



Media Release

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Reforms to offshore investment tax to assist Australia-based global companies grow

- potential economic benefit for Australia approx. A\$1.02b per year –

Reforms to address the tax bias against dividends from offshore profits could have a billion dollar annual benefit for the Australian economy according to a report launched by ANZ today.

Winning the Away Game: Australia-based Global Companies and the Economy is the latest report in the *ANZ insight* series and examines the role Australia-based global companies play in the economy and suggests tax reform is needed for Australians to benefit as they diversify and grow.

ANZ Chief Executive Officer Mike Smith said: "Around 98% of the world's economy is outside of Australia and the fastest growing region, Asia, is right on our doorstep. The gateway to China, Japan and Korea has also now been opened through the respective Free Trade Agreements.

"Global companies that expand and invest in overseas facilities are proven to produce greater levels of economic benefits for themselves and their home economies through the creation of highly paid jobs. They're also critical channels for transforming domestic science, technology and business skills into economic activity," Mr Smith said.

The report concludes that despite this opportunity, Australia's overall ownership of offshore assets has fallen below the OECD average and higher Australian taxes on dividends from foreign sources have made Australian offshore assets more valuable to foreign investors.

Winning the Away Game - Key Findings

- Australian outward direct investment as a proportion of GDP compared to the OECD average has fallen steadily over the last decade. In the decade to 2004, it was 126 per cent of the OECD average, falling steadily since then to reach 68 per cent in 2013.
- Australian investors face a 30% higher rate of tax on dividends sourced from foreign profits than on dividends from domestic profits. Therefore, dividends from foreign assets are more valuable to offshore investors than to Australians.
- Tax reform will help increase Australian investment in offshore businesses and generate significant economic benefits. Based on experience in other jurisdictions, economic benefits would likely be realised in around two years from the reform's introduction.
- The recommended non-refundable foreign tax credit of 20% would generate a net economic benefit of more than AU\$1bn per year over and above costs to revenue of around AU\$1.75bn. An additional AU\$300bn of foreign assets would be owned by Australians.

"Boosting the role of Australia-based global companies and increasing Australian investment in offshore business is critical in achieving growth and diversification in our economy.

"A non-refundable foreign tax credit of 20 per cent would generate a net economic benefit of more than AU\$1 billion per year and put an additional AU\$300 billion of foreign assets into Australian ownership," Mr Smith said.

The report is written by ANZ in conjunction with EY, Independent Economics, ITS Global and the Sexton Marketing Group.

It includes short case studies of Australian-based multinational companies including Amcor, Cochlear and Computershare, and is supported by Bluescope, Brambles, Carsales, Coca Cola Amatil, CSL, SEEK and Village Roadshow.

A copy of *'Winning the Away Game'* is available at www.anz.com/insight.

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