

REIANEWS

ISSUE 26: AUGUST 2013



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Mr Peter Bushby
REIA President

PRESIDENT'S REPORT



WELCOME FROM REIA'S PRESIDENT

Welcome to the August edition of REIA News and we are now in full blown federal election campaign mode.

The message REIA is sending to the major parties is that the great Australian dream of owning your own home is now out of reach for many.

Home ownership is declining after three decades of stable levels and first home buyers are finding it increasingly difficult to enter the market, despite the interest rate cuts.

Housing is a complex issue with a number of economic, social and infrastructure factors determining affordability and we want to see the major parties commit to taking a leadership role in developing a coordinated and strategic approach to housing, including complementary policies covering first home buyers and taxation reform.

A recent Auspoll found housing to be the number one issue amongst voters and the recent Genworth Homebuyer Confidence Index found that 70% of non-property owners think that the Australian dream of homeownership is unrealistic.

The availability of affordable housing is a goal that is shared by governments and all sectors of the community, yet at the national level there is not a comprehensive policy or plan for its achievement.

With regards to National licensing, the Decision Regulatory Impact Statement (DRIS) has been released and as expected, COAG has dumbed down qualifications with agents going from Diploma level (in four states and territories) to a Certificate IV and auctioneers plummeting from REIA's recommended 12 units to just three.

There's no mandated Continuing Professional Development as is the case in four states and territories and no certainty over how the licensing of commercial agents will operate.

If COAG continues on this path, the biggest risk is to the consumer. The states and territories are conducting their own consultation sessions with stakeholders in the lead up to the election on 7 September. We urge you to contact your REI or Estate Agents' Cooperative and get involved.

Let's hope the powers that be (or may be) are listening.

Mr Peter Bushby
REIA PRESIDENT

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This article is brought to you by REIA Manager Policy, Jock Kreitals
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NATIONAL LICENSING A CALL TO ARMS



Last September I wrote an article on a Council of Australian Governments’ (COAG) initiative for a national licensing system for a number of occupation groups including real estate. At the time a Consultation Regulation Impact Statement (CRIS) had been released which essentially proposed an approach of the lowest common denominator which would lead to an erosion of standards right across Australia and, in doing so, an increase in consumer risk with their biggest purchases – their home and small business premises. The CRIS proposed that Western Australia, Northern Territory, Tasmania and South Australia all face a lowering of educational qualifications for an agent, from Diploma to Certificate IV. There would no longer

be a requirement to undertake Continuing Professional Development (CPD), an agent’s representative would require five units and there would be no licence for undertaking commercial property transactions.

It appeared that the Government’s rhetoric on lifting Australia’s education and training standards seemed shallow when its actions did not match this by proposing the ‘dumbing down’ of the real estate profession.

Since that time the state and territory Real Estate Institutes (REIs) worked with the REIA to strongly oppose the erosion of standards and the accompanying increase in consumer risk that is being proposed in the RIS. We have lobbied and consulted widely.

Now, some twelve months later, it does not appear that government has listened to or has a proper understanding of the industry, the work undertaken and the skills required. A Decision Regulation Statement (DRIS) released in July is little different to the CRIS except that commercial and rural property transactions will be licensed with some yet to be determined exemptions and probity requirements have been included.

Table 1 (below and over page) provides a summary of the licence categories now proposed in the DRIS and compares this with that in the CRIS and that of REIA’s position.

Table 1

CATEGORY	DECISION RIS	CONSULTATION RIS	REIA POSITION
Real Estate Agent	<ul style="list-style-type: none"> • Cert IV (24 units) • Personal and financial probity requirements • No age or experience requirement 	<ul style="list-style-type: none"> • Cert IV (24 units) • No Personal and financial probity requirement • No age or experience requirement 	<ul style="list-style-type: none"> • Diploma (26 units) • Personal and financial probity requirement • Age requirement
Real Estate Representative	<ul style="list-style-type: none"> • 4 units • Personal and financial probity requirements • No age or experience requirement 	<ul style="list-style-type: none"> • 5 units • No Personal and financial probity requirement • No age or experience requirement 	<ul style="list-style-type: none"> • 18 units • Personal and financial probity requirement • Age requirement
Real Estate Auctioneer	<ul style="list-style-type: none"> • 3 units • Personal and financial probity requirements 	<ul style="list-style-type: none"> • 3 units • No Personal and financial probity requirement • No age or experience requirement 	<ul style="list-style-type: none"> • 12 units • Personal and financial probity requirement • Age requirement

