

Manager  
International Investment and Trade Unit  
Foreign Investment and Trade Policy Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

To Whom it May Concern

Thank you for the opportunity to provide feedback on the options for ***Strengthening Australia's Foreign Investment Framework***. As an aspiring home owner, foreign investment appears to be having a major impact on the affordability of housing and the ability of people like myself to secure a home. Breaches of the foreign investment rules therefore come at a huge expense for aspiring home owners like myself, as we are unable to compete with the purchasing power and potentially high numbers of such buyers. This scale of this potential impact and concern from home buyers is evident in Simon Hosking's submission to the inquiry into ***Foreign Investment in Residential Real Estate*** which called for strict enforcement of the foreign investment rules, and which was signed by over 24,000 petitioners. A copy of Simon Hosking's submission and petition is available on the Parliament of Australia website at <http://www.aph.gov.au/DocumentStore.ashx?id=e1a4cf4f-df63-45e5-8641-cbe046586c98&subId=301116>.

Hence, I welcome the options paper proposals to create a compliance and enforcement body and regime with the intention of ensuring that the foreign investment rules are upheld.

Please find below, my feedback on the specific questions raised in the options paper.

**Regards**

**Peter Vun**

## **NEW COMPLIANCE AND ENFORCEMENT AREA IN THE AUSTRALIAN TAXATION OFFICE**

**1. The Government seeks feedback on the creation of a new compliance and enforcement area in the Australian Taxation Office, including:**

**a. Is the creation of a new compliance and enforcement area required to address concerns with foreign investment framework compliance?**

Yes, a compliance and enforcement body which is independent of the FIRB is necessary to ensure that accountability for foreign investment rule-enforcement is clearly separated from the role foreign investment rule-making, of which the FIRB plays a part.

**i. Are there alternative approaches that should be considered?**

An enforcement body must have the appropriate skills and competencies to carry out its objectives effectively. As such an enforcement body which draws on the ATO's capacity in this area is entirely appropriate.

**2. Are there other legislative impediments preventing data sharing between relevant agencies?**

**a. Should the Treasurer and the Australian Taxation Office have authority to obtain information, documents and evidence that relate to potential breaches of the foreign investment framework?**

Yes, the Treasurer and the ATO should have authority to obtain information, documents and evidence that relate to potential breaches of the foreign investment framework.

**b. Should the creation of a new compliance and enforcement area be funded by Government revenue or through the introduction of application fees on foreign investors?**

All compliance and enforcement resources should be funded by users of the system via an application fee on foreign investors. It is not appropriate for Australian tax payers to fund such a system and a user pays approach should be implemented.

## **PENALTY REGIME**

**3. The Government seeks feedback on the proposed changes to the civil penalty regime, including:**

**1. Would a civil penalty regime be an effective addition to the rules to ensure compliance and assist with enforcement?**

**2. Are the proposed penalty amounts appropriate and likely to serve as a deterrent?**

The tier 2 infringement notice penalty for acquiring property without approval are potentially quite low relative to the value of a typical property transaction. Therefore the penalty may not be a strong deterrent in discouraging buyers from skipping approval, as buyers may choose to simply take a chance they may not be detected, knowing that if they are, the penalty incurred would only be \$10,200. A tier 2 penalty of at least \$50,000 would seem to be a more effective amount.

For similar reasons the tier 2 penalty for developer or foreign person failing to

comply with reporting conditions should be at least \$100,000.

**3. Is the proposal to extend accessorial liability an effective way to increase compliance?**

Yes, third party assistance to breach the rules should also be penalised so that deterrence is applied to both ineligible buyers and those that may wish to assist ineligible buyers.

## **INTRODUCING FEES ON FOREIGN INVESTMENT APPLICATIONS**

**5. The Government seeks feedback on the introduction of fees on foreign investment applications, including:**

**1. Should the Government charge application fees on foreign investors to fund screening, compliance and enforcement activities?**

Yes, the Government should charge application fees on foreign investors to fund screening, compliance and enforcement activities. It is not appropriate for Australian tax payers to fund such a system and a user pays approach should be implemented.

**1. Should there be any exceptions to paying the application fee?**

No there should not be exceptions to paying the application fee. A user pays system for all applications is the only appropriate way to fund such a system.