



Budget 2016



Making it easier to invest in Australia

The Government is making changes so that it is easier to invest in Australia and access alternative sources of investment capital. The Government will introduce two new collective investment vehicles for investors to pool their funds with Australian funds managers, which are well understood amongst overseas investors.

The Government will also change the taxation treatment of asset backed financing to expand sources of investment for Australian enterprises.

The issue

The Australian economy relies on both domestic and foreign investment because Australia has always had more investment opportunities than can be funded through domestic savings alone. To encourage foreign investment we need to have a framework in place that is attractive for foreign investors and easy to use.

Two New Collective Investment Vehicles

The Government will introduce a **Corporate Collective Investment Vehicle** which will be available from 1 July 2017. This will allow Australian funds managers to offer investments through a company structure, which is well suited for offering retail investment products. This will be particularly important in encouraging investment from the Asia region. These vehicles will help Australia take advantage of the Asia Region Funds Passport, a multilateral commitment to driving better connections between financial markets in the Asia region.

From 1 July 2018 the Government will also introduce a **Limited Partnership Collective Investment Vehicle**. This type of vehicle is commonly used overseas to facilitate wholesale investment by large investors, such as pension funds.

Creating these new structures will encourage foreign investment as well as the export of funds management services from Australia. Australian exports represent less than 4 per cent of funds under management, highlighting significant export growth potential.

These changes are supported by the Johnson Report (2009), the Board of Tax (2011), the Financial System Inquiry (2014) and the Productivity Commission (2015).

Budget impact

This measure has an unquantifiable cost to revenue.

New Tax Treatment for Asset Backed Financing

The Government will also amend the tax laws to give asset backed financing arrangements consistent tax treatment with arrangements based on interest bearing loans or investments. These changes will apply from 1 July 2018.

This will give new financing opportunities to Australian businesses looking to start up or expand. It will also support the availability of infrastructure financing because it is well suited to longer-term and large projects.

This will provide a level playing field for equivalent asset backed and conventional financing arrangements and will enable Australian businesses to more easily access investment at more competitive rates.

Budget impact

This measure has an unquantifiable cost to revenue.