» Table 1 continued

CATEGORY	DECISION RIS	CONSULTATION RIS	REIA POSITION
Commercial	<ul style="list-style-type: none"> To be licensed as Real Estate Agents and an agent's representative with still to be determined exemptions based on either size or value and related entity transactions 	<ul style="list-style-type: none"> Deregulated 	<ul style="list-style-type: none"> Diploma of Property Services (26 units) Have indicated an acceptance of a related entities exemption and that if there was to be a hurdle value that this should be \$50m
Rural	<ul style="list-style-type: none"> To be licensed as Real Estate Agents with still to be determined exemptions based on either size or value and related entity transactions 	<ul style="list-style-type: none"> Deregulated 	<ul style="list-style-type: none"> REIA addressed this as part of the proposal to deregulate commercial property

With regard to CPD, the DRIS reiterates the CRIS position that it should not be mandated. However it does acknowledge the periodic need to respond to changes in practice and legislation. The DRIS suggests that when there is a specific education/information issue which may warrant a response, the National Occupational Licensing Authority (NOLA) will work with the state and territory regulators for a possible response. They say this may include "information provision, development of guidelines or one-off training requirements". Such a suggestion ignores the reality that professional development cannot be turned "on and off like a tap". It is a constant and continuing pursuit.

One of the criticisms that REIA made about the CRIS was that the impact on consumer protection was important, yet had not been quantified. The DRIS

acknowledges this importance but goes on to say that "it is, however, a challenge to quantify" and as a consequence is omitted from the cost benefit calculations. Not only is this a serious omission but by doing so, it skews the outcome as benefits have been overestimated and costs underestimated.

In the limited state based consultation following the release of the DRIS, the REIs have been delivering the message to each jurisdictional government that the proposal in the DRIS should not be supported and to allow sufficient time for the criticisms of the DRIS to be comprehensively and satisfactorily addressed.

Following the state level consultations, the consultation outcomes will be moderated through the COAG Deputy Senior Officials Group. This moderation is expected to commence

in September, with consolidated advice on the major themes of consultation being prepared in time for the November meeting of the Standing Committee on Federal Financial Relations (the jurisdictional Treasurers), who will make the final decision on national licensing for the real estate profession.

If you would like to add your support to the campaign being conducted on your behalf by the REIs and REIA, you should contact your REI or in NSW, Estate Agents' Cooperative (EAC) and see what you can do to assist.

▶ LAST MONTH SHADOW MINISTER FOR HOUSING THE HON KEVIN ANDREWS WROTE FOR REIA NEWS. THIS EDITION WE HEAR FROM THE NEW HOUSING MINISTER



The Hon Julie Collins MP

MINISTER FOR HOUSING AND HOMELESSNESS

HOUSING AND HOMELESSNESS – A NATIONAL PRIORITY

Over the last six years, the Federal Labor Government has made housing and homelessness a national priority – investing \$31 billion to make housing more affordable and help people out of homelessness. Central to this is our \$26 billion dollar investment in programs to tackle supply and affordability issues across all areas of the housing market.

For me this is an issue close to my heart. In my home state of Tasmania I know many people, whether they're kids looking for their first place to rent or families with a mortgage to pay, consider housing a top order priority.

They want a government that shares this concern, a government that believes every Australian should have somewhere safe and secure to live.

This is why, since coming to office, the Federal Labor Government has directly contributed to the construction of one in every 20 of the nation's new homes through our investment in social housing and incentive payments for the construction of affordable rental homes.

As well, Australian home buyers are now experiencing record low interest rates. The Reserve Bank of Australia's decision on 6 August to cut the official interest rate means a family with a \$300,000 mortgage will pay around

\$6,000 a year less on their mortgage compared to when the Liberals left office.

That's \$500 every single month of the year that a family is saving on their mortgage under Labor. These are huge savings – savings which are helping families and small businesses in every town and every city in Australia.

Of course, the key levers of housing supply which directly affect affordability are the responsibility of state and territory governments. They have responsibility for the planning rules, land tax and stamp duties that are critical to making housing more accessible and affordable. That is why Federal Labor is working with our state and territory counterparts to improve the efficiency of the broader property supply chain. This includes encouraging the states to reform planning and approval processes and implement tax breaks for small business.

On the supply side of the housing equation, the Rudd Labor Government wants to see a reduction in impediments to housing supply through improved efficiencies in planning and approval processes. We are tackling this through the Council of Australian Governments (COAG). In mid-2012 the Supply and Affordability Reform Report was released and since then we have been pursuing key reforms through COAG's Select Council on Housing and Homelessness.

Federal Labor's reform agenda includes:

- removing barriers to a greater dwelling mix such as minimum block-size requirements
- deeming that planning and referral authorities have approved a development application if they do not respond within mandated timeframes
- imposing mandatory timeframes on local councils' rezoning decisions
- greater use of code-based frameworks for dual occupancy and multi-unit dwellings to streamline approvals.

A NATIONAL APPROACH TO HOUSING AFFORDABILITY

At the national level, Federal Labor is also working to boost housing supply. Across the country, the National Rental Affordability Scheme (NRAS) – an Australian, State and Territory government initiative – offers annual financial incentives to the business sector and community organisations to build and then rent homes to low and moderate income households at a rate that is at least 20 per cent below the market value rent.

