This chapter provides an overview of all applications that were finalised during 2017–18, irrespective of the date the application was submitted. The term 'proposed investment' is used often in this report. The value of proposed investment for acquisitions (including securities, real estate or other assets) is the consideration agreed between the parties or, if not yet agreed, a reasonable estimate at the time of the application. Expected investment for new businesses is not collected.

There are a number of caveats that need to be applied in interpreting FIRB data. These are set out in detail in Appendix B. Importantly, approvals data does not measure actual total foreign investment made in any year or changes in net foreign ownership levels in Australia. This is because, while a foreign person may be approved to make an acquisition, the acquisition may not proceed. Further, notification is subject to screening thresholds, and therefore not all acquisitions are captured. Approvals data does not measure actual total foreign investment made in any year or changes in net foreign ownership levels in Australia. Trends in actual investment are measured by the Australian Bureau of Statistics (ABS).[9]

9 See ABS Catalogue no.:

- 5302.0 – *Balance of Payments and International Investment Position*, Australia, which provides the overall investment trends; and
- 5352.0 – *International Investment Position, Australia: Supplementary Statistics*, which includes actual foreign investment statistics by investor country or by industry division for inward foreign investment.

  5494.0 – *Economic Activity of Foreign Owned Businesses in Australia, 2014-15* for information on the economic activity of foreign owned businesses in Australia.

Policy or legislative changes, and changes to reporting methodologies over time, can limit the comparability of data year-to-year. Approvals data can also be impacted by one or more large one-off proposed transactions, affecting the comparability of industry data across years.

This chapter deals with applications considered and the related approvals during 2017–18, followed by information on variations during the same period. The variations considered are for existing approvals, certificates and orders given during 2017–18 or earlier. Application fee collection amounts reported by the ATO are listed at the end of the chapter.

Overall applications considered

In 2017–18, the total number of applications considered, excluding variations, was 11,855. Of the 11,150 on which a decision was made (that is, not otherwise withdrawn or exempt), 11,145 were approved for $163.1 billion of proposed investment. This represents a decline from the 14,357 approvals for proposed investment of $197.7 billion in 2016–17 (see Tables 3.1 and 3.2).

The decline in foreign investment application numbers since the introduction of application fees in December 2015, particularly for residential real estate, reflects in part that foreign persons now apply when they are confident about investing. Specific factors that may have contributed to declines or increases in particular sectors are noted at the discussion of the relevant sectors.

Conditional approvals

Where an application raises national interest concerns, such as potential tax risks, conditions can be imposed on the approval to mitigate the potential risks and ensure the proposed investment is not contrary to the national interest. In 2017–18, the number of approvals made subject to conditions increased by around three percentage points to around 43 per cent of the total number and over 75 per cent of the total value of approvals. For non-real estate approvals, the majority of conditions related to tax.

Rejections and other outcomes

In 2017–18, two applications were **rejected**, meaning the proposed investments were prohibited from proceeding. One of these was in residential real estate and the other related to a proposed purchase of agricultural land for residential development purposes. For information on investments that were required to be divested due to being in breach of the framework, see Chapter Four: Compliance.

There were three exemption certificate applications which the Treasurer **declined**. In such cases, the decision is *without prejudice* to the foreign person separately applying for approval for each of the acquisitions that would otherwise have been covered by the exemption certificate if it had been granted. This reflects that there are situations where, for the Treasurer to be satisfied that a proposed investment is not contrary to the national interest, it is necessary for the Treasurer to know the specific assets, land or securities interest that is proposed to be acquired and their character. Where an application is declined, a fee remission would normally be considered. There were no exemption certificates **revoked** during the period.

In 2017–18, 644 applications were **withdrawn** prior to a decision being made. Around 80 per cent of these related to residential real estate applications. In the residential real estate sector withdrawals may result from applicants submitting a series of applications and subsequently withdrawing their remaining applications once they purchase a property or if the property subject to the application has been sold to other parties. In general, applications may be withdrawn because a foreign person decides not to proceed with a purchase or to defer a purchase for commercial reasons. Also, in competitive bid or tender processes a foreign person may not be shortlisted or be unsuccessful prior to a decision on their application. A small number of withdrawals may relate to assets, land or securities being withdrawn from sale by a vendor, or to the investor consortium composition changing following the submission of an application.

In 2017-18, 61 applications were determined to be **exempt**. Exempt refers to where applications have been lodged for a proposed investment that is subsequently determined to be exempt due to the proposed investment meeting the criteria for an exemption in the *Foreign Acquisitions and Takeovers Act 1975* (the Act) or factors such as the proposed investment not meeting a threshold to be subject to the Act.

Table 3.1: Applications considered: 2014–15 to 2017–18 (number of applications)

Outcome	2014-15 No.	2015-16 No.	2016-17 No.	2017-18 No.
Approved without conditions (a)	21,355	26,954	8,607	6,301
Approved with conditions (a)	16,598	14,491	5,750	4,844
Total approved	**37,953**	**41,445**	**14,357**	**11,145**
Rejected	-	5	3	2
Declined				3
Total decided	**37,953**	**41,450**	**14,360**	**11,150**
Withdrawn	799	1,319	770	644
Exempt	180	244	60	61
Total considered	**38,932**	**43,013**	**15,190**	**11,855**

(a) As of 2017-18, residential land approvals have included a condition to register on the Residential Land Register. Where this is the only condition of the approval, for reporting purposes the approval has been classified as Approved without conditions.

Notes: Excluding exempt applications, to be counted as an application considered, any required foreign investment application fee must have been paid or waived.
Variations considered are not included here. These are separately reported at Tables 3.15 and 3.16.
Numbers include corporate reorganisations and new businesses. This data is excluded from other approvals analysis in this chapter, unless otherwise noted. The numbers also include one approval to enter into an agreement in relation to an Australian business. This is included in later analysis.
Data on declined applications is not separately available for years before 2017-18.
Data from 2015–16 onwards was impacted by the 1 December 2015 reforms. Data from 2016-17 onwards was impacted by the limiting foreign ownership in new developments reform announced in the 2017-18 Budget that had immediate effect from Budget night, 7.30pm on Tuesday 9 May 2017. The 2017-18 data was impacted by the other reforms announced in the 2017-18 Budget, which were given effect on 1 July 2017. These reforms may affect data comparability.
Residential retrospective approval numbers are included here, in other applicable tables in this chapter and in Table 4.2, Chapter Four: Compliance.

Table 3.2: Applications decided: 2014–15 to 2017–18 (value of proposed investment)

Outcome	2014-15 $b	2015-16 $b	2016-17 $b	2017-18 $b
Approved without conditions (a)	125.7	97.0	53.8	40.1
Approved with conditions (a)	66.2	150.8	143.9	123.0
Total approved	**191.9**	**247.9**	**197.7**	**163.1**
Rejected	-	0.0	20.0	0.1
Declined				3.0
Total decided	**191.9**	**247.9**	**217.7**	**166.1**

(a) As of 2017-18, residential land approvals have included a condition to register on the Residential Land Register. Where this is the only condition of the approval, for reporting purposes the approval has been classified as approved without conditions.

Notes: Totals may not add due to rounding.
‘0.0’ indicates a figure of less than $50 million.
Figures exclude corporate reorganisations (119 approved in 2017–18) and new businesses (20 approved in 2017-18), since they are attributed $0 value. Corporate reorganisations and new businesses are also excluded from earlier year data.
Data on declined applications is not separately available for years before 2017-18.
Data for 2016-17 has been amended from earlier published data to reflect an upward revision of residential real estate values. These revisions have also been applied to Tables 3.3, 3.4, and 3.10.
Data for 2015–16 onwards was impacted by the 1 December 2015 reforms. Data from 2016-17 onwards was impacted by the limiting foreign ownership in new developments reform announced in the 2017-18 Budget that had immediate effect from Budget night, 7.30pm on Tuesday 9 May 2017. The 2017-18 data was impacted by the other reforms announced in the 2017-18 Budget, which were given effect on 1 July 2017. These reforms may affect data comparability.

