



**HD Foreign buyer rule enforcement needs strengthening: committee**

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**WC** 660 words

**PD** 27 November 2014

**SN** Australian Broadcasting Corporation (ABC) News

**SC** ABCNEW

**LA** English

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A parliamentary committee has recommended stronger enforcement of rules around foreign **property** investment.

In particular, the committee has urged the Government to bring in tougher penalties for breaches and more resources to detect illegal real **estate** buying and ownership.

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The Commonwealth Treasurer Joe Hockey earlier this year tasked the House Economics Committee with looking at how effective the rules around foreign **residential** real **estate** investment are.

After six public hearings and 92 submissions, the committee has found that the rules themselves are sound, but that the Foreign Investment Review **Board's** (FIRB) enforcement of them and penalties for breaching them are grossly inadequate.

The committee's chairman, Liberal MP Kelly O'Dwyer, said there has been no court action for breaches of the rules since 2006 and it "defies belief" that there have been no breaches over that period.

"There has been a significant failure of leadership at FIRB, which was unable to provide basic compliance information to the committee about its investigations and its enforcement activity," she told Parliament when tabling the report.

The report identified four key weaknesses in the foreign real **estate** investment regime: a lack of timely data; inadequate investigation and enforcement; weak penalties; and a lack of resources for FIRB.

Recommendations for reform

That has led the committee to make 12 recommendations to strengthen the enforcement and effectiveness of the current rules, which limit overseas resident non-citizens to buying newly built, rather than established, properties.

The key recommendations are:

The collection of a fee from would be foreign **property** investors to fund FIRB's investigation and enforcement operations - Parliamentary Budget Office finds that a \$1,500 charge would raise \$158.7 million over four years;

Civil penalties for breaches of the rules linked to the value of the **property**, up from a current \$85,000 maximum penalty;

Fines for any third party (such as lawyers, conveyancers, developers, real **estate** agents or family) who knowingly assist foreign buyers to breach the rules;

The Government to collect any capital gains made by foreign investors who illegally **purchased** established **residential** properties;

The introduction of a national land title register to record the citizenship and residency status of real **estate** buyers;

Greater data sharing between the Immigration Department and FIRB.

## Mixed reaction to report

The committee's Labor deputy chairman Ed Husic has condemned much of the report as a "new tax grab" on foreign investors, prompted by racially charged media reports.

"While some good might have the chance to emerge from the inquiry, and some modest compliance measures might make the light of day, one hopes this report dissolves from memory and fast," he told Parliament in reply to Ms O'Dwyer's statement.

Joe Hockey was asked at a press conference this morning whether he would act on the report.

"I haven't read the report. If FIRB needs to be fixed, we will fix it," he responded.

The Housing Industry Association's chief economist Harley Dale said foreign investment has been important for boosting **residential** construction, but a modest fee is unlikely to significantly reduce overseas interest.

"It's unlikely to materially have an impact on the demand for new housing, and nor would you want it to, because that new housing is playing a very important role in growing the broader domestic economy," he said.

The most recent FIRB figures found that foreign **residential property** investment in the first nine months of last financial year was worth \$24.8 billion, up 44 per cent on the amount approved over the entire 2012-13 financial year.

The 2012-13 figures show that real **estate** **residential** and **commercial** was the biggest sector of foreign investment in Australia worth a total of \$51.9 billion, the majority of which was **commercial**.

**China** was the biggest source of that investment (\$5.9 billion), with Canada (\$4.9 billion) and the USA (\$4.4 billion) close behind.

**NS** e51 : Trade/External Payments | ecat : Economic News  
**RE** austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania  
**IPD** FIRB  
**PUB** Australian Broadcasting Corporation  
**AN** Document ABCNEW0020141127eabr0000a