

## Foreign investment in Australian residential property:

There is a need to do something urgently because the problem is increasing rapidly and it is

1. Unrealistically inflating prices especially in Sydney.
2. Creating housing stock which is not used because it is unoccupied. (Land banking)
3. Preventing young Australians from buying their own family home by increasing the deposit that is necessary and increasing the size of mortgages even with low interest rates
4. Apparently an outlet for money laundering in addition to casinos and the new motor vehicle market.

Personal experience suggests that you need to provide more personal information to obtain a mobile 'phone than to purchase real estate.

The Australian Taxation Office may be the best organisation to control this problem assuming the Office has access to necessary records of citizenship, ABNs, ACNs, tax file numbers and other personal information. Access to the professionals involved can be obtained by existing register of members (Eg CPA, CI, Law Society etc)

Consideration should be given to the involvement in part or in whole of:

Australian Transaction Reports & Analysis Centre (Austrac)  
Department of Immigration & Border Protection  
Australian Securities & Investments Commission (ASIC)  
Real Estate Institute of Australia (REIA)  
Australian Security Intelligence Organisation (ASIO)  
Australian Competition & Consumer Commission (ACCC)  
The Australian Federal Police (AFP)  
Australian Secret Intelligence Service (ASIS)  
Australian Prudential Regulation Authority (APRA) in addition to the

Foreign Investment Review Board (FIRB)

It is useful to refer to what other governments overseas do but the fact is that Australia is a very attractive destination because of its stable government and healthy economy as well as being a very desirable place in which to live. If not right now, then in the future.

Additional buyer's stamp duty is a good idea.

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### Consolidated Consultation Questions

#### AUSTRALIAN TAXATION OFFICE

1. New compliance and enforcement area in the Australian Taxation Office.  
Logical with assistance and information from other agencies of federal and state governments.
2. Data sharing.
  - a. Most of the information is already there or is easily obtained.  
Time delay could be a problem.
  - b. Funding should come from real estate agents (profit from high sales) and reduced needs in government departments when consolidated and shared by federal/states.
  - b. Can be worked out. Integrity of the system is priority.

#### PENALTY REGIME

3. Government knows in part how effective current system is. Must be enforced in a timely manner. Buyers find loopholes, may live overseas, use trusts, nominees, family member, accountant, lawyer.....
4. Penalties extend to any party complicit in transactions

#### APPLICATIONS

5. Charge fees to non-citizens, non-residents. Forms to include residential address, country and date of birth and other identification.  
Foreign ownership register is essential for residential and rural property

#### OFF-THE-PLAN CERTIFICATES

6. Out of control now with mass marketing on websites, foreign language newspapers and through Chinese only speaking agents.

#### AGRICULTURE COMMITMENTS

Not my focus in this submission.

#### MODERNISING AND SIMPLIFYING FRAMEWORK

Opportunity to embrace all governments' agencies and organisations where relevant to address this problem and the property industry generally.

Need to look at what data and information is there and share it in an efficient way.

#### FOREIGN INVESTMENT THRESHOLD CHANGES

This schedule needs to be revised in respect of HERITAGE. There should also be a value guideline for Foreign Government Investors.

Close attention to sections 20-21 of the discussion document.

Section 23: The current penalty of \$85,000 is seen by many as the cost of doing business.

Section 28: Relies on Data Collection, Compliance and Enforcement and "upfront screening".

Sections 29 - 31: Logical and common sense.

Surely the required information exists already unless up front checking is absent.

Real estate agents, conveyancers and lawyers have a professional responsibility.

Section 36: Are "infringement notices" strong enough? Consider if applicant leaves the country or does not provide a sufficient address.

#### Residential Application fees are too low.

I don't believe that fees will be a barrier to foreign investment especially considering the high reported incidence of money laundering.

Section 76: Requirements must include residential real estate. The volume of transactions is being handled now and any duplication can be reduced and expenses saved.

Section 77: Essential but must include real estate agents.

There are many government and other organisations or agencies that collect data and information. Governments both federal and state may have different agencies (eg. NSW Office of State Revenue) handling information.

Obviously identification using Medicare/Centrelink number, Driver's Licence number, passport number, local council rates notice, Valuer General valuation, mobile and other telephone numbers, utilities account numbers, Seniors card number and actual street addresses instead of Post Office box numbers or C/- Accountant/Lawyer/Family member make it easier to identify who is eligible or interested in purchasing property.

The problem may be the time delay in checking information before purchase.

Real estate agents gather data, have a financial interest in high selling prices and should contribute to the cost of a system of administration. They have access to information and the sales data on a local and daily basis.

Lawyers and accountants similarly should check information for compliance. That's their occupation.

#### Please note recent items in The Sydney Morning Herald:

7 February 2015

"On the house: free sales data on cards"

"The NSW government is proposing to throw open its database to provide recent property sales histories for free. (Department of Land and Property Information).

"more than 860,000 real-estate transactions were undertaken in NSW in 2013-2014 and more than 4 million requests for land and property are made to the government each year... make the process of buying a house or land much easier." The government will also look at how to provide the information in an 'open format' to industry and the community for potential app development.

18 February 2015

NSW Office of State Revenue advertisement titled

“Own property you don’t live in?”

Did you know that any property you own but do not live in may be liable for land tax?

.....

All property owners who may be liable for land tax must register by 31 March 2015

The Valuer General provides independent annual valuations of all land in NSW to OSR for land tax purposes

(State governments may have their own effective requirements and systems)

19 February 2015

“As the year of the sheep dawns, you would have to be part merino not to have noticed the huge influence the Chinese are having on Sydney property. There is a discussion about who will be the architect for the development of one of Sydney’s prime addresses – the 1960s Goldfields House at Circular Quay – bought by Chinese developer Dalian Wanda for \$425million. And then there is all this fuss about Chinese investors, “crackdowns” and the like. A \$1500 application fee to buy through the Foreign Investment Review Board is believed to be on the way. It is the agents who are the main catalysts for the 400 per cent growth in Chinese offshore investment in Australia between 2006 and 2014” (University of Western Sydney - Dallas Rogers).

Anecdotal reports are common that buyers are cashed up with suitcases full of cash (\$1million).

March 7 2015

Report in The Sydney Morning Herald and The Age titled Foreign ownership Rush to check visas  
Alarm over crackdown on illegal buy-outs

“industry experts question just how widespread such breaches are among foreign buyers.

On one side are the real estate agents at the coalface of such transactions who say foreign buyers regularly flout the rules, and on the other are the lawyers who say the incidence of foreigners buying illegally is overstated.

“Wang Peng, managing director of Hanva Federal, a Chinese property developer with residential projects in Melbourne and Sydney, said he saw the Australian government rhetoric as a ‘show’ put on to be seen as doing something for home buyers. Mr Wang said the only change that would come into force could be the application fee for foreigners of \$5,000 for properties of less than \$1 million and \$10,000 for every extra \$1million in the purchase price.

He said Chinese property investors would see any application fee as a mere cost of purchasing.

The government increased roll-out of its Significant Investor Visa and new Premium Investor Visa has made that unnecessary for the 651 foreigners who have been granted residency since the scheme started two years ago.

But one Double Bay agent said the auction registration process had exposed some dubious buyers, most recently this week when a foreigner tried to register to bid using his Chinese passport with no residency and no visa.

Other agents say foreigners often buy property in the name of a family member and don’t sell up once their visa expires.”