Approvals overview

As noted earlier, the value of approvals in 2017–18 was less than the level recorded in 2016–17, and substantially less than the value of approvals in 2015–16. However, the values in the three years prior to 2017-18 were elevated in comparison to earlier years, partly due to multiple competing approvals for high value targets.

The number and value of approvals worth less than $500 million fell between 2016-17 and 2017-18. Approvals valued between $500 million and $2 billion grew by number and value over the same period. There were only two approvals valued at more than $2 billion in 2017-18, compared with 13 in this category in 2016–17 and 18 in this category in 2015–16.

Table 3.3: Total approvals by value of proposed investment range: 2014–15 to 2017–18 (number and value of approvals)

	2014-15		2015-16		2016-17		2017-18	
Value of approval	No.	$b	No.	$b	No.	$b	No.	$b
< $1 million	30,452	16.8	33,028	18.4	10,285	5.7	7,638	4.1
≥ $1 million & < $50 million	6,890	19.4	7,744	21.2	3,516	13.4	2,995	11.3
≥ $50 million & < $100 million	174	12.7	195	14.1	147	10.3	103	7.3
≥ $100 million & < $500 million	267	55.2	296	65.2	235	53.3	213	44.9
≥ $500 million & < $1 billion	46	30.8	33	21.2	45	29.7	53	34.8
≥ $1 billion & < $2 billion	22	27.8	15	19.8	15	16.9	22	28.4
≥ $2 billion	7	29.2	18	87.9	13	68.5	2	32.2
Total	**37,858**	**191.9**	**41,329**	**247.9**	**14,256**	**197.7**	**11,026**	**163.1**

Notes: Totals may not add due to rounding.
Figures exclude corporate reorganisations (119 approved in 2017–18) and new businesses (20 approved in 2017-18), since they are attributed $0 value. Data prior to 2017-18 has been amended to exclude new business approvals as these are now separately reported at Table 3.13.
Data from 2015–16 onwards was impacted by the 1 December 2015 reforms. Data from 2016-17 onwards was impacted by the limiting foreign ownership in new developments reform announced in the 2017-18 Budget that had immediate effect from Budget night, 7.30pm on Tuesday 9 May 2017. The 2017-18 data was impacted by the other reforms announced in the 2017-18 Budget, which were given effect on 1 July 2017. These reforms may affect data comparability.

Approvals by industry sector

Chart 3.1: Approvals value by industry sector: 2016–17 and 2017–18

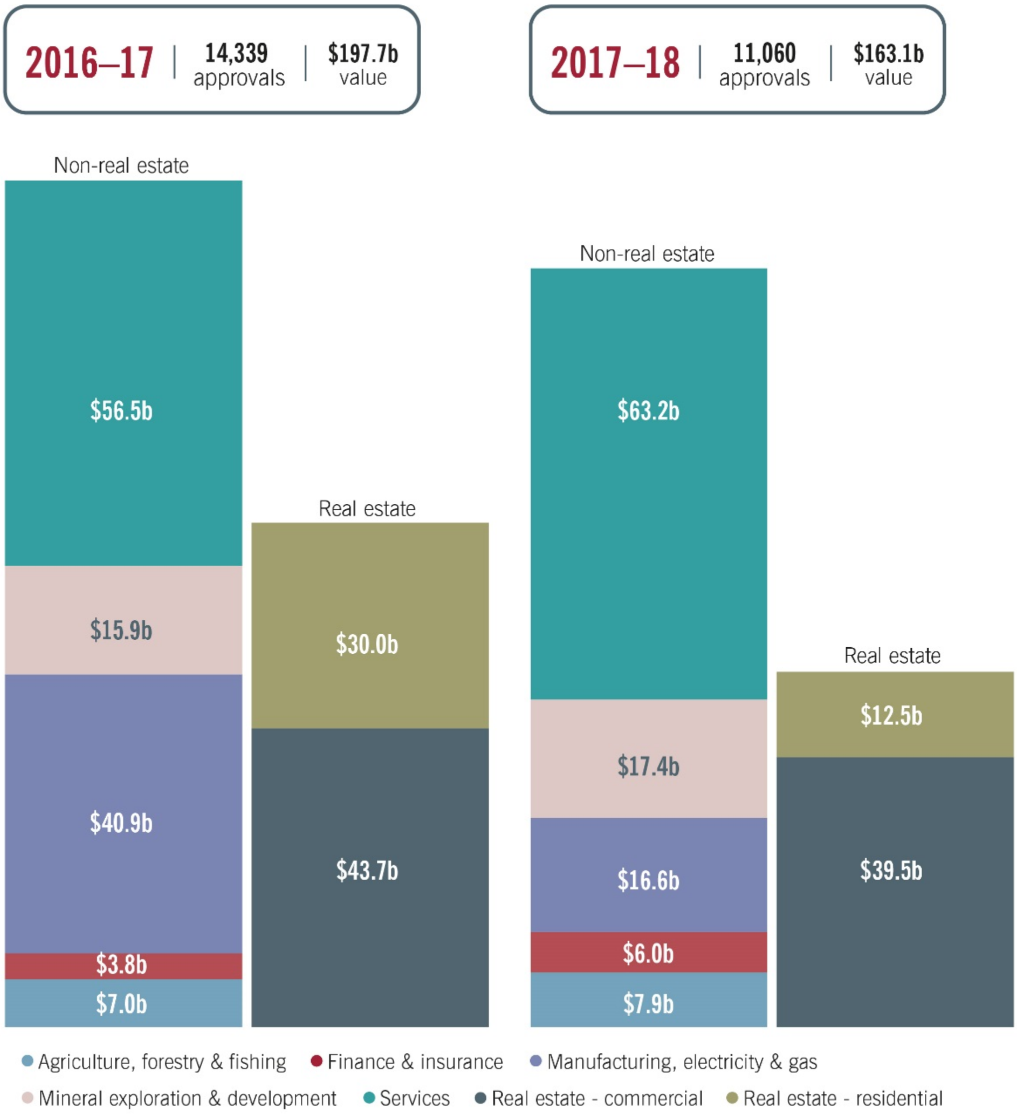
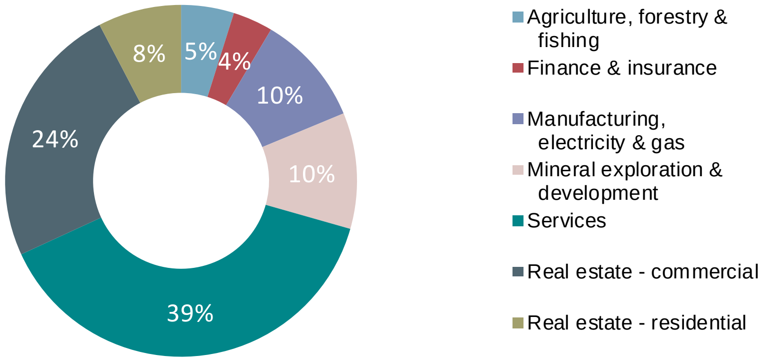


Chart 3.2: Share of total value of approvals, by industry sector in 2017–18



Notes applying to Charts 3.1 and 3.2

The total number of approvals in Chart 3.1 is recorded by target acquired, reflecting the industry sector of the target. See notes to Table 3.4 for examples.

Corporate reorganisations (119 approved in 2017–18) and new businesses (20 approved in 2017-18) are excluded.

Data for 2016-17 has been amended from earlier published data to reflect an upward revision of residential real estate values.

Data for 2015–16 onwards was impacted by the 1 December 2015 reforms. Data from 2016-17 onwards was impacted by the limiting foreign ownership in new developments reform announced in the 2017-18 Budget that had immediate effect from Budget night, 7.30pm on Tuesday 9 May 2017. The 2017-18 data was impacted by the other reforms announced in the 2017-18 Budget, which were given effect on 1 July 2017. These reforms may affect data comparability across time.

