

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2017 - 2018

Division/Agency: Social Policy Division

Question No: 275

Topic: Charge on foreign owners of underutilized residential property

Reference: Written

Senator: Ketter, Chris

Question:

1. Who will be responsible for monitoring this measure?
2. Does Treasury have any involvement in the implementation and operation of this measure?
3. Can you outline specifically how you will be able to determine whether the property is not occupied?
4. Can you outline specifically how you will be able to determine whether the property is not genuinely available on the rental market?
5. You have assumed revenue of \$20 million over the forward estimates – in this costing what is the assumption for the average charge that would be paid, and the numbers of foreign owners that would have to pay this charge?
6. What is the assumption in the costing, over the forward estimates for the numbers of vacant properties attributable to foreign owners? Do you have a state-by-state background?
7. Do you have figures for the total number of vacant properties in Australia? Do you have a state-by-state background?
8. What is the behavioural assumption that has been made in this measure for foreign owners of residential property that would make their properties available for rent – that is, from this measure, what is the number of increased dwellings assumed as a result of this measure?
9. Did you consult with the States and Territories in relation to this measure?

Answer:

1. The ATO will administer the vacancy charge. The ATO has responsibility for administration and compliance of residential real estate applications under the foreign investment framework. The ATO will use existing residential real estate administration and compliance mechanisms to implement and administer the vacancy charge.
2. As foreign investment policy owner, the Treasury will continue to work closely with the ATO in relation to the vacancy charge.
3. The ATO will be able to identify the owners to whom the charge will apply through the existing FIRB application process which occurs before a property settles. Foreign persons who make a foreign investment application for residential property after 9 May 2017 will be required to make a declaration as to whether their property was occupied or not.
4. The ATO will match FIRB application details and land register data with third party information to identify discrepancies. In some cases foreign investors may be required

to provide evidence that a property was occupied, or that it was advertised for rent at market rates or a leasing agent has been engaged.

5. The vacancy charge payable will be equivalent to the relevant foreign investment application fee paid by the foreign investor on application of Foreign Investment Review Board (FIRB) approval. The FIRB application fee is a sliding scale calculated on the price of the property, therefore the vacancy charge payable may differ for each property. The costing focuses on the revenue raised from the vacancy charge and makes only high level assumptions on properties for which the vacancy charge will not be paid.
6. The costing was completed at an aggregate level and not on a state-by-state basis.
7. No.
8. There are a number of factors that influence a person's decision to rent their property. Costs incurred to make a property available for rent will differ widely based on geographical location, demand and supply for properties and the individual property.
9. No.