integrated Tourism Resorts (ITRs), within which foreign persons are permitted to acquire residential property without restriction, will only apply to developed residential property which is leased back to the resort operator to be available for tourist accommodation when not occupied by the owner. Owners of residential property in existing ITRs will retain their current entitlements.

***Strata titled hotel accommodation***

- Sales will be permitted to foreign interests of strata-titled hotel rooms in designated hotels where each room is subject to a long-term (10 years or more) hotel management agreement.
  - The hotel management agreement must limit the owners' rights to an income stream, not occupancy. The management must retain ownership of the common property. In addition, owners will not have the right to opt out of the management agreement. The hotel must provide a full range of facilities consistent with industry accepted hotel features.

***Australian citizens and foreign spouses***

- Australian citizens and their foreign spouses purchasing as joint tenants will no longer be required to seek approval for purchases of residential property in Australia.

***Foreign trustees acquisition of interests in urban land***

- Exemption will be given for the acquisition of interests in Australian urban land by foreign-owned responsible entities acting on behalf of managed unit trusts and other managed public investment schemes registered under Chapter 5C of the *Corporations Law*, where they are investing for the benefit of fund investors or unit holders ordinarily resident in Australia. This is consistent with the rules applying to foreign-owned life insurers and superannuation funds.

All the planned changes will take effect from the promulgation of amendments to the Foreign Acquisitions and Takeovers Regulations that are necessary to implement some of the measures.

Revised foreign investment policy summaries will be released once the new regulations are made.