

## **Review "the economic benefits of foreign investment in residential property"**

### **Summary of submission**

**Foreign investment in residential property in its current form is against our National interest.**

#### **Option1**

**Until procedures are developed and implemented with FIRB and Estate Agents to collect Rental Income Tax, CGT and Land Tax, we should ban Foreign Investment in residential property. Residential property should be provided for tax payers and citizen of Australia only.**

**The free tax in CGT, free tax in Rental Income and free tax in Land Tax to foreigners are creating huge house bubble, bubble economy, increase Foreign Debt, increase Budget deficit and enslave 90% of our population.**

**Any MP supporting Foreign Investment in Housing in the current form is not wise and Against our National interest.**

#### **Option2**

**Postpond the Foreign Investment in Housing until the following processes are accepted and implemented.**

**Improve FIRB records to include passport detail for each individual unit/house.**

**Update FIRB and Estate Agents procedures to record, report and verify source of fund to deter Money Laundering in housing.**

**Amend current FIRB policies to impose 20% Sale Tax for foreign buyers as infrastructures and services tax.**

**Impose a Capital Gain Tax (CGT )against the seller using the passport detail. Apply the same rule to investors.**

**Impose a yearly land tax and rental income tax.**

#### **Option3**

**Implement changes 1-6 in part2 of solutions for affordable housing, improve tax revenue, creating a healthier society and deter money laundering in Australia housing.**

A good government will provide affordable housing to its own people, especially young couples. They are the foundation for our country. Foreign investment in residential property in its current form is against our National interest. It has created house bubble, bubble and fault economy. It is a flawed justification that it creates work and supports our local industries. It is a bad policy to sell our houses to foreigners with FREE rental income Tax, FREE Capital Gain Tax, FREE Land Tax. It is unfair practices to local investors who will pay all these 3 taxes.

I am writing to you to highlight the unfair free tax for Foreign Investment in Australia Housing, poor record keeping and corrupted practice in FIRB, Money Laundering and Negative Gearing in Australia in part a).

Members of Parliament (MP) are elected to work for the benefit of whole society, not just selected groups such as developers, Estate Agents and rich investors.

The current FIRB will benefit the top 5 to 10% of population such as developers, rich investors and Estate Agents at the expense of the average Australia. The FIRB is making the rich get richer and the poor get poorer.

Foreign investment will increase stocks and prices. These increases will increase our External debt higher than \$1.5 trillions (number 12 in 188 countries, investors borrow more for housings due to increase in stocks and prices) and higher Account Deficit in Government Budget (number 11 in 188 countries, more free taxes for foreign housings will be transferred to overseas, more and higher rental assistance due to increase in housing stock )

In Part b) I am suggesting some ideas as solutions to provide affordable housing for our children, minimize Negative gearing, improve tax revenue and deter Money Laundering in Australia.

Foreign Investment in Australian housing is Against our National Interest, creates House Bubble, economic bubble, enslaves ourselves to higher repayment in housing rental and mortgages.

The reasons are:

It creates bubble in housing and bubble economy.

Australia citizens will be slaves to foreign owners of our new land lords in higher rental charges. Our government will lose billions of dollars in lost revenue in rental income, Capital Gain Tax and Land Tax.

It is corruption in our government policy, developers, Estate Agents and current FIRB.

Our house price has been pushed up to \$1m+ for many suburbs in Sydney and Melbourne. The Chinese government are applying new control and rules in house price in China and also chasing up corruption money. Many officials and rich investors from China are diversifying their

huge cash on properties in overseas.

Canada has closed its door for visa migration. Singapore and HK have applying new taxes for purchase by foreigners.

It creates a bubble in housing and economy.

It is only Australia FIRB policies and governments are helping foreigners to buy our existing and new houses with free TAX in Capital Gain Tax, Free Rental Income Tax and Free Land Tax at the expense of 1st home buyers. Foreigners may be given the tax free of 1st home grant to buy new apartment in Australia!

Flaw and conspiracy policies in Foreign Investment Review Board (FIRB) are assisting foreigners to buy and control Australia housing. Without a TFN, foreigners and non residents do not pay TAX on Rental Income, Capital Gain Tax and Land Tax in buying new and existing houses in Australia. Unfair practices and corruption in FIRB, Developers and Real Estate Agents are assisting money laundering in Australia housing and at the expense of 1st home buyers.

