



HD FIRB relies on honesty and 'stern' speech to enforce foreign investment rules on housing

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The Foreign Investment Review **Board** has revealed that it only has eight staff to look at the thousands of annual foreign **purchases** of Australian **residential** real **estate**. FIRB says most state land titles offices also do not routinely record the residency status of **property** buyers, meaning it is largely relying on the honesty of overseas buyers to seek approval for their **purchase**. However, despite the possibility that thousands of foreign **purchases** are going undeclared, the **board's** chairman says he believes many Australians are mistaking local buyers with an Asian background for overseas investors creating a false impression of how many foreign **purchasers** are in the market.

TANYA NOLAN: A parliamentary inquiry has been hearing evidence on the growing presence of foreign buyers in the Australian housing market.

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And it's revealing that the regulations governing such investments are not too closely monitored.

Foreign Investment Review **Board** (FIRB) and Treasury officials have been telling the first day of hearings that they largely rely on the honesty of **purchasers** to follow the rules and that the imposition of penalties for breaches of the rules is relatively rare.

Business reporter Michael Janda.

MICHAEL JANDA: Australia has strict rules limiting what types of **residential property** people can **buy** if they're not citizens or permanent residents.

Non-residents can only **buy** newly built properties, and, while temporary residents can **buy** an existing home, they must be living in it, and must sell it when they leave.

But while the rules are in place, only a handful of staff monitor whether they're being complied with.

BRIAN WILSON: The Foreign Investment Review **Board** on **residential** real **estate** has eight staff.

MICHAEL JANDA: The Foreign Investment Review **Board's** chairman Brian Wilson says that means they largely rely on the buyers declaring their **purchase**.

BRIAN WILSON: The only state land titles office that has a foreign or domestic tick in it is Queensland. None of the others do.

MICHAEL JANDA: And Mr Wilson also points out that there are many ways a foreign buyer can **purchase** a **property** they're not allowed to and his agency doesn't have the resources to check all the **transactions**.

BRIAN WILSON: The properties can be bought in all sorts of ways. They can be bought by individuals, they can be bought by trustees, disclosed or not; they can be bought by corporations; they can be bought by friends, family members, relatives, solicitors etc.

MICHAEL JANDA: Labor MP Pat Conroy asked Treasury's John Hill whether there were any ways to penalise people who helped foreign buyers skirt the rules.

PAT CONROY: Are there any obligations on real **estate** agents or anyone else to be part of this process?

JOHN HILL: That's a good question. The answer is no. The foreign person that acquires the interest is the individual that is captured by our regulatory system.

MICHAEL JANDA: Given these handicaps, it is perhaps not surprising that there are few prosecutions for breaching the foreign investment rules around housing.

The committee's chairwoman Liberal MP Kelly O'Dwyer also questioning Treasury's John Hill.

KELLY O'DWYER: Over time, which the most recent penalties have been in place since 2010, how often have they been used?

JOHN HILL: I think it's fair to say that our penalty arrangement sits as a range of activities at the very peak of what we call our compliance triangle. We don't operate at that point very often. In fact its very rare that we will exercise prosecution activity.

MICHAEL JANDA: So what is the preferred enforcement mechanism when people are caught out breaking the rules? John Hill says they are asked to arrange their affairs so they comply - by selling, or moving into the home.

JOHN HILL: We would certainly speak very sternly to the individuals concerned and say that this is a situation we don't want to continue and if, we will follow it very closely.

KELLY O'DWYER: Could it go on though for a matter of years?

JOHN HILL: Not typically, no.

KELLY O'DWYER: What's the typical time period?

JOHN HILL: Oh, I would be looking to resolve issues within a few months of something like that occurring.

MICHAEL JANDA: Despite the huge holes in data collection that mean FIRB's figures are very unreliable to measure total foreign investment, much of which may not be declared, the **board's** chairman Brian Wilson says he doesn't think foreign investors make up as much of the market as many people think.

BRIAN WILSON: Very often, where we might get a call that says a **Chinese** has bought this house and my daughter wasn't able to do so and it's investigated, yes there are of **Chinese** background but you know, they're a citizen. They live here. We also have 450,000 legal temporary residents in Australia.

They're entitled to **buy** a house under the rules. That's 2 per cent of the population.

MICHAEL JANDA: But until there is better data, it's hard to know how much supposed foreign buying is mistaken identity, and how much is in breach of the rules.

TANYA NOLAN: Business reporter, Michael Janda.

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