

ASK THE EXPERT Foreign Buyers Fees



Q *I am thinking about buying a property in Australia and heard there are new fees for foreign investors.*

A Foreign investment in Australia has escalated sharply in recent times, lifting from 4,400 sales in the year to June 2010 to a staggering 38,545 in 2016. Much of this growth has come from mainland Chinese buyers who have found Australia as a good and safe investment option.

There is a general sense of concern of the impact foreign buyers have on prices in Australia which has led to both Federal & State Governments being opportunistic to bring in some additional buyers fees to profit from the increased activity.

Federal Government Fees

Australia has restrictions on foreign investment in Real Estate that ensures that foreign buyers must only acquire new property when investing in Australia. This is an important requirement that ensures the maximum economic impact in the community as jobs are created in the construction industry as well as improving the housing stock to support a rising population.

Up until 2015, there was no fee levied on foreign buyers and the managing agency, the Foreign Investor Review Board (FIRB) was fairly inactive in enforcement activity due to funding restrictions. This changed when a new Foreign Buyers Levy was introduced from 1st December 2015.

The fee is calculated at A\$5,000 for purchases under A\$1 million. For property

acquired over A\$1m the fee is A\$10,000 plus and a further A\$10,000 per additional A\$1 million in value.

The fees do not apply to any Australian Citizen or Permanent Resident Visa holders. You should note that if an Australian buys a property with their foreign national spouse, then fees would apply on the spouse's share.

This fee remains relatively low compared with many other countries.

State Government Fees

Each State Government has the right to charge on property transactions and a Stamp Duty on purchase is levied in each State ranging from approximately 4% to a high of 6% as the price increases.

Stamp Duty is paid on the contract price, however Victoria and South Australia offer concessions on Off-Plan purchases which reduce this significantly.

Victoria levies the duty on the value at time of signing, so early purchasers save and the duty rises as construction advances. South Australia offers an incentive for inner city property bought off-plan with an exemption from duty on the first A\$500,000 of the purchase price.

In addition to the stamp duty, some states have introduced an additional foreign buyers duty as per the below table.

State	When Introduced	Fee Payable	Australian Citizens	Permanent Resident Visa Holders
Victoria	1st July 2015	7% of purchase price	No Fee payable	No Fee payable
New South Wales	1st July 2016	4% of purchase price	No Fee payable	Payable if not in Australia for more than 200 days in year prior to purchase.
Queensland	1st October 2016	3% of purchase price	No Fee payable	No Fee payable
Western Australia, South Australia, Tasmania & Northern Territory	Not Applicable	Not Applicable	No Fee payable	No Fee payable

Where a property is acquired jointly between an Australian citizen and their foreign national spouse, then the fee will only apply to the portion being acquired by the foreign national.

These foreign buyer fees are a substantial additional cost that will need to be budgeted for at time of settlement.

Although it is a sharp increase to past costs, the foreign buyers fees remain low when compared to some other international markets that levy a fee on foreign investors like

Singapore (10%), Hong Kong (15%) or Vancouver, Canada (15%).

With foreign investment into Australian residential property at record levels, these fees will dramatically improve the finances of the relevant government and hopefully find improved services and infrastructure as a result of the increased revenues.

Contact us at tax@smats.net with any specific question you may have or to get our professional team to assist you with your Australian Taxation requirements.