Review Cost and impact of Foreign Investment on housing in Australia

Loss of repayment as loan interest to our banks. Local investors will borrow 80 to 95% from bank for investment on housing in Australia, eg A loan of \$800k for purchase of a \$1m house at 5% interest is \$40k on interest. Foreign investors buy Australia houses with cash or borrow money overseas and hence will not contribute interest payment to our banks.

Loss of rental income. Foreigners will use his house as holiday house, pocket the rental or leave as a vacant house until it sold to another foreigners at a better price. Hence our subsidised rental from our tax payers will be transferred to a foreign country.

Loss of Capital Gain Tax. Local investors have to declare his sale of properties and pay CGT on their Tax return. Foreign investors have no TFN and will not pay CGT on sale of properties. Encourage speculation and inflate housing prices.

Loss of land tax revenue. Without an Australian Tax File Number(TFN), or good reliable records with FIRB and Real Estate Agent, foreigners will not pay land tax to state governments.

It is unfair competition to local investors. Local investors contribute interest payments to our banks, declare rental incomes, pay GST and Land Tax to Australia Governments, whereas foreigners are exempted from these taxes.

Foreigners deprived 1st home buyers from owning a home in Australia. Rich foreigners paid higher or more than 20% above reserve in auctions.

Our house prices have been pushed to \$1m+ in many of our suburbs. It is more than 10 times of our average income of \$80k per year. Our house prices have been inflated and unaffordable. It is unfair government policies in FIRB to create these problems for its own tax payers.

Assisting money laundering in Australia housing. Many of foreign investors use different identities to buy our houses with cash or unknown source of income.

Wasting of resources and creat ghost houses. Many of the foreign housing are empty houses without occupancy for most part of the years. It is waste of housing resource and fault economy. Search on Internet on over developed ghost houses in China.

A sample of Internet news on problems with our housing bubble in Australia are:

Shunned Chinese buyers to turn from Canada to Australia - The Sydney Morning Herald, 24th February 2014. Beijing goes hunting for overseas real estate bought with dirty money - Quartz Chinese Homebuyers Thronging Sydney Make Mini-Bubble Frenzy - Bloomberg China Money Laundering: Wealthy Chinese Transfer Assets Overseas by ... Google Search: Negative gearing has worsened the housing crisis and cost ... propertyobserver

### **a) Housing Bubbles, Money Laundering and Negative Gearing in Australia**

1) Laundering cash from China creates house bubble and unaffordable housing in Australia.

Why are we selling our houses to foreigners and overseas students without a tax file number? Many of these overseas investors are speculators. These rich foreigners and migrants who have never paid any Australia tax are pushing our housing price to \$1,000,000+ in many of our suburbs with cash or unknown sources of money.

Where are our policies to provide affordable housing for our children?

2) Unfair competition.

Our young couples earning an average income of 80k before tax or less than 60k after tax are all stressed out to compete with these rich new migrants or foreigners. It is unfair competition.

3) Money laundering.

Many of the foreigners are buying our new units and houses with unknown sources of money or cash from corruption. Where are our laws and enforcement against money laundering? Our current poor policy with FIRB and the Estate Agents are assisting Money Laundering in Australia by converting large amounts of cash (\$m) into our houses at the expense of our 1st home buyers. The policies are disgraceful.

4) Unhealthy society.

The winners are the developers getting inflated prices and sales people getting higher commissions from foreigners on new or existing housing. It is a disgrace that many of these new houses may not be rented to our residents as these foreigners will get a better price for new or untouched houses. We are creating ghost houses and unnecessary tall and high density housing.

5) Slave to high mortgage and unfair competition.

It is unfair competition for the first home buyers to save enough deposit from after taxation and to have a huge mortgage on their housing loan. A \$1m dollar house is more than 10 times their salary, especially after tax. They will become slaves for life for their mortgage. They will be paying \$48k in interest for an \$800k loan at 6% interest rate. The higher mortgage will create stress for the family. Young couples cannot afford to have families as they need two incomes to service the loan. Our other industries will also suffer as all spare money will be sucked up by high rental or high mortgage repayment.

