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Submission to the Inquiry into foreign investment in residential real estate By the House of Representatives Standing Committee on Economics

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by concerned citizens Jeremy Hearn, D.Leo King, Jim Logan-Bell Keith Maggs, Z. Frankenfeld,

We do not share the Committee's assumption of the invariably beneficial effects of foreign investment.

While in the past, foreign investment brought technical knowledge and capital that we did not have, I believe that current foreign investment in industry and rural land and residential land is often driven by a desire to manipulate world markets through vertical integration and to 'warehouse' money in what is seen as a safe place. This warehousing artificially increases the value of Australian property, contributing to the current price bubble. Australian citizens are put at great financial risk by the potential for a fast sell-down of property due to international causes.

Industry and agriculture

The National interest in the sale of businesses or Agricultural land should include a specific requirement that the sale is not likely to reduce the exposure to international markets for the Australian products. This should discourage vertical integration of supply chains and consequent profit shifting.

Residential Property

There is no apparent need for anyone who is not an Australian citizen to own property in Australia whether that be residential or other. Leasing is time-honoured and readily available.

We believe most issues can be quickly solved by allowing only citizens to own land and all others to rent or lease.(extant in the majority of countries world-wide)

We am concerned that an expansion of the federal bureaucracy and attendant costs and inefficiencies is proposed when mechanisms for property control already exist at state level. We propose that consideration be given to an extremely simple solution that will provide both the authorities and citizens alike benefit that will also allow interested parties in any land transaction proper data for sound economic decisions.

Basic Premise

All land in Australia and its territories is registered at a titles office. The ownership of each title is known. Currently the only unknown is the beneficial ownership that occurs for Corporations, Trusts and Partnerships.

Every Sale of land must be registered in order convey title to the purchaser and collect the relevant taxation involved in land transfers.

The system below is appropriate if non-citizens are permitted to own land but can be simplified if the recommendation that only citizens can own land is followed.

Proposal

We propose that various titles office's be required to add a column to their existing databases (far cheaper than expanding the FIRB and creating a new database) for citizen or non-citizen, and for the latter a further column describing the non-citizens status and expiry date.

If a corporation, trust or partnership then beneficial owner(s) and/or the current directors of a public corporation.

The Onus for recording the details should be on both the seller and purchaser of the land to ensure that proper ownership bona-fide are registered

It should treated no differently than a section 73 transaction that accompanies the sale with a strong penalty for false or misleading information.

The ownership in any conveyancing transaction to be accompanied by a sworn declaration of the ownership bona-fide that is accompanied by an authorised true and correct copy of the bona-fide documents.

Similarly any purchaser must provide the same relevant documentation to the seller and/or sellers agent before any bid or offer the onus on the seller or agent to ensure the documents meet the requirements.

Thus the costs of the protections assumed in this proposal are borne by the transferees themselves not the taxpayer.

This simple step would over time list the ownership electronically for all real estate in Australia and provide accessible database reporting for all classes of ownership to the FIRB for compliance and data matching with, as an example, immigration for various visa classes. Such electronic reports are unlikely to require a FIRB expansion and any contemplated minimal at best.

Further Options

It is our view that all property transactions be transparent electronically to public on who owns the property their citizenship status, and the last price paid for the property.

It is a common economic concept that market information is imperfect and the more information known the more likelihood of market efficiency. The data is already collected and should be available to all and this measure alone will satisfy a number of anomalies that

secrecy for its own sake engenders as well as the original complainants that caused the committee inquiry.

- The taxpayer has paid for the data and is therefore entitled to access it without intermediaries
- All citizens have a prima-facie facie right to know who or what owns the land in Australia and its relative value
- Provide a proper valuation base for any property (seller and buyer benefit)

Non Compliance

Due process before a court with the following mandatory penalties

1. Agents of any type - loss of licence
2. Non-Citizens cancellation of the transaction and sale at public auction
3. Non-Citizens Visa cancellation and deportation
4. Australian citizens acting on behalf of a foreign power, individual or corporation 2 years imprisonment. The period chosen provides that the person may not be eligible for public office or particular employment after conviction where trust is a criteria.

NB Non-citizen classification extends to permanent residents.

Thankyou for your consideration