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HD **Chinese** buyers could face extra fees
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A proposal to hit **Chinese property** buyers with extra stamp duties or fees is under active consideration by a parliamentary committee charged with finding a solution to the nation's housing affordability crisis.

With the busiest season for real **estate** sales about to start, community concern is growing that cashed-up mainland **Chinese** buyers are pricing Australians out of their own market.

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The parliamentary committee is looking at a number of options, including a charge on Foreign Investment Review **Board** approval for **residential property**.

An even more dramatic measure to be considered by the joint-Coalition and Labor committee – due to report in October – is whether extra stamp duty should be imposed on all foreign buyers. The move could mirror Singapore's 2011 decision to curb excessive offshore buying with a 10 per cent duty.

Proponents argue that as well as generating extra revenue for government, the measure would be similar in concept to the royalties charged by states like Queensland and Western Australia on **iron ore** shipments.

Committee chair Kelly O'Dwyer told AFR Weekend that the body would look at what other countries were doing to address potentially distorting impacts of foreign investment. "Obviously this is an issue that needs to be considered," she said of the capital charge.

The push to potentially impose restrictions jars with warnings by Treasurer Joe Hockey and the Business Council of Australia, which warned on Friday against discouraging **Chinese** investment more broadly in the economy. Other investment experts say FIRB rules had become riddled with inconsistencies.

Ms O'Dwyer, a Liberal MP, indicated the committee would almost certainly call for changes in conveyancing forms to identify the nationality of buyers.

Other potential recommendations would include tough new penalties for foreign buyers who breached FIRB rules. One option would be to introduce a sliding-scale of penalties for offshore law-breakers based on a percentage of the **property's** value.

"We want to make sure the laws are enforced and people have confidence ... that those who don't observe those laws face significant penalties."

The House of Representatives economics committee heard fresh evidence on Friday from FIRB chairman Brian Wilson who said it was "very difficult and very expensive" to police foreign buyers who deliberately concealed their identity to illegally **purchase** existing Australian **property**.

He also welcomed the prospect of using **property** conveyancers to collect information on the identity of buyers and verify their foreign residency status on an electronic form.

"This is the single-biggest cost effective step that could be taken to shine a light on what's happening," he said.

The hearing heard from real **estate** agents that many **Chinese** buyers regarded the potential maximum \$85,000 penalty for illegally buying an existing home as a "cost of doing business" in Australia.

Demand from **Chinese** buyers is expected to stay strong in coming years – particularly in the upper reaches of the market – as they move to shelter capital from the **Chinese** government and provide housing for their children's education, according to industry experts.

However fears that the surge in money from **China** could overwhelm the local market have become inflamed in recent months following the publication in March by investment bank Credit Suisse of a report forecasting **Chinese** nationals would **buy** around \$44 **billion** in **residential** real **estate** over the next seven years.

Stuart Button, First National Real **Estate**'s national communications manager - speaking to AFR Weekend after addressing the hearing on Friday – said his **company**'s agents had found that in key parts of Sydney and Melbourne mainland **Chinese** buyers were likely responsible for one in four of the top end **purchases**.

Mr Button said while foreign investors were helping Australia's economy by funding the construction of new dwellings, there was a growing public perception that they were being outbid by foreign nationals.

"It's a fantastic thing for the economy. For developers to pre-sell to **Chinese**, Indians or whoever enables them to get their projects off the ground and finished, which means rents don't go up and affordability improves," he said.

"But if the general public has a perception the system is failing and foreign nationals are beating Australians out of the market that's a problem that can be addressed by more information."

Ed Husic, the Economics Committee's Labor co-chairman, said he was still weighing the pros and cons of a capital impost, and warned there needed to be a clear objective behind the move. "If it's supposed to calm the market down and the starting point is that you think foreign investment is heating it up – which is still debatable – then you have to know what the impact on demand would actually be," he said. "And how high would such a fee have to be ... it would need to be prohibitive."

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