

Media Release

Foreign Investment is needed by Australia – but Government must continue to be vigilant

Thursday July 2, 2015. Connect ASEAN CEO Paul Tynan points to the recent issue of property investments in Australia by foreign investors and says it has highlighted the importance of having trusted advisers to help monitor the legality and structure of these property deals.

Commenting further, Tynan says overseas investments into Australia have to adhere to strict guidelines that are administered by the Foreign Investment Review Board (FIRB) and the Australian Taxation Office (ATO). Federal Treasurer Joe Hockey has been a strong voice in the compliance of property investments and it is the FIRB that examines proposals by foreign investors who want to invest in Australia and then makes appropriate recommendations to the Treasurer.

From 1 July 2015, foreign people and foreign government investors (existing and new) holding interests in agricultural land must register those interests with the Australian Taxation office.

“Australia needs and must welcome foreign investment especially over the next 20 years as the Baby Boomers retire and the need for capital will increase”, affirmed Tynan.

“Indeed there is already a strong indication to suggest that Generation X and Y are restricted and weary of equity investment as they are laden with debt (HECS, mortgage, children’s education etc) and their appetite for more business debt to buy the family farm, business or enter into a commercial enterprise is just not that appealing”.

Currently, three different generations are colliding with each other in the economy and the impact has been likened to large meteorite hitting the planet causing immense disruption and damage to business owners and individuals alike.

Australia’s population is undergoing a radical change in its demographics as Baby Boomers seek exit/succession outcomes with Generations X and Y but neither understands or appreciates what makes the other tick.

X and Y Generations that are expecting the family inheritance will be disappointed as this revenue source to fund prospective acquisitions or investment simply won’t be available. The reality is that their Baby Boomer parents will have no option but to sell the family home and draw down equity in order to fund their own standard of living in retirement.

In addition, the social and economic impact of longer life expectancy for Australians has yet to be fully understood and acknowledged. The retirement nest eggs of Baby Boomer retirees will be placed under immense stress with many depleted long before the retiree passes away.

How the financial service sector and advisers develop products and provide appropriate service offerings is yet another challenge.

Both sides of politics have acknowledged and know that they will need to review the current Age Pension and superannuation concessions as a first step as the current systems are simply not affordable and sustainable.

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The Australian Government (both past and present) have welcomed foreign investment as it is important to help develop the nation's natural resources, the economy and support the succession plans of Baby Boomers by investing in the businesses of SME's – especially those of Baby Boomers that will come onto the market in growing numbers in the coming years.

“However as a nation we must have transparent rules that govern overseas investors that are enforceable. Treasurer Joe Hockey has been vocal in highlighting the government's intention to ensure compliance of our foreign investments laws”, added Tynan.

“The business landscape continues to change, driven by technology and the proliferation of Free Trade Agreements all of which are accelerating the globalisation phenomenon and working in concert to remove national borders and impediments to trade.

“Australia needs access to foreign investments to produce the services and goods that will be demanded by the global economy. Our rules on foreign ownership are comprehensive, what we need is the adherence and enforcement of these rules!”

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