

The REIA has already written to the Treasurer on this matter expressing its concerns regarding the change in the threshold.

Below is an extract from that letter:

The initiative of changing the threshold for foreign resident capital gains tax withholding to \$750,000 from the current \$2 million is, in REIA's view, unnecessarily low and means that agents and conveyancers will be subject to additional red tape and costs for no valid reason.

The table below shows that, based on data in the latest Foreign Investment Board Annual Report, that 76% of foreign purchasers bought in NSW and VIC and that the average purchase price was \$1.6m. QLD accounted for a further 17% of properties at an average price of \$2.5m. The remainder of the

states and territories account for 7% of properties purchased by foreign owners and the average price across Australia was \$1.8 m.

The table also shows that the proposed \$750k threshold means that half the properties sold in Melbourne and Sydney will be subject to the withholding provisions yet foreign investors are buying properties at double this value.

In REIA's view the proposed threshold of \$750k is unjustifiable. If the threshold was to be reduced it should be no less than \$1.5m.

	NSW	VIC	QLD		SA	WA	ACT	TAS	NT
PERCENT OF FIRB APPROVALS 2015/16 ^[1]	32.2	43.7	16.7		2.2	4.1	0.7	0.2	0.05
AVERAGE PRICE OF APPROVAL (\$K) ^[2]	1,597	1,601	2,511		1,075	2,217	601	440	Unknown
PERCENT OF PROPERTIES SOLD OVER \$750K ^[3]	60.3	45.8	BRIS	G COAST	6.1	5.7	20.0	Negligible	Negligible
			10.6	13.7					

^[1] From FIRB 2015/16 Annual Report

^[2] From FIRB 2015/16 Annual Report

^[3] From REIA data for March quarter 2017. Relate to capital city rather than state.

An additional concern for REIA is the limited scope for an education campaign with a 1 July 2017 implementation. When the withholding tax was first introduced it applied to far less property and involved far fewer markets yet far more time was available for the REIA to work with the ATO in educating agents. This isn't simply a case of letting agents know of a new threshold. There are a whole new set of agents in additional markets involved. A delay by 6 months would be more appropriate and introducing it part way through a financial year should be acceptable as the withholding tax was first introduced in the middle of a financial year.

REIA seeks the Government's reconsideration of the matters raised.

Should you wish to discuss this further I am happy to do so.

Jock Kreitals
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Real Estate Institute of Australia