In 2017–18, the services sector attracted the highest value of approved investment, totalling $63.2 billion. The value of approvals increased from 2016–17 to 2017–18 in several other sectors. Total investment approvals increased by $0.9 billion in the agriculture, forestry and fishing sector (totalling $7.9 billion), by $2.2 billion in the finance and insurance sector (totalling $6.0 billion), and by $1.5 billion in the minerals and exploration sector (totalling $17.4 billion).

In other sectors, however, the value of investment approvals fell from 2016–17 to 2017–18. The largest fall in value was for approvals in the manufacturing, electricity and gas sector ($16.6 billion in 2017–18, down $24.3 billion from 2016–17), followed by residential real estate ($12.5 billion, down $17.5 billion from 2016–17), and commercial real estate ($39.5 billion, down $4.2 billion from 2016–17).

In 2017-18, the approval numbers for non-residential applications were down compared to earlier years. However, this may be partially offset by the availability of variations to existing approvals as of 1 December 2015, alleviating the need for a new approval in some cases. Excluding the impact of state privatisations on the manufacturing, electricity and gas sector in 2015-16 and 2016-17, the value of non-residential approvals has been relatively stable during the period. There has been a notable increase in the value of approvals for the services sector from 2016-17 onwards. However, over 40 per cent of the value in 2017-18 is attributable to one approval for Unibail-Rodamco to merge with Westfield Corporation.

Residential approvals increased significantly from 2013-14, peaking in 2015-16 at proposed investment of $72.4 billion, before experiencing significant declines in 2016-17 and 2017-18. By property type, the increase and the decline were driven by new dwelling related approvals (see Residential real estate later in this chapter).

Table 3.4: Total approvals by industry sector: 2014–15 to 2017–18

	2014-15		2015-16		2016-17		2017-18	
Industry Sector	No.	$b	No.	$b	No.	$b	No.	$b
Agriculture, forestry & fishing	76	2.5	227	4.6	223	7.0	201	7.9
Finance & insurance	31	6.7	19	13.5	25	3.8	37	6.0
Manufacturing, electricity & gas	62	19.5	66	56.6	73	40.9	95	16.6
Mineral exploration & development	186	26.6	180	27.6	140	15.9	115	17.4
Services	231	39.5	153	23.5	215	56.5	185	63.2
Real estate - commercial (a)	506	36.2	606	49.7	465	43.7	391	39.5
Sub-total 'Non-residential'	*1,092*	*131.1*	*1,251*	*175.4*	*1,141*	*167.7*	*1,024*	*150.6*
Real estate - residential (a)	36,841	60.8	40,149	72.4	13,198	30.0	10,036	12.5
Total	**37,933**	**191.9**	**41,400**	**247.9**	**14,339**	**197.7**	**11,060**	**163.1**

(a) Proposed investment includes new dwelling exemption certificates provided to real estate developers (previously off-the-plan approvals) and approvals for land exemption certificates. Further details are provided in the section on real estate.

Notes: Total number of approvals in Table 3.4 is recorded by target acquired, reflecting the industry sector of the target. For example, one application to acquire two targets (under the single agreement) that operate in separate sectors will appear as two approvals, with one approval recorded per sector. If they operate in the same sector, this will appear as two approvals recorded against the sector.
Totals may not add due to rounding.
Excludes corporate reorganisations (119 approved in 2017–18) and new businesses (20 approved in 2017-18), but includes all exemption certificates, including eight business exemption certificates in 2017-18 for total proposed investment up to $3.1 billion. Earlier year data has also been amended to exclude new business approvals as these are now separately reported on at Table 3.13.
Reflecting a methodology change and greater alignment with the Australian and New Zealand Standard Industrial Classification (ANZSIC, 2006), the time series data for mineral exploration and development and services sectors has been amended from earlier published data.
Data for 2015–16 onwards was impacted by the 1 December 2015 reforms. Data from 2016-17 onwards was impacted by the limiting foreign ownership in new developments reform announced in the 2017-18 Budget that had immediate effect from Budget night, 7.30pm on Tuesday 9 May 2017. The 2017-18 data was impacted by the other reforms announced in the 2017-18 Budget, which were given effect on 1 July 2017. These reforms may affect data comparability.

Agriculture, forestry and fishing

$7.9b approved investment

In 2017–18, there were 201 approvals granted for $7.9 billion worth of proposed investment in the agriculture, forestry and fishing sector. The largest source countries of investment by value in this sector were Canada ($2.6 billion), China ($1.6 billion) and the United States ($0.8 billion).

On 1 March 2015, the agricultural land screening threshold was lowered from $252 million per acquisition to $15 million cumulative. This means that more agricultural land applications, particularly for lower value transactions, were screened from this time.

Finance and insurance

$6.0b approved investment

The value of approved proposed investment in the finance and insurance sector was $6.0 billion in 2017–18. This was an increase of $2.2 billion on the value of proposed investment in 2016–17.

The United States was the largest source country of investment by value in this sector ($1.7 billion), followed by Canada ($0.8 billion) and the United Arab Emirates ($0.6 billion).

Manufacturing, electricity and gas

$16.6b approved investment

The $16.6 billion worth of proposed investment approved in 2017–18 in the manufacturing, electricity and gas sector was less than half the value recorded in 2016–17. This was despite an increase in the number of approvals and a number of high value transactions in 2017–18.

The decline in value from the previous year was driven by a $24.2 billion decrease in the value of approvals in the electricity and gas sector. The high value of approvals in the sector in 2015–16 and 2016–17 partly reflected the sale of significant parts of the New South Wales Government's electricity transmission networks. This included the proposed multi-billion dollar acquisition of Transgrid in 2015.[10]

The United States was the largest source country of investment by value in this sector ($3.7 billion), followed by Canada ($2.7 billion) and the United Kingdom ($2.7 billion).

Table 3.5: Manufacturing, electricity and gas sector approvals: 2014–15 to 2017–18

	2014-15		2015-16		2016-17		2017-18	
Group	No.	$b	No.	$b	No.	$b	No.	$b
Chemical, petroleum & coal products	6	1.6	6	1.2	1	1.0	2	0.3
Electricity & gas supply	27	10.4	37	41.2	37	33.5	52	9.3
Food, beverages & tobacco	8	3.8	11	11.1	21	3.8	15	4.6
Water, sewerage & waste disposal	5	1.3	3	0.6	7	1.3	8	0.2
Other (a)	16	2.5	9	2.5	7	1.3	18	2.2
Total	**62**	**19.5**	**66**	**56.6**	**73**	**40.9**	**95**	**16.6**

(a) Comprises: textile, leather, clothing and footwear manufacturing; polymer product and rubber products manufacturing; primary metal and metal product manufacturing; fabricated metal products manufacturing; transport equipment manufacturing; machinery and equipment manufacturing; and furniture manufacturing.

Notes: Totals may not add due to rounding.
Excludes corporate reorganisations and new businesses.
Data for 2015–16 onwards was impacted by the 1 December 2015 reforms. Data from 2017-18 was impacted by the reforms announced in the 2017-18 Budget, which were given effect on 1 July 2017. These reforms may affect data comparability.

10 For information on the New South Wales Government's recent privatisations see NSW Parliamentary Research Service, Issues Backgrounder No. 2, Privatisation in NSW: a timeline and key sources, June 2017.

Alinta Energy case study

Foreign investment in renewable energy projects brings many benefits to rural communities and their economies, including employment, cheaper energy sources and increased capital to local retail and service industries.

In 2018, the Board reviewed the proposed acquisition of leasehold interests in agricultural land to develop the Yandin Wind Farm in Western Australia by a subsidiary of the Hong Kong privately-owned energy generator and retailer Alinta Energy Pty Ltd.

Once built, the Yandin Wind Farm is expected to be one of the largest wind farms in Western Australia, producing enough electricity to supply the equivalent of up to 225,000 homes.[1]

The project is located approximately 170 kilometres north of Perth. It is expected to take up to 18 months to complete construction.

One of the Board's key considerations is the economic impact of proposals. Alinta Energy advised that in excess of 100 people will likely be employed during the construction phase and there would be further permanent positions for operation and maintenance. Landowners will also benefit from the leasehold rentals from their land.

