

# *Dwyer Lawyers*

## **Principal**

*Terence M. Dwyer FTIA*  
*B.A. (Hons), B.Ec. (Hons) (Sydney)*  
*M.A., Ph.D. (Harvard), Dip. Law (Sydney)*

## **Senior Associate**

*Deborah R. Dwyer FTIA*  
*B.A. (cum laude), M.A. (Smith)*  
*LL.B. (ANU), LLMCL (NTU)*

11 March 2015

Manager  
International Investment & Trade Unit  
Foreign Investment & Trade Policy Division  
Markets Group  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Dear Sirs

## **AUSTRALIA'S FOREIGN INVESTMENT FRAMEWORK**

I make the following observations on your options paper.

1. There is no such thing as “investment” in an economic sense when land is purchased. No productive capital is created. An existing natural resource is merely transferred from one owner to another. Adam Smith saw that, so did John Stuart Mill and a host of other economists. I assume the point is not controversial.
2. It follows that Australia’s national interest is not served by allowing passive land acquisition or speculation by anyone. Our national interest lies in land being made available to our young people (not aliens) and productive Australian enterprise.
3. Therefore, why not simply do much as Queensland did in the 1920s and introduce a land value tax, say, at 4% on unimproved value, on all land held by persons who are not Australian citizens or permanent residents or held by companies which cannot show a majority of Australian natural person shareholders?
4. You might actually get some money to help fix up your deficits instead of wasting money on more compliance bureaucracies.

*Suite 4, Level 2, 161 London Circuit*

*GPO Box 2529, CANBERRA CITY ACT 2601, Australia*

5. Incidentally, you may be able to save yourselves the need to worry about capital gains tax from foreign holders of Australian real estate. You would be collecting as you go, substituting a steady revenue source for an unstable one.
6. It is true there could be avoidance by putting in dummy local owners, but unenforceability of unlawful contracts plus penalties would be easier to apply in these cases than Part IVA in income tax. Universal application of land value taxation would, of course, render the problem moot. In any case, your current proposals are even more avoidable by those seeking professional advice, so you may as well make some money for the Crown out of this business.
7. Finally, I note that aliens cannot vote (even if they can attempt to bribe or suborn). Grabbing money from people is never popular but, please, do a bit better than the last Budget and try to grab it from (a) land rents (taxation of which does not adversely affect production) and (b) non-voters (who cannot cost your Treasurer and Prime Minister their jobs).

Finally, I note that Sir Joseph Carruthers, founder of the Liberal Party in NSW, in his Political Memoirs, was quite proud of taxing unimproved land values as a world first.

Yours faithfully

Terry Dwyer