



**HD** Cashed-up foreign real **estate** investors view \$85k fines as cost of doing business, parliamentary committee told

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New rules, tougher fines and greater enforcement of existing regulations could be the result of an Australian Parliamentary inquiry looking into foreign **purchases** in the domestic real **estate** market.

New rules, tougher fines and greater enforcement of existing regulations could be among the results of a parliamentary inquiry into foreign **purchases** in the domestic real **estate** market.

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Parliament's Economics Committee is investigating complaints that **property** price hikes in major Australian cities may be fuelled by an influx of foreign buyers.

Current rules allow non-residents to **buy** new **property**, but not **purchase** existing dwellings.

The committee has heard that some foreign buyers consider the existing \$85,000 fine for buying existing dwellings just a cost of doing business.

The committee chair, Liberal MP Kelly O'Dwyer, told the ABC criminal penalties were in place but no prosecutions were being pursued by the Foreign Investment Review **Board** because of the burden of proof, where intent must be demonstrated.

"We believe it is worth investigating whether civil penalties ought to be applied and whether more significant fines ought to be applied for people who are contravening the law," Ms O'Dwyer said.

"Currently under the criminal penalties that apply, we are talking about \$85,000 [in fines] that apply.

"Evidence has been presented to the committee that it is simply seen as the cost of doing business for some individuals and organisations who might wish to contravene the current framework.

"We are going to look at what might be a more appropriate figure in our final recommendations to government."

Number of breaches 'could be reasonably significant'

Ms O'Dwyer believes rules are being broken, but says it is unclear how widespread the issue is.

The committee has heard that .

"I am not prepared to put a figure on it. These are some of the questions we are asking and we are yet to get conclusive information on this," she said.

"Suffice to say, it is a very real concern. Evidence has been presented to the committee that would give us cause for that concern.

"Part of the concern we have is that if the structure, the enforcement and the compliance isn't in place, then potentially that number could be reasonably significant."

Reserve Bank assistant governor Christopher Kent told a hearing in Sydney today its low interest rate policy has been more responsible for driving house prices higher than foreign investors.

He said that most of the recent demand had come from local residents.

"The rise in prices has primarily reflected increasing housing demand from Australian residents and citizens partly owing to the low level of interest rates," he said.

"The supply of housing is responsive to a rise in housing demand but given the time that is needed to plan to build new housing that typically occurs with some lag."

The Government and committee members believe foreign investment in real **estate** benefits Australia and the economy, but there are concerns about regulation and enforcement.

The committee's deputy chair, Labor MP Ed Husic, has raised concerns about the so-called "shadow banking" market in **China**, a system that usually lacks regulation and oversight.

"With the rise of the shadow banking system in **China**, where people are going outside of the banking system to be able to finance investment, there are some concerns about the quality of the loans and whether or not they will actually be durable," Mr Husic told the ABC.

"If those loans are being used to finance development in Australia, and if they fall over, what is the exposure of the Australian banking system to that?"

"I think these are things we are very keen to pursue and we will be looking to talk to the Reserve Bank further about that in due course."

Australian Bankers Association and **residential** developer Harry Triguboff from the Meriton **Group** are also scheduled to appear at today's meeting.

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