Federal Labor's investment means that currently there are more than 14,000 NRAS homes tenanted or available for rent, with a further 24,000 homes in the construction

pipeline. Understanding that in housing one size certainly does not fit all, these homes range in size and demand from studio apartments to large family homes in more than 800 locations across Australia.

Recently we called for applications to supply more NRAS homes, to deliver on our target of 35,000 homes by June 2014 and then 50,000 homes by June 2016.

In the social housing space, Federal Labor is spending \$6.2 billion over five years under the National Affordable Housing Specific Purpose Payment to improve housing affordability, reduce homelessness and reduce Indigenous housing disadvantage.

In addition, \$7 billion is being channelled towards particularly disadvantaged Australians through agreements connected to the National Affordable Housing Agreement. These include \$5.5 billion over 10 years to improve housing conditions in remote Indigenous communities via the National Partnership on Remote Indigenous Housing. It will see a total of up to 4,200 new houses delivered in remote communities and is on top of our original target of 4,876 refurbishments or rebuilds which was exceeded almost two years ahead of schedule.

Federal Labor is also giving older Australians the support and security they deserve after a lifetime of work. We have delivered record increases to the pension, boosts to superannuation, historic aged care reforms, extra payments to pensioners and self-funded retirees through our Household Assistance Package and cheaper travel on public transport through our National Transport Concessions scheme.

Acknowledging that the levels of homelessness are unacceptable in an affluent nation, in 2008 we established a comprehensive all-of-government homelessness strategy. It's a strategy that recognises that tackling unacceptable levels of homelessness in Australia is everyone's business and requires a sustained and collaborative effort from government, business and the community.

The Rudd Labor Government moved beyond rhetoric to set clear, measurable, ambitious targets to halve the rate of homelessness in Australia by 2020 and to offer supported accommodation to all rough sleepers who seek it by 2020. We backed these goals with \$1.1 billion for homelessness through the National Partnership on Homelessness (NPAH) with matched funds from states and territories. Recently all states and territories committed to a transitional agreement for 2013–14 providing almost \$320 million across Australia to prevent and reduce homelessness.

SUPPORTING SMALL BUSINESS

Small business is central to the residential property industry. The industry relies on small businesses right through the supply chain. The Federal Labor Government has made reforms to the tax system that directly benefit small business. Small businesses can claim an immediate deduction for eligible business assets costing less than \$6,500 and the depreciation of assets costing \$6,500 or more in a single simplified depreciation pool. Small businesses purchasing a motor vehicle are able to

claim an immediate deduction for the first \$5,000 before depreciating the rest in the single, simplified depreciation pool. These changes cut compliance costs and red tape for small businesses by removing the need to track the depreciation of assets over a number of years.

Companies can now also carry back tax up to \$1 million in tax losses each year to receive a tax refund for tax previously paid. Commencing as a one year loss carry back in 2012-13, this reform has been extended from 2013-14 to allow companies to carry back losses against tax paid up to two years earlier. This will help small businesses invest in new ideas, markets and new equipment.

LOOKING AHEAD

In the last six years, Federal Labor has established a strong framework for housing reform and backed it with unprecedented investment. We have moved housing and homelessness to the centre of policy debate, elevating the portfolio to the Cabinet table.

The Rudd Labor Government has set clear and ambitious targets and established the policy settings to reach them. Of course there is still more hard work to be done but I am convinced that working together, with shared determination, we will succeed.

INDUSTRY ARTICLE

COSBOA SUMMIT

The Opposition Leader Tony Abbott was the guest of honour at the Council of Small Business of Australia (COSBOA)'s Summit in Brisbane on 24-25 July.

Mr Abbott was welcomed to the stage by REIA CEO and Chair of COSBOA Amanda Lynch and introduced by David Bannatyne from NAB, the main sponsor of the event.

"Small business owners employ over 4.5 million people and are a major part of the economy, as well as contributing members of our local communities. Small business people provide our society with the capability to innovate and to deal with adversity," said Ms Lynch.

"As we all know, 2013 is the election year and COSBOA and its members including the Real Estate Institute of Australia are committed to continuing to provide an unambiguous voice for small business. We have a close engagement with those who make decisions that affect our lives. During the campaign and afterwards, we will continue to build on this engagement and create better policy and process where it is needed."

At the Summit Mr Abbott said a Coalition government would give small business a greater voice in economic decision making by including small business representation on key regulatory bodies affecting the sector. "Small business employs around one in two Australians and removing the shackles on Australian small businesses is an essential part of our Plan to build a prosperous economy," he said.

If elected, a Coalition government would ensure small business expertise on the following regulatory bodies: The Board of Taxation; The Australian Competition and Consumer Commission; and The Fair Work Commission. This commitment builds on our announcement in the Budget Reply to include Small Business within the Treasury portfolio.

