

[Oak Laurel](#)'s submission to the STRENGTHENING AUSTRALIA'S FOREIGN INVESTMENT FRAMEWORK Consultation paper.

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Att:Manager
International Investment and Trade Unit
Foreign Investment and Trade Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

To whom it may concern,

I am writing to make a submission about the proposed reforms to strengthen Australia's foreign investment framework, particularly around residential real estate and agriculture.

I would like to start by disclosing my interest in the issue. I am the owner or a [mortgage broker](#) business that includes offering services for temporary residents ([work visas](#) such as [457 visas](#) and other visa holders) and [foreigners borrowing to purchase Australian real estate](#).

I will restrict my comments to the section of the proposal on residential property.

Though the drafters of the proposal made a good attempt within what must have been their terms of reference/brief, after reading and evaluating the proposal I am generally opposed to it.

It is unclear what problem(s) these proposed new policy measures are solving and based on the speculation about this proposal in the media it is unclear to many others. Good policy should be introduced to solve a problem, however there is no mention of the problem in the options paper nor was there a discussion of the pros and cons of any options.

If the new measures are to increase accessibility of the Australian property market for first home buyers then the new proposed measures unlikely to achieve this and may in fact have the opposite impact!

The proposed new tax on temporary residents seems especially excessive, as the Government well knows, many temporary residents eventually become permanent residents and citizens of Australia. The new tax is effectively increasing the property cost for some of the first home buyers that the new proposed measure is supposed to be helping.

Regarding the proposal I also note:

1. The application fees for foreign investors and particularly for temporary residents appear excessive.
2. If the Government were to persist with the fees, the fees should be a % of the property value instead of a tiered system as the brackets in the tiered system are far too broad and penalize those purchasing less expensive properties (an less able to afford the new tax) or properties at the bottom of the bracket/tier.

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3. The fee system penalizes migrants many of who initially come to Australia on a temporary visa, as under the proposed system they would need to pay more for their property purchase.
4. Encouraging foreign investment in new properties increases Australia's housing supply which given migration is much needed. Decreasing the investment attractiveness of Australia's property market by levying extra taxes on foreign investors may result in less investment and less new dwellings being constructed and thus increase property price growth in the Australia property market due to further undersupply.
5. The citation of Hong Kong and Singapore introducing levies on foreign property buyers is out of context as it appears the levy in these countries is designed to discourage foreign real estate buyers. Australia's current approach is to require foreigners to purchase new properties which is actually a better approach as it increases the supply of real estate. Discouraging foreign investment in new properties by imposing a new tax is likely have the impact of reducing housing supply and increasing property prices.
6. Foreign buyers investing in new properties has positive impacts on the economy by creating jobs in the construction industry.

If the Government would like more information on real estate purchases it should implement measures to better collect the required information. This can be done in a way that is at no or negligible cost to buyers who are doing the right thing. Buyers doing the right thing and applying to the [Foreign Investment Review Board](#) (FIRB) are being charged to investigate those who have not applied to the FIRB, this does not appear equitable. Given that there are currently legal 'loop holes' that allow foreign property buyers to control Australia property without needing to own it (regardless of if the property is new or established) the proposal to be able to better investigate seems a moot point.

If the problem being solved is making the property market accessible to first home buyers then there are other ways that this should be attempted as the proposed measures will not achieve this.

Sincerely,

Nigel Abery

Principal mortgage broker @ Oak Laurel