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Parliament of Australia
Parliamentary Budget Office

Phil Bowen PSM FCPA
Parliamentary Budget Officer

Senator David Leyonhjelm
Liberal Democratic Party
Parliament House
CANBERRA ACT 2600

Dear Senator Leyonhjelm

Please find attached a response to your costing request, *Foreign investment* (letter of 8 August 2016).

As requested, this costing has been prepared on a confidential basis. The policy details that form the basis for the costing are as specified in your costing request. The PBO has not consulted with or drawn any policy details from a policy of any other political party or individual parliamentarian in the preparation of this costing. Accordingly, if you make this costing public, it would not be appropriate to attribute the costing to a policy of any other party or individual parliamentarian.

If you have any queries about this costing, please do not hesitate to contact Andrew Watterson on (02) 6277 9543 or Gareth Tunks on (02) 6277 9550.

Yours sincerely

Phil Bowen

10 November 2016

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Policy costing—outside the caretaker period

Name of proposal:	Foreign investment
Summary of proposal:	This proposal would abolish foreign investment restrictions through the repeal of the <i>Foreign Acquisitions and Takeovers Act 1975</i> and the defunding of the Foreign Investment Review Board (FIRB). This proposal would have effect from 1 July 2017.
Person/party requesting the costing:	Senator David Leyonhjelm, Liberal Democratic Party
Did the applicant request the costing be confidential:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Date costing request received:	9 August 2016
Date costing completed:	10 November 2016
Expiry date of the costing:	Release of the next economic and fiscal outlook report.

Costing overview

This costing only includes the loss of FIRB fee revenue and the reduction in departmental funding to the Treasury and the Australian Taxation Office (ATO). Any flow-on effects, including the impact of changes to foreign investment, related tax revenue or changes to other economic aggregates would be highly uncertain. As a result, estimates of these impacts have not been included.

This proposal would be expected to decrease both the fiscal and underlying cash balances by \$645 million over the 2016-17 Budget forward estimates period. This impact reflects a decrease in FIRB fee revenue of \$660 million and an offsetting decrease in departmental expenses of \$15 million over this period.

The financial implications of the proposal would extend beyond the 2016-17 Budget forward estimates period. As requested, a breakdown of the financial implications from 2016-17 to 2026-27 is included at [Attachment A](#).

This costing is considered to be of high reliability as it is based on estimates provided by the ATO.

Table 1: Financial implications (outturn prices)^{(a)(b)}

Impact on (\$m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Fiscal balance	-	-210	-215	-220	-645
Underlying cash balance	-	-210	-215	-220	-645

(a) A positive number represents an increase in the relevant budget balance. A negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.

Methodology

Foregone FIRB fee revenue is based on projected revenue over the period 2016-17 to 2019-20 provided by the ATO. These estimates were then projected over the medium term by the Parliamentary Budget Office based on the trend across the forward estimates period.

Total savings from reduced departmental expenditure for the ATO and the FIRB are based on actual expenditure in 2014-15, accounting for wage and general cost growth and the application of the efficiency dividend.

All estimates have been rounded to the nearest \$5 million.

Data sources

The Australian Tax Office provided 2016-17 Budget application fee revenue forecasts.

Commonwealth of Australia, 2015. *2014-15 Annual Report*, Canberra: Commonwealth of Australia.

Commonwealth of Australia, 2016. *2016-17 Budget*, Canberra: Commonwealth of Australia.

Attachment A – Foreign investment—financial implications

Table A1: Foreign investment—Financial implications (outturn prices)^{(a)(b)}

(\$m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total to 2026–27
Impact on fiscal and underlying cash balances													
FIRB fee revenue	-	-215	-220	-225	-660	-230	-235	-240	-245	-250	-255	-260	-2,375
Departmental expenses	-	5	5	5	15	5	5	5	5	5	5	5	50
Total	-	-210	-215	-220	-645	-225	-230	-235	-240	-245	-250	-255	-2,325

(a) A positive number indicates an increase in revenue or a decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.