

Dear Sir/Madam,

RE: FEES ON FOREIGN INVESTMENT APPLICATIONS – FOREIGN NEW HOME BUYERS

The fee proposal for foreign new home buyers is unfair towards the buyers and damaging to Australia.

Overseas buyers are already being limited to purchase of new homes which give benefit to Australia as per the intention of the government to bring in more construction and investment etc. However, they also take huge risk because new homes bear significant premium to established homes in the same location often up to at least 10%. Their valuations are often below the sales price significant, making the financing much more difficult.

Given the benefit to Australia and the risk the new home buyers are taking, it is unfair for new home buyers to be charged with the proposed fees.

FIRB costs

In relation to the enforcement costs for the FIRB, the government should justify the proposed fee regime. It is extremely easy to prove that a home is a new home. The cost of processing the new home FIRB application is no way near the application for established homes or business.

It is misdirected to ask the new home buyers to be charged the same fee with the established home buyers.

Adverse effects on new immigrants

Many buyers of new home are on the pathway to become permanent residents and citizens and potential voters. They buy homes in anticipation that they will work in Australia.

Majority of them are not wealthy as the stereotypes against the overseas buyers would indicate. They often buy mid-range price new homes for the purpose to live in for themselves. They do so early and before their permanent residency in fear that the property price will rise in the future – which it does.

The government alienated these potential residents from the start by subjecting them to unfair and punishing fees.

Alternative:

1. Charge established home buyers because the enforcement is truly high and this is fair.
2. Do not charge purchaser of new home or reduce it to below \$500. \$5000 is punishing.
3. Even if the above are not accepted, create a regime where the enforcement cost for the new home buyers should be recovered AFTER a breach is actually found.

Regards,

Ken Kang