Yandin Wind Farm is expected to operate for at least 25 years and is estimated to save more than 700,000 tonnes of greenhouse gas emissions each year.[2]

1. Based on average electricity consumption for a Western Australian home of 5,000kWh per annum.

2. Information in this case study is reflective of the expectations of the project at the time of report publication. The actual figures may be subject to change through the construction and operation of the project.

Mineral exploration and development

$17.4b approved investment

In 2017–18, there were 115 approvals in the mineral exploration and development sector, with a proposed investment value of $17.4 billion. This was an increase on the value of proposed investment of $1.5 billion on 2016–17. The decline in the number of applications submitted in the sector in recent years is consistent with the broader decline in mining investment in the Australian economy.

The United States ($4.8 billion), China ($3.8 billion) and Indonesia ($1.8 billion) were the largest source countries of investment by value in the sector.

Table 3.6: Mineral exploration and development sector approvals: 2014–15 to 2017–18

	2014-15		2015-16		2016-17		2017-18	
Group (- class)	No.	$b	No.	$b	No.	$b	No.	$b
Coal	24	3.3	31	1.5	24	5.5	23	8.5
Oil & gas extraction	45	12.5	30	20.7	17	1.1	20	1.6
Metallic minerals								
- Bauxite	3	0.1	1	-	2	0.2	2	0.0
- Copper	6	2.2	6	0.3	13	0.7	3	0.2
- Gold	20	1.3	37	2.1	23	4.3	13	1.1
- Iron ore	22	1.8	25	0.9	14	0.6	9	0.9
- Mineral sand	4	0.1	3	0.0	4	0.0	6	1.8
- Nickel	2	0.0	-	-	-	-	2	0.1
- Silver-lead-zinc	5	0.0	1	0.1	4	0.1	4	0.1
- Other metals (a)	9	0.2	12	0.7	13	0.5	12	0.7
Sub-total 'Metallic minerals'	*71*	*5.7*	*85*	*4.0*	*73*	*6.3*	*51*	*4.9*
Non-metallic minerals mining and quarrying	3	0.4	9	0.3	4	0.2	3	0.0
Exploration and other mining support services								
- Petroleum & natural gas exploration	11	3.3	9	0.5	2	0.0	2	0.2
- Mineral exploration	20	0.2	9	0.0	6	0.5	8	0.4
- Other mining support services	12	1.2	7	0.6	14	2.3	8	1.8
Sub-total 'Exploration and other mining support services'	*43*	*4.7*	*25*	*1.2*	*22*	*2.8*	*18*	*2.4*
Total	**186**	**26.6**	**180**	**27.6**	**140**	**15.9**	**115**	**17.4**

(a) Comprises: mining of ores (antimony, beryllium, bismuth, manganese, tin, tungsten, and uranium), iron pyrite, molybdenite, tantalite, platinum group metal and other metallic ore mining.

Notes: Time series includes amended data from earlier publication reflecting a methodology change and greater alignment with the Australian and New Zealand Standard Industrial Classification (ANZSIC, 2006).
Totals may not add due to rounding.
Excludes corporate reorganisations and new businesses.
Data for 2015–16 onwards was impacted by the 1 December 2015 reforms. Data from 2017-18 was impacted by the reforms announced in the 2017-18 Budget, which were given effect on 1 July 2017. These reforms may affect data comparability across time.

Services

$63.2b approved investment

There were 185 approvals for proposed investment in the services sector in 2017–18, a decrease of 30 approvals on the previous year.

In 2017–18, the United States was the largest source country of proposed investment by value in the services sector with $19.7 billion of proposed investment. This was nearly double the value of the second largest source country, the United Kingdom, with $10.0 billion in proposed investment in the services sector.

The services sector approvals data is typically affected by large one-off transactions. In June 2018, the Paris-based commercial real estate company, Unibail-Rodamco, merged with the Australian based shopping centre operator, Westfield Corporation, for a proposed investment value of over $28 billion. This approval largely explains the increase in the value of proposed acquisitions in property and business services from $700 million in 2016–17 to $35.1 billion in 2017–18 (see Table 3.7).

The other notable aspect of service sector approvals in 2017–18 was the high value of proposed investment approvals in the health sector ($7.3 billion) relative to proposed investment in 2016–17 ($3.6 billion). In 2017–18, there were the following two significant investment proposals in Australia's health sector:

- the $1.6 billion proposed takeover of Australian medical device company, Sirtex Medical, by Varian Medical Systems, a United States company specialising in radiation and oncology treatments; and
- there were competing bids for the acquisition of Australia's largest diagnostic imaging provider, I-MED Radiology Network. Details of Permira's subsequent acquisition are on page 36.

Table 3.7: Services sector approvals: 2014–15 to 2017–18

	2014-15		2015-16		2016-17		2017-18	
Group	No.	$b	No.	$b	No.	$b	No.	$b
Accommodation, food and beverage (a)	21	2.9	3	0.5	10	1.4	8	2.0
Arts and Recreation (b)	6	0.7	3	0.3	11	2.3	14	1.3
Communications (c)	36	6.7	29	5.8	8	0.9	19	2.2
Construction (d)	29	4.4	14	0.9	48	7.3	14	1.3
Health (e)	16	4.5	20	3.3	29	3.6	34	7.3
Property and business services (f)	59	7.8	32	6.2	26	0.7	41	35.1
Trade (g)	25	1.9	16	1.1	26	3.6	24	4.0
Transport (h)	34	10.3	32	5.1	45	30.2	20	5.8
Other (i)	5	0.2	4	0.3	12	6.6	11	4.3
Total	**231**	**39.5**	**153**	**23.5**	**215**	**56.5**	**185**	**63.2**

(a) Comprises: accommodation; food and beverage services.
(b) Comprises: heritage activities; creative and performing arts; sports and recreation and gambling.
(c) Comprises: publishing (including internet); motion picture and sound recording activities; broadcasting (including internet); and telecommunication services (including internet).
(d) Comprises: building construction; heavy and civil engineering construction and services to construction.
(e) Comprises: hospitals; medical and other health care services; residential and social assistance services.
(f) Comprises: property and real estate operators; professional, scientific and technical services; computer system design services; and administrative services.
(g) Comprises: wholesaling of basic material, machinery and equipment, grocery, liquor and tobacco products; and retailing of fuel, food and other store based retailing.
(h) Comprises: road, rail, water, air and space, postal and courier (pickup and delivery), warehousing and storage; and transport support services.
(i) Comprises: repair and maintenance; public administration; defence; and education related services.

Notes: Time series includes amended data from earlier publication reflecting a methodology change and that arts and recreation services, which was previously separately reported as tourism, has been included in this table as of this report so there is greater alignment with the Australian and New Zealand Standard Industrial Classification (ANZSIC, 2006).
Totals may not add due to rounding.
Excludes corporate reorganisations and new businesses.
Data for 2015–16 onwards was impacted by the 1 December 2015 reforms. Data from 2017-18 was impacted by the reforms announced in the 2017-18 Budget, which were given effect on 1 July 2017. These reforms may affect data comparability across time.

I-MED Radiology Network case study

In 2018 the Board reviewed the acquisition of Australia's largest diagnostic imaging provider, I-MED Radiology Network, by the European private equity firm Permira for $1.25 billion. I-MED's business included 200 clinics with about 20 per cent of the $3.6 billion a year diagnostic imaging market in Australia.

Permira's acquisition of I-MED provided opportunities for further consolidation, increased capital for investment in advanced technologies and the potential for international expansion. Permira's intentions are to grow the business and drive operational efficiencies, which would lower overhead costs and reduce fees for consumers. I-MED has subsequently acquired Western Australia's third largest radiology business InSight Clinical Imaging.

An increasingly important aspect of the Board's assessment is that of safeguarding Australians' personal data. Conditions related to access of personal health data and where that data is stored are considered for acquisitions in the health sector.