"For too long, small business has been an afterthought," he said.



L-R: Opposition Leader Tony Abbott, REIA CEO Amanda Lynch, David Bannatyne from NAB, Shadow Small Business Minister Bruce Billson

This article is brought to you by REIA
Chief Executive Officer, Amanda Lynch



ACCESS TO FINANCE DESERVES ATTENTION DURING ELECTION CAMPAIGN

REIA has developed a policy paper to address the stifling of entrepreneurial spirit due to difficulties in accessing finance for small business, including real estate and property management businesses. Without finance, start-ups can't get off the ground and businesses that want to grow are unable to expand into more offices and hire more people. Encouraging entrepreneurship can only be a good thing for the Australian economy.

According to the Australian Bureau of Statistics' (ABS) publication examining barriers to innovation faced by Australian business in 2010-11, of businesses employing up to four people, 20.5% were lacking access to additional funds. Of businesses employing 5-19 persons, 22.8% reported a lack of access to additional funds as a barrier to innovation.

Bank credit helps these businesses to facilitate their ongoing development without placing excessive strain on cash reserves or working capital. However, as they are often perceived to carry a higher degree of financial risk, small businesses can face higher costs when accessing credit from financial institutions.

Residential property is used as security for lending to small businesses, which makes it particularly difficult for entrepreneurial Generation Y as only two out of five younger Australians own their own home.

When it comes to real estate businesses (96% of which are classified as small businesses), lenders should be taking in to account such assets as rent rolls, which provide strong cash flow stability. They tend to put all small businesses into one basket and that simply does not work.

REIA wants to see an Australian Small Business Credit Resolution Service (AUSBCRES), which would mediate between financial institutions and small businesses when credit applications are refused and ensure that all applications by small businesses are adequately and properly assessed.

AUSBCRES would be created as a division of the Small Business Commissioner/Small Business Ombudsman.

The problem of access to finance has been identified by both sides of politics. The Opposition has a strong track record of encouraging entrepreneurship and Labor said it would explore this policy issue. At his recent Press Club address, Prime Minister Rudd said, 'We must improve the operating environment for small business in this country. This involves access to capital'.

AUSBCRES would go a long way to assist.

For the Small Business Credit Resolutions Service discussion paper, go to http://reia.com.au/userfiles/Access_to_Finance%20paper.pdf



The Hon Gary Gray MP
MINISTER FOR SMALL BUSINESS

CASH FLOW IMPROVING SMALL BUSINESS

The Australian Government will consult businesses on a new approach to improving small business cash flow and strengthen business relationships.

It has released a discussion paper on a Prompt Payment Protocol to help gather input from business about the best way to target business-to-business late payments that cause cash flow problems.

Research conducted by Dun & Bradstreet estimates that an average of more than \$19 billion annually is locked away by businesses that don't pay accounts from other businesses within 30 days. In fact, Australian businesses continue to take on average over 50 days to pay their commercial trade bills.

"Delaying payment can often have a knock-on effect, because the delays are passed down the supply chain to those that can least afford them, often small businesses," Mr Gray said.

"Small businesses are at the heart of our economy and good cash flow is vital to enable them to invest, compete, grow and support Australian jobs."

"Any business—big or small—that signs up will be able to use the goodwill from making a public commitment to promote themselves as business leaders in prompt payment, building greater trust and sustainability."

The discussion paper is seeking feedback from both large and small

businesses on the protocol and how best to implement this new initiative across the whole economy.

A copy of the Prompt Payment Discussion Paper and further information is available at:

[www.innovation.gov.au/
PromptPaymentProtocol](http://www.innovation.gov.au/PromptPaymentProtocol).

Submissions close on 23 August 2013.



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This article is brought to you by
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CHANGES TO FBT ARRANGEMENTS ON LEASED VEHICLES

The Government announced major changes to the Fringe Benefits Tax (FBT) treatment of salary packaging a car to apply from 16 July 2013.

Under the current fringe benefit rules, if you lease a vehicle you can choose to use the log book method (also called the operating cost method) to physically record the business and private use of the car over a 12 week period in a five year period, or the statutory formula which provides a flat 20% for personal use. As fringe benefits tax applies to the personal use percentage if your business use of the car is high and personal use low, you would generally choose the log book method as this would often give you the lower FBT liability. Otherwise you would use the statutory formula method.

Under the announced changes, if enacted, the option to apply a flat 20% statutory rate would be abolished for all new leases – everyone would need to use the log book method from 1 April 2014.