6) Lost Tax revenue in CGT and rental income.

Without Tax File Numbers, these foreigners will not pay tax on rental income, Capital Gains Tax on sale and Land Tax. This will result in lost revenue to our Tax Department and it is unfair competition to local buyers who will pay CGT on sales and tax on rental income.

7) Undeclared overseas business and income.

Many of these rich migrants will have undeclared overseas business and income. Some of the men

will return to China to continue their business and leave the wives and children in Australia. Some of these dependents will claim on Centre Link for social support or benefits. It is extra burden on our Tax payers to support them and some of them are cheating our Centre Link and our social system.

8) Cost of Negative Gearing to Tax payers.

The negative gearing encourages speculators on housing, pushes up demand, price and offset income from high income earners. This creates excessive wealth for the more wealthy at the expense of tax revenue lost to government and create higher house prices for 1st home buyers.

**b) Proposals for Affordable housing, improved tax revenue and stop money laundering.**

**1) Reduce Investment Visa applications.**

We must learn from Canada and the UK to amend the Investment Visa Programs to reduce applications quota to a minimum. Our economy and housing have been inflated and distorted as many of these rich migrants may have acquired their wealth from corruption and Tax evasion as most of them are paying cash. Australia will become an easy target for their exploitation as they will use the same skills to accumulate their wealth in Australia at the expense of other tax payers. We are assisting money laundering by converting corrupt cash for our housing and at the expense of housing for our children.

**2) Recover lost revenue in CGT and rental income from foreign investors in housing.**

We should follow the Singapore Government to institute rule to charge 20% sales tax on all property transactions for foreigners and corporations. Local investors pay CGT on sale and rental income on rental properties on their tax returns. Oversea buyers or foreigners will not pay CGT on sales or rental income if they have no Tax File Number. To compensate this tax loss, we should charge the buyer a 20% sale Tax on purchase and charge the seller 50% of CGT on sale e.g.  $CGT = (Sale - Purchase) * 50\%$ . . (How the Fed saved Singapore - J.J. Zhang's Winner Take All - Market Watch )

**3) Promote long term investment and maintain affordable housing.**

Remove the 50% discount on CGT and reintroduce the CPI to offset CGT on sale of properties. This will reduce short term property speculators to make big profits in a short time. The 50% discount on CGT has encouraged speculation for short term gain and has inflated housing cost for first home buyers.

**4) Report and stop Money laundering in housing to remove unfair competition.**

Review and update Foreign Investment Review Board (FIRB) functions to keep accurate records on all foreign investment transactions. FIRB and Estate agents have to identify all individuals and corporations and then report to Australian Transaction Reports and Analysis Centre (AUSTRAC) for investigation on money laundering. We should not sell houses to overseas buyers for cash transactions. Otherwise we may be assisting money laundering in converting dirty money to clean money.

**5) Provide Affordable housing and affordable repayment.**

Protect the borrowers by restricting the loan size based on buyer' s Income. Limit the Monthly mortgage payments to a maximum of 30% of monthly incomes.

We need to allow 35% for income tax and 35% for living expense... This will reduce demand, hence lower housing price and provide an affordable housing for our younger generation. It also lowers leverages and reduces risk for borrowers and banks. More affordable housing means less stress to borrowers and a happier society. A family with a lower mortgage repayment or rental cost will have more spare money to spend on other necessities or services.

**6) Apply a minimum 30% down payment, reduce bank loan and reduce negative Gearing**

Revise borrowing policy to increase down payment to a minimum of 30% for younger buyers or 40% if the mortgage will be held past 65 years retirement age. A larger deposit will imply a smaller loan and a lower interest deduction from rental income. Otherwise other tax payers will subsidize speculating property investors on excessive interest. This will improve Tax revenue because the rental property will have a lower interest to offset the rental income and the other higher personal income. Axing the Negative Gearing will not be popular policy with the millions of landlords. However, a 30% down payment will reduce interest deduction by 30%, reduce demand from investors and lower house price for 1st home buyers.

I am hoping the Economic Committee will have the wisdom and courage to amend current bad policies to better policies for the benefit of Australia as a whole. I believe that the above proposals are feasible and, if implement in your May Budget, will provide affordable housing, improve tax revenue and stop money laundering in Australia.