Commercial real estate

$39.5b approved investment

In 2017–18, there were 391 approvals for $39.5 billion of proposed investment in the commercial real estate sector. This compares with 465 approvals for $43.7 billion in proposed investment in 2016–17.

The decline in value was due to fewer existing commercial property approvals. This trend was also observed in 2016–17. It may also reflect that as of 1 December 2015, exemption certificates have been able to be granted for periods longer than 12 months, which could lead to a trend of less frequent higher value exemption certificates impacting the data. The 2017–18 data on commercial property may also partly reflect a higher foreign investment screening threshold for Chinese investors as a result of the China-Australia Free Trade Agreement (ChAFTA).

ChAFTA came into effect on 20 December 2015. As of this date, Chinese investors (other than foreign government investors) are only required to obtain investment approval before purchasing developed commercial property valued above $1,094 million indexed annually (previously $252 million indexed annually). This is consistent with screening thresholds for many other foreign persons from countries with which Australia has established free trade agreements.

In contrast to the downward trend by value for developed commercial property, proposed investment in commercial real estate for development, where no threshold applies, is trending upwards.

Table 3.8: Commercial real estate approvals, by type: 2014–15 to 2017–18

	2014-15		2015-16		2016-17		2017-18	
	No.	$b	No.	$b	No.	$b	No.	$b
Commercial								
Developed								
- Existing commercial property	313	28.5	331	39.5	219	20.9	166	18.3
- Exemption certificates (a)	18	3.1	18	4.5	30	11.2	25	7.1
Sub-total 'Developed'	*331*	*31.6*	*349*	*43.9*	*249*	*32.1*	*191*	*25.4*
For development								
- Vacant commercial property	155	2.4	235	4.0	182	3.7	169	6.0
- Exemption certificates (a)	20	2.2	22	1.8	34	7.9	32	8.0
Sub-total 'For development'	*175*	*4.6*	*257*	*5.7*	*216*	*11.6*	*200*	*14.0*
Total commercial	**506**	**36.1**	**606**	**49.7**	**465**	**43.7**	**391**	**39.5**

(a) From 1 December 2015, annual programs under the new provisions in the Act are known as exemption certificates for foreign persons. They are no longer limited to a 12 month period.

Notes: Totals may not add due to rounding.
Excludes individual approvals for corporate reorganisations (some corporate reorganisations may be covered by exemption certificates).
Data for 2015–16 onwards was impacted by the 1 December 2015 reforms. Data from 2017-18 was impacted by the reforms announced in the 2017-18 Budget, which were given effect on 1 July 2017. These reforms may affect data comparability across time.

Table 3.9: State and territory distribution of proposed investment in commercial real estate in 2017–18

		Commercial		
	Number of	Developed	For development	Total
Location	approvals	$b	$b	$b
ACT	0	0.0	0.0	0.0
NSW	117	5.6	2.8	8.4
NT	0	0.0	0.0	0.0
Qld	68	2.6	1.5	4.2
SA	13	1.4	0.1	1.5
Tas.	3	0.0	0.0	0.0
Vic.	98	5.6	2.1	7.7
WA	19	0.3	0.5	0.8
Various (a)	73	9.8	7.0	16.9
Total	**391**	**25.4**	**14.0**	**39.5**

(a) Comprises approvals where the proposed investment is to be undertaken in more than one state or territory.

Notes: Totals may not add due to rounding.
Excludes individual approvals for corporate reorganisations (some corporate reorganisations may be covered by exemption certificates).
Includes exemption certificates.
'0.0' indicates a figure of zero or a figure less than $50 million.
The 2017-18 figures were impacted by the reforms announced in the 2017-18 Budget, which were given effect on 1 July 2017. The reforms may affect data comparability.

Residential real estate

$12.5b approved investment

In 2017–18, a total of 10,036 residential real estate applications were approved for proposed investment worth $12.5 billion. This is a 3,162 decline in the number of approvals from 2016–17, and a $17.5 billion decline in the value of approvals.

There are many factors which, combined, may explain the fall in the number and the value of residential real estate approvals from 2016-17 to 2017-18.[11] Anecdotal evidence from Treasury's business liaison program points to a drop off in demand from overseas buyers. Contacts have cited state taxes and foreign resident stamp duty increases,[12] foreign investment application fees, tightening domestic credit and increased restrictions on capital transfers in home countries, as some of the factors dampening foreign demand.

Analysis of changes in residential approvals data in comparison to 2016-17 indicates that 74 per cent of the $17.5 billion fall in overall residential real estate approvals can be attributed to a drop in new dwelling approvals. In turn, 88 per cent of the decline in new dwelling

11 Comparisons of longer term trends in residential approvals data should be avoided due to the significant behavioural impacts of the introduction of fees from December 2015.

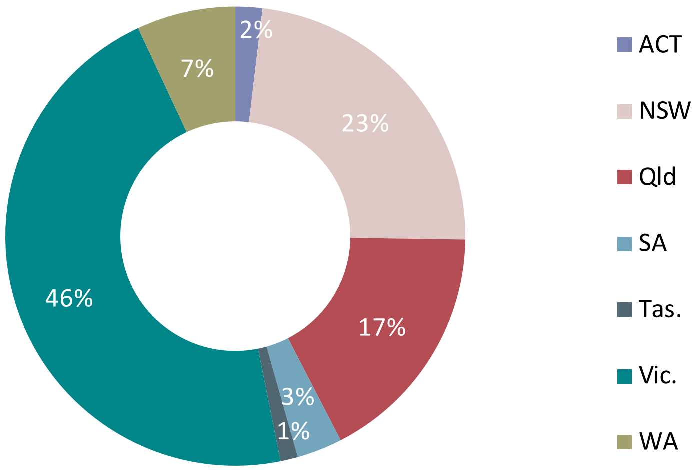
12 From 1 January 2017, the Foreign Purchase Additional Duty increased from three to seven per cent in Victoria. From 1 July 2017, the Surcharge Purchaser Duty increased from four to eight per cent in New South Wales.

approvals was attributable to a drop in approvals for new dwelling exemption certificates (NDECs). NDECs allow developers to receive pre-approval for foreign persons to purchase new dwellings in the specified development up to a cumulative total of $3 million per foreign person.

Part of the drop in NDEC values is because of the reduction to the maximum proportion of new dwellings in a development that foreign persons can acquire using the certificate. In the 2017-18 Budget, a 50 per cent limit on the number of dwellings in a development that can be sold to foreign persons was introduced. As such, from 9 May 2017, a NDEC for a development worth $250 million for all apartments would now be valued at $125 million to account for the limit. However, the average value of an NDEC has dropped more than 50 per cent, which indicates that the measure is not wholly responsible for the significant decrease in the value of NDECs.

In 2017–18, 70 per cent of all residential real estate approvals given to a single state or territory were for purchases in Victoria or New South Wales. However, the value of residential real estate approvals in these two states roughly halved compared to the previous financial year.

Chart 3.3: Share of residential real estate approvals by state and territory in 2017-18, by number



Notes: This Chart excludes approvals that apply to more than one state or territory.
The Northern Territory has not been allocated a share for the purpose of this Chart due to the proportionately small number of approvals.
Due to the above and rounding this Chart does not add to 100 per cent.

Trends in the Australian Housing Market

The Australian housing market has slowed, with combined capital city dwelling prices falling for 16 consecutive months to January 2019 to be 7.8 per cent lower than their recent peak in September 2017. The recent moderation is unsurprising following rapid price growth between 2012 and 2017, and capital city housing prices are around 35 per cent higher overall than in 2012. Price declines have been largest in Sydney (down by 12.3 per cent from their peak in July 2017) and Melbourne (down by 8.7 per cent from their peak in November 2017), with smaller price falls registered in Perth and Darwin.

Nevertheless, residential construction activity remains elevated by historical standards and has grown strongly from the beginning of 2018 following a brief decline in 2017. Dwelling investment is expected to remain elevated in the near term supported by a solid pipeline of work yet to be constructed, although recent weakness in new dwelling approvals means that some moderation in the future level of activity remains likely.

