

**Senate Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**Treasury Portfolio**  
Additional Estimates  
2016 - 2017

**Division/Agency:** Foreign Investment Division  
**Question No:** 257  
**Topic:** Foreign Investment Framework 2017 Legislative Package Consultation Paper  
**Reference:** Written  
**Senator:** Ketter, Chris

**Question:**

Referring to the Foreign Investment Framework 2017 Legislative Package Consultation Paper that was released on 8 March 2017:

1. When was the decision made to release this consultation paper?
2. Who made the decision?
3. When was the Foreign Investment Review Board advised of this consultation paper?
4. Which specific settings from the 2015 reforms may have incentivised non-compliance and have had distortionary effects in relation to residential land? Why would these settings have caused the non-compliance and distortionary effects?
5. Why are there some lower sensitivity investments still subject to the framework in relation to non-vacant commercial land?
6. What kind of “low value and low sensitivity investments” are being captured in the framework in relation to low sensitivity business investment? What is the level of regulatory burden that has been reported in relation to these investments?
7. What specifically about the fees framework has been found to be difficult to apply and burdensome to administer?
8. Provide details of which fees vary with the form of the investment. Which fees do not vary with the form of the investment?
9. Has Treasury, since September 2015, done any modelling or analysis of policy proposals that might limit or halt foreign investment into new dwellings?

**Answer:**

On 8 March 2017, a consultation paper was released on the Foreign Investment Framework 2017 Legislative Package (Paper). The Paper seeks formal views from stakeholders on a suite of proposed changes in the areas of residential land, non-vacant commercial land, low sensitivity business investment and fees. The proposed changes aim to address unintended consequences stemming from the 2015 reforms to the foreign investment framework and address opportunities for red tape reduction.

In relation to residential land, broad pre-approval through an exemption certificate can only be granted for foreign persons wanting to purchase an established dwelling or for property developers wanting to sell new dwellings to foreign persons. Foreign persons wishing to purchase a new dwelling or vacant residential land need to apply individually for each property they are considering, even if they only want to make one purchase. This results in higher fees and application costs compared with an established dwelling exemption certificate as multiple applications may be required.

There may be a higher than desirable regulatory impost on business proposals that are of low sensitivity and have to be notified. Foreign government investors in particular have voiced concerns about the degree of regulatory burden since foreign government investor screening requirements were brought into the legislative framework. While this provided more certainty, these investors are also now required to notify certain acquisitions under the legislation regardless of the size and value of the investment, pay fees, and are subject to potential penalties for non compliance.

Fee complexity stems from different fees for different acquisition types, with some fees tiered on a sliding scale based on consideration. For example, a \$20 million commercial acquisition could attract a fee of \$10,100 for vacant commercial land, \$25,300 for an acquisition of securities, \$101,500 for agricultural land or \$203,000 for residential land. In some cases, significant work has to be done to identify the actions that are being notified under the framework and then confirm the correct fee. This has added complexity in administering the system and in some cases has adversely impacted timeliness in processing applications.