



Australian Citizens Party

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MEDIA RELEASE

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Water speculators avoid tax and destroy agriculture

This release was first published as an article by Citizens Party researcher Jeremy Beck in the 3 March 2021 Australian Alert Service.

The separation of water rights from land title combined with other “water reforms” over the last two decades have allowed speculators to make a killing at the expense of battling farmers. Adding insult to injury, foreign residents are exempt from capital gains tax on water profits under Australian law. But recent reports from the Australian Competition and Consumer Commission (ACCC) and Productivity Commission continue to praise the “benefits” of water trading and reforms despite all evidence to the contrary. No doubt the ACCC’s final report for the Murray-Darling Basin water markets inquiry comes to such a conclusion, as it did in its [30 June 2020 Interim report](#). The Productivity Commission Draft Report, [National Water Reform 2020](#), released in February 2021, also praises the “large benefits” of water reform.

Others have a different view. Michael West Media’s independent journalist Callum Foote covered this subject in a 24 February article titled [“War for Water: foreign investor firepower over Australian farmers in water deals”](#). The “corporatisation” of Australian farming, Foote explains, continues apace as almost 14 per cent of agricultural land is now owned by foreign investors. He points to a [16 April 2020 Australian Taxation Office \(ATO\) ruling](#) which exempts foreign residents from capital gains tax on water profits.

“Water rights are not taxable Australian real property under Subdivision 855 of the *Income Tax Assessment Act 1997*”, explains the ATO ruling. As written in the *Act*, the “objects of this Subdivision are to improve: (a) Australia’s status as an attractive place for business and investment; and (b) the integrity of Australia’s capital gains tax base.” The *Act* goes on to state that this aligns Australia’s tax laws with international practice. The Subdivision’s section 855-10, headlined “Disregarding a capital gain or loss from CGT events”, specifies how tax can be avoided if “you are a foreign resident, or the trustee of a foreign trust for CGT purposes”.

An *Agri Investor* article by Daniel Kemp on 8 June 2020 reported New South Wales water minister Melinda Pavey’s support for foreign ownership of Murray-Darling water entitlements. Foreign investors “can’t put water in their suitcase and take it away”, the minister said, adding that she was looking forward to the ACCC’s interim report for the Murray-Darling Basin water markets inquiry. This “important foundational document” will “give some transparency to water ownership, so the conspiracies can be put to rest”, she said.

But does the NSW water minister really want transparency in water ownership? Pavey and her Liberal/National Party coalition government MPs voted to block the [Water Management Amendment \(Transparency of Water Rights\) Bill 2020](#) introduced by Member for Murray Helen Dalton. An online public register proposed in the bill would have revealed all foreign and domestic holders of water including from foreign tax havens such as the Cayman Islands, and water holdings of politicians (“[Water ownership more secret than tax havens](#)”, AAS, 19 Aug. 2020).

And while foreign investors can’t put the physical water in their suitcase, Pavey appears to ignore the massive financial profits that can be syphoned offshore. For example, an \$80 million payment of taxpayers’ money in 2017 to Eastern Australia Agriculture (EAA) found its way to a parent company domiciled in the Cayman Islands, Eastern Australia Irrigation (EAI). This Cayman Islands company had been set up by Minister for Energy and Emissions Reduction Angus Taylor, a company at which Taylor had been a director for six years. Despite legal threats, independent journalist Michael West reported on this story in an extensive [article at his website on 21 April 2019](#). He asks: “The big question is, who are the other shareholders in the Cayman Islands company EAI who benefitted from the payout?”

Submissions to the ACCC’s inquiry to which Pavey refers show the actual reality at the farm gate. A submission by Jeff Knispel, Joint Managing Director of the Knispel Group trading as Nippy’s, provides a good example. The Knispel Group, a large family-owned business, has owned and irrigated citrus properties in the Riverland region of South Australia since the early 1930s. The Group currently owns around 300 hectares in Waikerie and Moorook, all planted to citrus, and produces Nippy’s fruit juices. Knispel’s [submission of 22 October 2019](#) concludes, “In summary, the current water market has now put water at such a high cost that the ability to recover this in the sale of goods produced from most irrigated horticulture businesses is not achievable and therefore those businesses are unviable for the

interim.” Knispel calls to limit the trading of water to actual water users and build infrastructure such as new dams, including for interbasin water transfer.

The ACCC’s Murray-Darling Basin water markets inquiry Final Report was due to the Treasurer by 26 February 2021. To date it has not been released for public scrutiny. But these government agencies have no intent to support Australian agriculture and rural communities. The federal government’s National Water Grid program of \$3.5 billion over 10 years for priority water infrastructure projects is a relative drop in the ocean in an Australian economy with an annual \$2 trillion GDP. It shows a complete lack of nation-building vision in water infrastructure which we once had in building the Snowy Mountains Scheme. Compare this \$3.5 billion with the more than \$83 billion spent on the JobKeeper program. It is up to Australians to overturn this madness and return to nation building.

(See “[Water trading bankers destroy agriculture](#)”, AAS, 27 Nov. 2019 for a previous report on this subject.)