For current novated lease users there will be no change as existing arrangements will remain in place until the end of the lease as long as these arrangements are not materially varied after 16 July 2013 (the date

the announcement was made). The statutory formula method will continue to be available until the contract ends. Existing contracts materially varied after 16 July 2013 will also fall under the new arrangements. It is not clear what 'materially varied' might mean. Other areas of recent FBT change would suggest that materially varied could mean renegotiating the residual value of the car or extending the term of the lease. The changes will not affect existing commitments, even if the vehicle was on order prior to 16 July 2013 and had not been delivered.

Treasury estimates that there are around 320,000 people currently salary sacrificing a car under FBT rules. When these leases expire, if new leases are entered into the changes will mean an additional administrative burden compared to the previous statutory formula method and, depending on the distances travelled for work, might mean a higher FBT impost.

The Coalition has committed to opposing the changes, saying they will not proceed with them in government.

INDUSTRY ARTICLE

REIA AND REIQ REPRESENTED AT REINZ AWARDS

The Real Estate Institute of New Zealand held its annual Awards for Excellence in Real Estate Sales event on the 23rd July at Auckland's Viaduct Event Centre. Along with guest of honour, His Worship the Mayor of Auckland, Len Brown, the institute Chair Dame Rosanne Meo and CEO Helen O'Sullivan welcomed visitors from across the Tasman from the Real Estate Institute of Queensland and Australia to celebrate this memorable occasion. REIQ President Pamela Bennett and her husband Paul joined the REIA President Peter Bushby and CEO Amanda Lynch. Mr Bushby and Ms Lynch briefed the REINZ Board on issues affecting the Australian real estate industry including Australia's regulations on foreign ownership and thanked REINZ for their assistance in providing information in our fight against lower standards under national licensing proposals. The REINZ Awards for Excellence celebrates the institute's commitment to steering excellence

in the real estate sector. With the pool of REINZ members amounting to over 12,000 agents nationwide, the 27 winners are exceptional examples of such excellence. The full list of winners is available at <https://www.reinz.co.nz/reinz/index.cfm?87840361-BB5C-5803-1674-A6F397277AE5>



L-R: REIA CEO Amanda Lynch; REINZ Directors Liz Nidd; David Rankin; His Worship the Mayor of Auckland, Len Brown; REINZ Director Euan Murrell; REINZ Chair, Dame Rosanne Meo; REINZ Directors, Bryan Thomson, Jean Smith and Philip Searle; REINZ Chief Executive Officer, Helen O'Sullivan; REIA President Peter Bushby

INDUSTRY ARTICLE

GENWORTH HOMEBUYER CONFIDENCE INDEX

JULY 2013

Homebuyer confidence rebounded significantly in Australia over the past quarter on the back of improved consumer expectations of mortgage stress, according to the new *Streets Ahead Genworth Homebuyer Confidence Index* (Index).

Based on a survey of 2,124 mortgage holders and 416 non-mortgage holders, homebuyer sentiments were measured using five components: the proportion of monthly income currently used to service debts, maximum loan to value ratio comfortable in borrowing, last 12 months repayment history, next 12 months repayment ability and whether it is a good time to buy a home.

The Index jumped from a record-low of 93.4 in March 2013 to 100.1 at the end of July 2013 and indicated significant improvement in homeowners' perceived ability to repay. The proportion of homeowners who expected financial hardship decreased over three months to July from 27% to 17%, and more than half were expecting to overpay.

First home buyers' confidence also increased, up to 99.9 from 85.9 in March. Of first home buyers surveyed, 86% expected to be able to easily meet or overpay their mortgage repayments. The figure was markedly higher than its March 2013 level of 59%.

According to the Index, concerns over the federal election have been rising over the last six months, with the proportion of homeowners concerned how the election would impact them at 46% compared to 44% in March 2013 and 36% in December 2012.

The report found that over a third (37%) of surveyed prospective first home buyers believed a change of government would improve their ability to buy property, compared to 23% who believed a change would worsen it.

The importance of assistance to first home buyers from the government was noted with two in five of those surveyed reporting they would enter the market earlier if changes were introduced to further help first home buyers. The majority of prospective

first home buyers (63%) agreed that the government should be doing more to help them afford a home.

Overall, housing affordability and the difficulty to save a deposit were the biggest barriers to homeownership among prospective first home buyers. According to the report, four in five surveyed non-property owners said they were unable to raise a 20% deposit for a \$500,000 house. Unemployment was a major concern (47%) followed by rising cost of living (38%). A quarter of surveyed prospective first home buyers have not yet bought a property because they have not secured enough money for a deposit, while around one in three reported they would enter the market earlier if they could secure enough money for a deposit, or did not need to save a deposit (34%).

Despite the increase illustrated in the Genworth Homebuyer Confidence Index, the report found that 70 per cent of non-property owners and 65% of current homeowners considered the Australian dream of homeownership unrealistic.

2013

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INDUSTRY ARTICLE

AUSTRALIAN TAXATION OFFICE

ATO COMPLIANCE

INCORRECT WORK-RELATED EXPENSES CLAIMS

This year we will pay particular attention to high claims made by:

- building and construction labourers, construction supervisors and project managers, and
- sales and marketing managers.

