



REIA

REAL ESTATE INSTITUTE
OF AUSTRALIA

REIA RESPONSE TO THE *FOREIGN ACQUISITIONS AND TAKEOVERS LEGISLATION AMENDMENT BILL 2015* AND EXPLANATORY MATERIAL

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PREPARED BY

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The Real Estate Institute of Australia (REIA) is the peak national association for the real estate profession in Australia.

The REIA's members are the State and Territory Real Estate Institutes, through which around 75 per cent of real estate agencies are collectively represented. The 2011 Census records the Rental, Hiring and Real Estate Services Industry employment sitting at a total of 117,880. By occupation the key data recorded by ABS Census were 64,699 business brokers, property managers, principals, real estate agents and representatives.

The REIA represents an important element of the broader property and construction sector which together makes a significant contribution to Australia's social climate and economic development. Property contributes \$300 billion annually in economic activity.

Importantly, REIA represents an integral element of the small business sector. Some 99 per cent of real estate agencies are small businesses and 11 per cent of all small businesses in Australia are involved in real estate. Only 0.6 per cent of businesses employ 50 or more persons.

REIA is committed to providing and assisting research and well-informed advice to the Federal Government, Opposition, professional members of the real estate sector, media and the public on a range of issues affecting the property market.

The REIA welcomes the opportunity to provide a response to the *Foreign Acquisitions and Takeovers Legislation Amendment Bill 2015* and Explanatory Material.

Introduction

REIA has been deeply involved in the process of achieving changes to the regulation and administration of foreign investment in residential so that it achieves its goal of improving housing supply and that it is not contrary to Australia's national interest. REIA made a submission to the House Standing Committee on Economics Inquiry into foreign investment in residential real estate and was subsequently invited to appear before the Committee. It has subsequently met with the Chair of the Committee on a number of occasions and discussed a range of matters. Following the tabling of the Inquiry Report by the Committee in late November REIA has met with Treasury to discuss its Discussion Paper.

REIA has previously indicated that the proposals are broadly consistent with the position REIA took in its Submission to last year's Inquiry. This remains the case with the Bill and Explanatory Material. We congratulate the Government on its proactive and genuine dialogue with REIA on these broad and sweeping reforms.

In REIA's response to the Treasury Discussion Paper it suggested that provision needs to be made for foreign investors bidding at multiple auctions and to avoid the need for such buyers having to pay fees for each auction attended. REIA is pleased that this has been incorporated in the Bill and Explanatory Material with one fee being payable to cover a six month period (for a new section 64 certificate).

REIA does however understand that the intention of the ATO is that if a buyer has not bought a property in that time frame they will be required to apply again and pay another fee.

REIA does not think that this is reasonable for a potential buyer who has been active in seeking a property. The lack of success is most likely attributable to failing to find the right property at the budgeted price. All potential home buyers – be they first home buyers, up graders, investors or foreign buyers – have the same experience in finding a suitable property. After consultation with our members we have ascertained that it is not uncommon for this to take much longer than six months. A further complication may arise if a long settlement period is agreed to. To be penalised by the way of an additional fee does not appear to be either just or justified. They should be able to apply for an extension of time without incurring an additional fee.

REIA recommends that where an approved foreign buyer, having already paid an application fee, requires additional time to purchase a property they should be permitted to do so without incurring an additional fee after seeking approval for such an extension.