Established residential dwellings

In 2017–18, there were 1,615 approvals for established residential dwellings. Established dwellings (or developed residential premises) can generally only be purchased by temporary residents for use as their home while they remain in Australia. A small number of approvals are given for foreign persons that operate a substantial Australian business to acquire an established dwelling to house Australian-based staff.[13]

Established dwelling single purchase exemption certificates comprised a third of all established dwelling approvals. These certificates enable foreign persons to receive pre-approval to purchase a single established dwelling and notify the details of the property once purchased, rather than requiring the person to seek individual approvals for each dwelling they may be considering purchasing. In 2016–17, these exemption certificates were broadened to allow foreign persons to acquire a single dwelling through any purchase method, whereas previously these certificates were limited to purchases through an auction process only.

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13 In making an application, foreign persons that operate a substantial Australian business will be required to demonstrate a genuine need to purchase one or more established dwellings to house Australian-based employees. Consideration is given to a number of factors, and approvals will normally be subject to conditions.

For development

Australia's foreign investment policy encourages foreign investment in the residential real estate sector, which is expected help build new supply. During 2017–18, 8,421 approvals for development were given including approvals for new dwellings, vacant land and other residential property for development.

In addition to the decrease in NDEC approvals, there was a 62 per cent decline in the number of exemption certificate approvals compared with 2016-17. This can be explained by the number of approvals in 2016-17 being an elevated figure, at almost double the number approved in the prior financial year. One factor that may have contributed to the high value of exemption certificates in 2016-17 was that as of December 2015 these certificates could be granted for purchases to be carried out over a number of years, whereas previously they were limited to a 12 month period. This could have elevated the number of approvals in 2016-17 as, rather than wait and apply annually, foreign persons acquired several multi-year exemption certificates. This would reduce the need for an exemption certificate in the 2017-18 financial year.

Residential real estate approvals for development as a proportion of total residential real estate approvals have declined in comparison to previous years and represent around 81 per cent of the value of all residential approvals in 2017–18 (compared with 90 per cent in 2016–17). Notwithstanding this decrease, the majority of approvals continue to be for development and this aligns with Australia's foreign investment policy, which seeks to attract investment that increases the housing stock.

Table 3.10: Residential real estate approvals, by type: 2014–15 to 2017–18

	2014-15		2015-16		2016-17		2017-18	
	No.	$b	No.	$b	No.	$b	No.	$b
Residential								
Developed								
- Existing residential property								
- Individual purchases	9,236	10.1	5,632	6.9	1,484	2.1	1,075	1.5
- Single purchase EC (a)	na		244	0.4	521	0.8	538	0.9
Sub-total 'Existing'	*9,236*	*10*	*5,876*	*7.3*	*2,005*	*2.9*	*1,613*	*2.3*
- Exemption certificate (b)	11	1.4	1	0.0	3	0.0	2	0.0
Sub-total 'Developed'	*9,247*	*11.5*	*5,877*	*7.3*	*2,008*	*3.0*	*1,615*	*2.4*
For development								
- Vacant land								
- Individual purchases	5,908	2.5	7,005	2.8	2,911	1.1	2,281	0.9
- Single purchase EC (a)	na		na		na		118	0.1
Sub-total 'Vacant land'	*5,908*	*3*	*7,005*	*2.8*	*2,911*	*1.1*	*2,399*	*0.9*
- New dwellings								
- Individual purchases	20,551	14.4	26,052	19.3	7,864	6.6	5,494	4.8
- Single purchase EC (a)	na		na		na		166	0.1
- New dwelling EC	152	28.7	201	38.4	46	14.1	24	2.7
- Near new dwelling EC	na		na		na		10	0.0
Sub-total 'New dwellings'	*20,703*	*43.1*	*26,253*	*57.6*	*7,910*	*20.7*	*5,694*	*7.7*
- Redevelopment	972	2.3	988	2.8	335	0.9	315	0.8
- Exemption certificate (b)	11	1.4	18	2.0	34	4.3	13	0.8
Sub-total 'For development'	*27,594*	*49.2*	*34,264*	*65.2*	*11,190*	*27.1*	*8,421*	*10.2*
Total residential	**36,841**	**60.7**	**40,141**	**72.4**	**13,198**	**30.0**	**10,036**	**12.5**

(a) Exemption certificates to purchase one established dwelling, known as established dwelling exemption certificates, were introduced from 1 December 2015. Initially the certificates were only available if purchasing at auction. As of 2016-17 the certificates were expanded to cover purchase by any method. Exemption certificates for the certificate holder to purchase one lot of vacant land or one new dwelling were introduced from 1 July 2017.

(b) From 1 December 2015, annual programs, under the new provisions in the Act are known as exemption certificates for foreign persons. They are no longer limited to a 12 month period.

Notes: Totals may not add due to rounding.
'0.0' indicates a figure of zero or a figure less than $50 million.
EC refers to Exemption Certificates.
An approval category that was not available during a financial year is denoted by 'na'.
The value ascribed to a new dwelling exemption certificate is the total estimated sales value of the new dwellings in the development available for purchase by foreign persons. The value recorded is as provided by the applicant when applying for the exemption certificate. From the 2017–18 Budget onwards, approved new dwelling exemption certificates only allow developers to sell a maximum of 50 per cent of dwellings in a development to foreign persons.
Data for 2015–16 onwards was impacted by the 1 December 2015 reforms. Data from 2016-17 onwards was impacted by the limiting foreign ownership in new developments reform announced in the 2017-18 Budget that had immediate effect from Budget night, 7.30pm on Tuesday 9 May 2017. Data from 2017-18 was impacted by the other reforms announced in the 2017-18 Budget, which were given effect on 1 July 2017. These reforms may affect data comparability.

Table 3.11: State and territory distribution of proposed investment in residential real estate in 2017–18

Location	Number of approvals	Residential Developed $b	Residential For development $b	Total $b
ACT	189	0.0	0.2	0.3
NSW	2,340	0.5	3.9	4.4
NT	6	0.0	0.0	0.0
Qld	1,723	0.2	1.2	1.4
SA	320	0.1	0.1	0.2
Tas.	123	0.0	0.0	0.1
Vic.	4,631	1.3	3.9	5.1
WA	696	0.1	0.4	0.5
Various (a)	8	0.0	0.4	0.5
Total	**10,036**	**2.4**	**10.2**	**12.5**

(a) Comprises approvals where the proposed investment is to be undertaken in more than one state or territory.

Notes: Totals may not add due to rounding.
Includes exemption certificates.
'0.0' indicates a figure of zero or a figure less than $50 million.
The 2017-18 figures were impacted by the reforms announced in the 2017-18 Budget, which were given effect on 1 July 2017. The reforms may affect data comparability.

Table 3.12: State and territory distribution of proposed investment in residential real estate, by type in 2017–18

	New Dwelling		Existing Property		Redevelopment		Vacant land		Developer (b)	
Location	No.	$b	No.	$b	No.	$b	No.	$b	No.	$b
ACT	149	0.1	23	0.0	2	0.0	13	0.0	2	0.2
NSW	1,786	2.0	232	0.5	107	0.4	206	0.4	9	1.0
NT	1	0.0	5	0.0	0	0.0	0	0.0	0	0.0
Qld	925	0.6	288	0.2	51	0.1	451	0.2	8	0.3
SA	136	0.1	137	0.1	7	0.0	40	0.0	0	0.0
Tas.	19	0.0	70	0.0	2	0.0	32	0.0	0	0.0
Vic.	2,317	2.0	690	1.3	94	0.2	1,517	0.5	13	1.2
WA	327	0.2	169	0.1	54	0.1	144	0.1	2	0.1
Various (a)	0	0.0	1	0.0	3	0.2	4	0.3	0	0.0
Total	**5,660**	**5.0**	**1,615**	**2.4**	**320**	**0.9**	**2,407**	**1.5**	**34**	**2.7**

(a) Comprises approvals where the proposed investment is to be undertaken in more than one state or territory.
(b) 'Developer' includes new dwelling exemption certificates provided to real estate developers (previously off-the-plan approvals), as well as near new dwelling exemption certificates.