DATA MATCHING

- More than 640 million transactions are reported to us annually from sources such as banks, share registries, employers, merchants, states and territories and other government departments.
- We use this to pre-fill returns and detect people trying to avoid their tax and superannuation obligations.
- In the last financial year, we used our data and information matching to raise \$973 million in revenue adjustments from some 450,000 reviews and audits.

REPORTING OF PAYG WITHHOLDING

- We will use intelligence gathering and information-matching to detect employers not meeting their obligations.
- We will review 17,700 businesses to ensure they are meeting employer obligations.

CONTRACTOR ARRANGEMENTS

- We will investigate employers who intentionally try to avoid their tax and super obligations by improperly treating workers as contractors rather than employees.
- We will undertake 950 reviews of employers to ensure they are meeting their obligations.

ACTIVITY STATEMENT REFUNDS

- We will review 41,000 activity statement refunds to ensure businesses are correctly reporting their GST transactions and to identify instances of fraud.

SMALL BUSINESS (GENERALLY WITH ANNUAL TURNOVERS OF LESS THAN \$2 MILLION)

Help and assistance is a big focus in the small business market – we actively try to support the majority who make an honest attempt to comply. We have concerns with some small businesses:

- overclaiming concessions
- attempting to hide income and operate in the cash economy, and
- claiming capital gains tax concessions they are not entitled to.

MEDIUM-SIZED BUSINESSES (ANNUAL TURNOVER BETWEEN \$2-250 MILLION)

We will focus on:

- making sure businesses lodge their outstanding returns, particularly trusts, partnerships and companies and entities with privately owned groups
- misuse of trusts and omitted income
- capital gains tax non-disclosure and under-reporting, and

- fraudulent phoenix behaviour.
- We will undertake more than 1,000 income tax reviews and audits and contact 2,500 to verify information or provide advice.
- Last financial year, we completed 931 income tax reviews and audits in the small and medium business market raising \$696 million in liabilities.
- Our GST compliance work including reviews and audits in the small and medium business market raised \$587 million in GST liabilities.

SUPER GUARANTEE

- We investigate every time an employee tells us that their employer has not paid their superannuation guarantee entitlement.
- In the coming year we expect to contact around 19,500 employers as a result of these complaints.
- Some industries present a higher risk of employers not complying with their superannuation guarantee obligations.

We will audit employers in the following industries:

- cafes and restaurants
- carpentry services, and
- real estate services.
- Employers may be held accountable for their company's unpaid superannuation guarantee debt under the new director penalty regime.
- Last financial year, we transferred more than \$275 million of employer super contributions to member accounts after compliance action.

INDUSTRY ARTICLE

For more information on employer super obligations including choice of fund and modern award, please visit

www.reisuper.com.au

ATO TO INVESTIGATE REAL ESTATE AGENCIES

The Australian Tax Office (ATO) has announced that real estate is a key industry it will focus reviews on this year, specifically in the area of superannuation guarantee (SG) compliance.

Real estate businesses will be scrutinised by the Australian Taxation Office (ATO) specifically to ensure employers are paying superannuation guarantee contributions (SG) on behalf of staff. This year, they expect to contact 13,000 employers regarding complaints about unpaid superannuation. In 2012, The ATO investigated 12,000 employers, mainly small business for non-payment of superannuation to staff.

The ATO has warned employers that those failing to pay contributions for eligible employees to nominated funds will be forced to pay a superannuation guarantee charge to the ATO. In addition there are other penalties for not keeping records such as choice of fund forms and complete payroll records

for the required time period.

The ATO analyses industries and employers to identify and audit those with a high risk of non-compliance with their superannuation guarantee obligations

COMPULSORY SUPERANNUATION GUARANTEE

The ATO have also said that it will check the superannuation guarantee compliance of employers as part of its broader employer obligations reviews.

Directors of agencies need to be aware that they are personally liable for these compliance obligations and to ensure that their administration processes are monitored and checked each quarter.

**MAL SMITH, CHIEF
EXECUTIVE OFFICER
FOR REI SUPER:**

“These are a regular part of the ATO’s audit programme. There are those real estate businesses that, for whatever reason, have come onto the ATO’s radar for failure to fulfill their obligations to pay super on time, incorrectly or in some instances for not paying it at all”.

“There really is no excuse for non-compliance. Real estate employers have available to them a number of resources to assist in understanding and meeting their obligations. REI Super’s website, employer organisations such as various Real Estate Employers Federations (REEF), and the ATO all offer information to assist employers”.

“REI Super also offers a free clearing house to make paying contributions streamlined. We also offer regular e-news updates and online information to assist agencies in remaining up to date with their

obligations, and we provide the relevant forms and templates required to manage this requirement”.