Notes: Totals may not add due to rounding.
This table excludes the developed, and for development exemption certificates for foreign persons shown in Table 3.10.
'0.0' indicates a figure of zero or a figure less than $50 million.
The 2017-18 figures were impacted by the reforms announced in the 2017-18 Budget, which were given effect on 1 July 2017. The reforms may affect data comparability.

New business approvals

Foreign government investors require approval to start an Australian business.[14] The number of new business approvals in the services sector in 2017-18 more than doubled on 2016-17, returning to a similar number of approvals to that in 2015-16. Finance and insurance new business approvals also increased on recent years.

Table 3.13: New business approvals by industry sector: 2014-15 to 2017-18

	2014-15	2015-16	2016-17	2017-18
Industry	No.	No.	No.	No.
Agriculture, forestry & fishing	1	0	0	0
Finance & insurance	2	3	2	5
Manufacturing, electricity & gas	0	0	0	3
Mineral exploration & development	0	2	1	1
Services	7	12	4	11
Total	**10**	**17**	**7**	**20**

Notes: A proposed investment value is not attributed to new business approvals.
Prior to the inclusion of this table from 2017-18, new business approvals were reported in approvals by industry sector.
As commercial and residential real estate relate to acquisitions of land, these industry sectors are not included in this table.

14 This requirement was codified in the Act from 1 December 2015.
Starting an Australian business refers to when a foreign government investor starts to carry on an Australian business, or if a foreign government investor already carries on an Australian business, the business starts a new activity under the Australian and New Zealand Standard Industrial Classification (ANZSIC, 2006) Codes and the activity is not incidental to an existing activity of the Australian business and the activity is within a different Division under the Codes. For a foreign government investor that already carries on an Australian business, starting a new business excludes when they establish a new entity, alone or with others, to undertake the same Australian business or acquire interests in such an Australian business.

Investor countries

Methodology change

The methodology for recording foreign investment approvals by country changed in 2017–18, to more closely align with the ownership reporting methodology adopted for the foreign ownership registers.[15] This change limits the comparability of 2017–18 data with earlier FIRB country data to the extent that 'country of control' and 'country of ownership' may differ for some foreign persons.

Leading sources of proposed investment

Table 3.14 shows proposed investment approvals in 2017–18, disaggregated by industry sector, for the top 18 countries by approvals value. The United States and China continued to be the two top sources of proposed investment by value in 2017–18. However, for the first time since 2012-13, the United States surpassed China as the largest source country, by value, for approved proposed investment.

The value of approvals from United States investors increased from $26.5 billion in 2016–17 to $36.5 billion in 2017–18. Key sectors of interest for the United States included the services sector (which increased in approvals value from $12.7 billion in 2016–17 to $19.7 billion) and the manufacturing, electricity and gas sector (which increased in approvals value from $983 million in 2016–17 to $3.7 billion).

As mentioned earlier, there was a notable decrease in 2017–18 in both the number of applications and the value of proposed investment from China. In 2017–18, there was a 30 per cent fall in the number of approvals from China, and almost a 40 per cent decline in the value of these approvals (from $38.9 billion to $23.7 billion). In 2017–18, there was a marked fall in the value of approvals from China in the manufacturing, electricity and gas sector, the mineral exploration and development sector, the services sector, and in real estate.

15 The methodology for reporting on investor countries has changed from primarily being based on likely country of control of the foreign person to country of beneficial ownership of the foreign person. This broadly aligns investor country reporting for FIRB data with ownership reporting in the foreign ownership registers for agricultural land, water entitlements and residential land. Where a portion of beneficial ownership is not known or not disclosed, this may be recorded against country of control or allocated based on other factors, such as likely underlying investor countries based on geographic location (see Appendix B for further detail). The practical effect of this approach is that proposed investment by some countries will be overstated and for others understated.

Unibail-Rodamco's approved merger with the Australian headquartered and ASX listed Westfield Corporation, which valued Westfield Corporation at over $28 billion, had a notable impact on the rankings for 2017–18. Unibail-Rodamco is dual listed on French and Dutch stock exchanges. The Netherlands and France were ranked sixth and seventh in 2017–18 by approvals value. France was not within the top 18 countries by approvals value in 2016–17. The Netherlands recorded an increase in approvals value from $4 billion in 2016–17 to $10.4 billion in 2017–18, largely as an outcome of Dutch interests in the Westfield merger.

The Unibail-Rodamco investment also involved shareholders primarily located in the United Kingdom and the United States. In 2017–18, the value of investment approvals from United Kingdom investors increased from $4.2 billion in 2016–17 to $17.7 billion.

Table 3.14: Approvals by country of investor, by industry sector in 2017–18

Country (a)	Number of approvals (f)	Agriculture, forestry & fishing $m	Finance & insurance $m	Manufacturing, electricity & gas $m	Mineral exploration & development $m	Real estate $m	Services $m	Total $m
United States	386	776.3	1,687.8	3,686.6	4,784.7	5,839.1	19,735.8	36,510.3
China (b)	6,816	1,618.7	168.9	1,521.3	3,842.9	12,667.7	3,877.9	23,697.3
United Kingdom	438	226.2	531.4	2,709.0	1,290.8	2,932.1	10,039.8	17,729.3
Singapore	553	210.5	322.9	1,150.5	319.1	7,825.2	1,477.7	11,305.7
Canada	227	2,619.4	761.0	2,748.0	670.0	2,097.1	2,123.8	11,019.2
Netherlands	54	285.2	6.5	1.0	49.0	951.1	9,060.7	10,353.5
France	82	200.1	154.8	80.2	225.0	184.5	9,086.1	9,930.6
Hong Kong	610	214.0	6.5	1,453.4	256.7	2,791.3	112.4	4,834.3
Japan	136	192.6	26.1	109.8	525.8	2,205.5	1,635.2	4,695.1
Germany	101	360.1	-	58.1	571.6	2,769.5	189.6	3,949.0
Switzerland	51	49.0	-	575.3	695.6	746.2	383.0	2,449.0
Indonesia	244	21.3	-	-	1,847.4	180.8	-	2,049.5
United Arab Emirates	77	-	604.1	238.3	-	646.8	549.3	2,038.6
Korea, Republic of (South Korea)	94	5.4	35.5	243.3	1.8	1,000.9	187.5	1,474.3
South Africa	79	0.5	-	-	230.4	878.4	302.0	1,411.3
Malaysia	542	27.1	-	258.3	30.1	546.5	329.9	1,192.0
Saudi Arabia	33	48.8	176.6	2.2	608.7	208.1	8.6	1,053.0
New Zealand	27	46.8	-	929.3	-	68.1	1.6	1,045.7
Other Countries (c)	1,299	80.1	43.2	245.2	809.6	3,019.6	1,182.9	5,380.7
New Dwelling EC (d)	34					2,712		2,712
Subtotal	*11,883*	*6,982.3*	*4,525.2*	*16,009.8*	*16,759.2*	*50,270.8*	*60,283.6*	*154,830.9*
Australia (e)	415	934.1	1,485.8	608.6	607.4	1,722.2	2,871.9	8,230.0
Total	12,298	7,916.4	6,011.0	16,618.4	17,366.6	51,993.0	63,155.5	163,060.9

Notes applying to Table 3.14

(a) Includes overseas territories.
(b) China excludes Special Administrative Regions and Taiwan.
(c) 'Other' comprises all other countries not specifically listed in the top countries by value, from which there is proposed investment approved.
(d) One new dwelling exemption certificate (previously advanced 'off-the-plan' certificate) equates to one approval in terms of the number of approvals but the value reflects the maximum amount that foreign persons may acquire under the certificate in the proposed development. As of the 2017–18 Budget, the maximum number of dwellings that could be sold to foreign persons under new certificates was reduced from 100 per cent to 50 per cent of the dwellings a development. Further details are provided in the section on residential real estate.
(e) Comprises approvals where Australians hold disclosed beneficial interests in the investor, or where widely held interests have been allocated to Australia based on other factors such as location or control of the investor. Also includes when an Australian investor(s) jointly intends to make a proposed investment with a foreign person through a new entity, or jointly establish a new business with a foreign government investor.
(f) These figures indicate the total number of approvals in which investors from the particular country have a disclosed beneficial interest in or where widely held interests have been allocated to a country based on factors such as the largest interest holder or country of control of the investor. Approvals involving investment originating from more than one country are generally counted as one approval for each of the countries concerned where they include investment from foreign persons greater than five per cent or where there is shared control.