“We invite any agency that is unsure if they are meeting their SG contribution requirements to contact us for assistance”.

WHAT’S THE BIG DEAL?

Well firstly, this may lead to other ATO scrutiny – such as audits around BASs etc. The ATO has large, sophisticated IT systems, and data matching capability and techniques for identifying high risk industries and employers.

COMPANY DIRECTORS ARE PERSONALLY LIABLE FOR UNPAID SUPER

The big deal about late or non-payment of super is that directors are personally liable for superannuation guarantee (SG) compliance.

The amount of the penalty may be the amount of the company’s SG charge, in addition to making these payments to staff owed these monies. Importantly, the directors’ liability cannot be avoided by placing the company into administration or even by winding-up the company.

These requirements have been in effect since 1 July 2012.

A company’s SG charge is treated as payable on the day the employer is required to lodge their SG statement for the quarter to the ATO. This means that existing directors are liable to a director penalty at the end of the lodgement day. In addition other penalties and interest payments are liable to be paid by the business to the ATO in addition to the contribution amount itself. “

COMMON ERRORS IN SUPERANNUATION ADMINISTRATION

- Many real estate agencies still do not manage to pay SG correctly on all **‘ordinary time earnings’**. **Employers should refer to the ATO website for guidance on what types of income fall within this category.**
- Late or non-payments can result from a lack of understanding about when SG contributions need to be made as well as salary sacrifice and other contributions.
- Not providing employee tax file numbers to superannuation funds.

The ATO matches data from individual tax returns and business activity statements with details of transactions

reported to them by a range of third parties. These include payments by businesses to contractors, income from investments and partnership and trust distributions.

This range of information means the ATO can build a complete picture of every business, including income earned, investment details, acquisition or disposal of assets such as real estate, and business connections.

Sham contracting’ is a particular focus where SG, leave and other allowances have not been paid to persons the ATO deems are actually employees and not contractors.

Information matching is used to identify taxpayers who have failed to lodge tax returns or activity statements, under-reported or omitted income or transactions subject to GST, or failed to meet other obligations, such as excise, luxury car tax and superannuation guarantee obligations.

Real Estate employers need to check that their superannuation payments are being made correctly, on time and in accordance with any applicable awards and legislation.

For more information

ATO www.ato.gov.au

REI Super www.reisuper.com.au

This article is brought to you by REIA Research Officer, Evgeniya Hawthorne. Evgeniya can be contacted at evgeniya.hawthorne@reia.com.au



RATES GAMBLE

Buying a home is one of the most important financial decisions most people make. Choosing a mortgage to finance home ownership, therefore, cannot be taken lightly. Alongside the amount borrowed and the timeframe of your mortgage, the interest rate is a key determinant of how much your mortgage will cost you.

In May, the Reserve Bank of Australia (RBA) cut the cash rate to a historically low 2.75%. Statistics available on the RBA website show that, in June, banks' three year fixed housing loan rates were 5.15% – the lowest since September 1990. With rates this low, many home buyers are wondering if now is the time to lock in a fixed rate.

The decision to lock in a fixed rate is largely dependent on whether the loan is new or is an existing loan being refinanced. The QBE Lenders' Mortgage Insurance's 2013 Mortgage BAROMETER found that a rise in interest rates would be more pronounced for those intending to take out a loan. While 61% of surveyed mortgagors indicated that an interest rate rise would not impact on the type of mortgage they held,

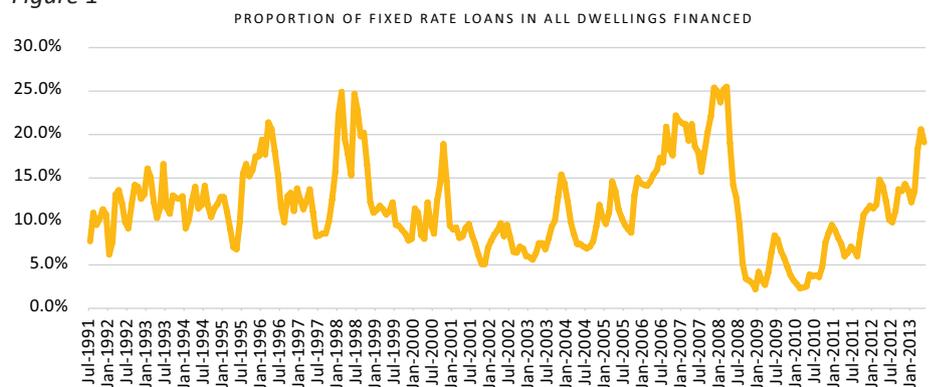
only 30% of intenders said that they would get a variable rate. In the event of an interest rate rise, almost half of the intenders would be more likely to look into a fixed rate.