Notes: Totals may not add due to rounding.
Includes corporate reorganisations, exemption certificates and new businesses.
'-' indicates a figure of $10 million or less.
Total number of approvals in this table may be greater than or equal to the total number of approvals in Tables 3.1, 3.3, and 3.4 as the data is recorded by target, for both industry sectors and investor countries. For instance, one application from two investor countries to acquire two targets that operate in separate sectors will appear as one approval per sector, per country (that is, it will be reflected as four approvals).
The 2017-18 figures were impacted by the reforms announced in the 2017-18 Budget, which were given effect on 1 July 2017. The reforms may affect data comparability.

Variations

The Act allows foreign persons to apply for variations relating to approvals, to conditions that are imposed in an approval, to exemption certificates, and to orders. Variations may also be made at the Treasurer's own initiative if the person consents to the variation or the variation meets a no disadvantage to the foreign person test. Irrespective of whether an application is received or the variation is at the Treasurer's initiative, the variation may only be made if the Treasurer is satisfied that it is not contrary to the national interest. Variation applications are considered on a case-by-case basis, and are usually limited to more technical changes and extensions of deadlines in conditions.

For example, a commercial real estate development condition has a deadline of five years for the commencement of construction from the date of approval. Where, due to circumstances beyond the developer's control, the developer is unlikely to meet the deadline, the developer may apply for the deadline for the condition to be varied to provide further time.

A significant departure from the original application or approval will generally require a further application. This could include the addition of another foreign person to the application or increasing the equity interest in the proposed investment.

In 2017–18, there were 504 variations considered, compared to 629 in 2016–17. Of these, 453 were approved in 2017-18, a decrease of 158 on 2016-17. All variations made in 2017-18 related to approvals (with or without conditions) or exemption certificates. There were no variations made in 2017-18 to orders made in 2017-18 or earlier years. There were four variations declined, an increase of two on 2016-17.

Table 3.15: Variations considered: 2016–17 to 2017–18 (number of variations by variation type)

	Variation to Exemption certificate (a)				Variation to Land approval (b)				Variation to Other approval (c)		Total All variations	
	Acquisition program		New dwelling certificate (e)		Residential (f)		Other (g)					
	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
Outcome	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.
Approved	4	7	1	1	570	413	19	9	17	23	611	453
Declined (h)	0	1	0	0	1	3	1	0	0	0	2	4
Total decided	**4**	**8**	**1**	**1**	**571**	**416**	**20**	**9**	**17**	**23**	613	457
Not a variation (i)	0	1	0	0	0	0	0	1	0	1	0	3
Withdrawn (j)	1	0	0	0	12	42	1	0	2	2	16	44
Total considered	**5**	**9**	**1**	**1**	**583**	**458**	**21**	**10**	**19**	**26**	**629**	**504**

Table 3.16: Variations approved: 2016–17 to 2017–18 (number of variations by variation reason)

	Variation to Exemption certificate (a)				Variation to Land approval (b)				Variation to Other approval (c)		Total All variations	
	Acquisition program		New dwelling certificate (e)		Residential (f)		Other (g)					
	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18
Reason	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.
Longer time to undertake action only (k)	0	3	0	0	1	2	1	2	3	4	5	11
Change to conditions only (l)	0	3	1	1	233	224	9	5	4	6	247	239
Other, or more than one reason (m)	4	1	0	0	336	187	9	2	10	13	359	203
Total approved	**4**	**7**	**1**	**1**	**570**	**413**	**19**	**9**	**17**	**23**	**611**	**453**

Notes apply to Tables 3.15 and 3.16

(a) Exemption certificate refers to exemption certificates that allow for a program of acquisitions by a foreign person or exempts foreign persons from purchasing a new dwelling or near new dwelling from developers to whom a certificate is given (see (d) and (e) below). It does not include residential land certificates given to foreign persons to make a single purchase. These are included in variation to land approval – residential.

(b) Land approval refers to no objection notifications covering interests in Australian land (that is, agricultural land, commercial land, residential land and mining and production tenements) and tenement interests, including interests in land entities. It also includes residential land exemption certificates given to foreign persons to make a single property purchase. It excludes variations relating to corporate reorganisations.

(c) Other approval includes variations to all other approvals. For example, variations to approvals for the acquisition of securities in an entity or for the acquisition of assets of an Australian business. It includes any variations relating to corporate reorganisations. It does not include any exemption certificates.

(d) Acquisition program certificate refers to land exemption certificates for foreign persons (formerly annual programs), business exemption certificates, and tenements and mining, production or exploration entity certificates.

(e) New dwelling certificate refers to new dwelling exemption certificates (previously off-the-plan approvals) and residential land (near-new dwelling interests) exemption certificates. These allow developers to obtain pre-approval for foreign purchases.

(f) Includes variations that have been made so that an approval reflects a property's street address when the property street address has become available after the approval has been granted. Fees are generally waived in this situation.

(g) Other includes interests in Australian land (that is, agricultural land, commercial land, and mining and production tenements) and tenement interests, including interests in land entities, except interests in residential land, or where residential land is the dominant land type of a land entity.

(h) The application received is for a variation, but the variation is determined to be contrary to the national interest.

(i) The outcome of 'not a variation' was introduced as of 2017-18 for variation applications lodged via the FIRB Application Portal. This data is not available for residential variation applications lodged with the Australian Taxation Office. This refers to a variation application that does not meet the requirements to be treated as a variation. In such situations, the application may have been subsequently lodged as a normal application reported on in Table 3.1.

(j) Includes variation applications where the application was withdrawn prior to a decision being made.

(k) An extension is given to the time to enter into an agreement to make the covered acquisition(s).

(l) A substantive change to a condition, including an amendment to (for example, an extension of time to take an action required by a condition), or the removal or addition of a condition.

(m) Examples of 'other' include typographical corrections, non-substantive updating of identifiers such as name or address (for example, address is issued for lot) or adding a wholly-owned subsidiary of the approval holder as an additional acquirer.

Notes: Variations have been reported on since 1 December 2015. In 2015-16, there were 373 variations approved.

These tables only include variations relating to exemption certificates and no objection notifications, irrespective of if resulting from an application by a foreign person, the Treasurer's initiative, or a compliance action. In 2017-18, they do not include variations relating to orders.

Excluding the outcome of 'not a variation', to be counted as a variation considered, any required foreign investment application fee must have been paid or waived.

Variations are not attributed a value as applicable values have been attributed to the exemption certificate or no objection notification that is subject to the variation.

Variations are reported in the financial year in which the variation is considered irrespective of when the original approval was given.

Over time multiple variations could be made to a single approval.

Changes of conditions resulting from residential real estate investigations are also included in Table 4.2, Chapter Four: Compliance.

Foreign investment application fee collections

The ATO is responsible for collecting foreign investment application fees and reports on these in its Annual Report. In 2017-18, fee collections were down on 2016-17 reflecting a decline in applications considered and the introduction of a new fee structure, which came into effect on 1 July 2017.

Table 3.17: Foreign investment application fee collections: 2015-16 to 2017-18

	2015-16	2016-17	2017-18
	$m	$m	$m
Fee collections	78	134	114

Notes: Fees were introduced as of 1 December 2015.
Fees are collected when an application is submitted to the FIRB. The revenue recognised is based on the receipt of the application and/or payment during the reporting period less an estimate of future outflows relating to cases where the fee might be waived.
Source: *ATO Annual Report* for each applicable period, see the table ATO net tax collections.