Following a two percentage points drop in the cash rate since November 2011, demand for fixed rate loans is growing. Of all Australian owner-occupier home buyers in May 2013, 19.1% preferred fixed rates. Figure 1

shows the proportion of fixed loans in the total number of owner-occupied dwellings financed.

In May 2013, Queensland was leading the country with 22.9% of home buyers choosing fixed rate loans. At 14.5%, the figure was the lowest in Western Australia. Table 1 below shows the proportion of fixed loans in states and territories in May 2013.

Figure 1



Source: ABS

Table 1

	Australia	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Fixed rate loans, %	19.1%	21.5%	16.5%	22.9%	20.2%	14.5%	15.6%	19.0%	19.0%

Fixing rates is a gamble – it is hard to predict the future. You may save by fixing the rate but if interest rates fall further, you will have to pay more.

Housing loans interest rate data published by the RBA allows us to estimate the difference in repayments using variable rates compared to fixed.

In my calculation, monthly repayments were estimated on a \$100,000 loan for the period of three years, based both on standard variable and on three-year fixed banks' housing loans' rates. Total repayments for the 36 consecutive months were calculated for each scenario. Figure 3 shows results of the calculation.

I chose the particularly volatile period between October 1996 and April 2010 to show that the decision of whether or not to lock in the rate, depending on the timing, could save a mortgagor almost \$3,900. It could also cost him or her over \$5,300.

Choosing one type of interest rate over another is a gamble. The exercise undertaken shows that home buyers should not decide on locking in a fixed rate or choosing the variable rate without full understanding of their own financial situation.

Figure 2

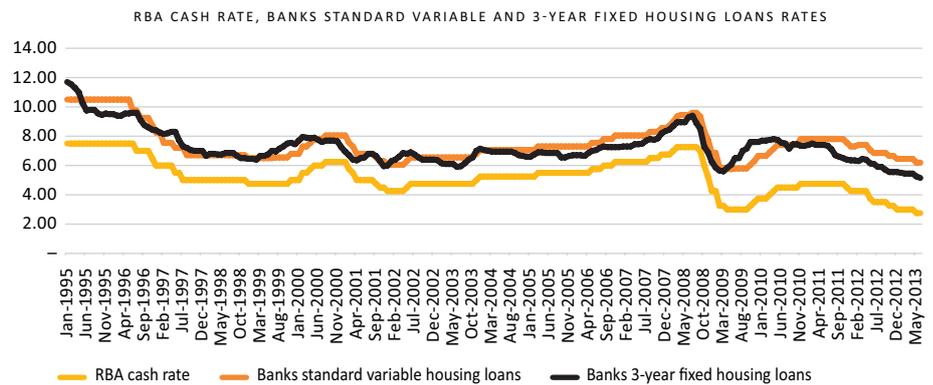
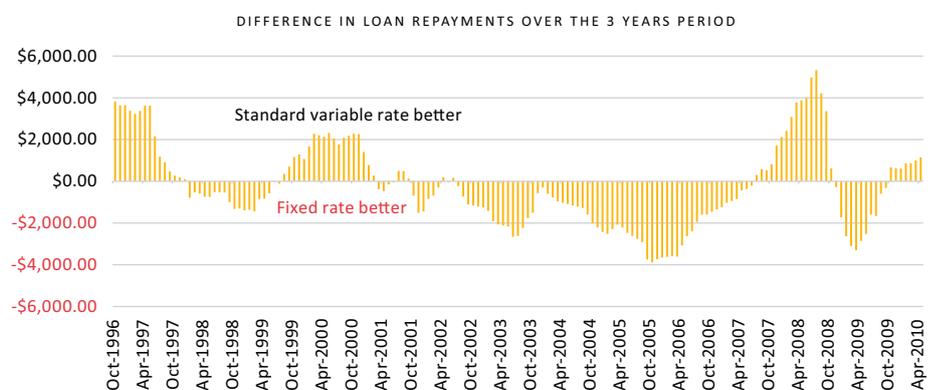


Figure 3





Chris Dietz

REAL ESTATE: LOCAL OR GLOBAL?

By **Chris Dietz**, Vice President of International Operations for Leading Real Estate Companies of the World for FIABCI

If real estate is a local business, why is there such a growing emphasis on “global” among today’s progressive real estate firms?

This is because buyers can come from anywhere in our shrinking world and sellers want to know their properties are exposed across the country and across the globe.

As a result, the Leading Real Estate Companies of the World network now has a global footprint in over 40 countries, with additional firms recently added in Canada, Croatia, Dominican Republic, Germany, Ireland, Mauritius, Macedonia, Spain, Switzerland, Trinidad & Tobago, Turkey and United Arab Emirates.

Most of the people I meet with recognise that, in addition to the expanded property exposure and valuable networking with like-minded peers from other cultures,

there is a real competitive advantage in being affiliated with a quality-based global real estate group.

LeadingRE is not alone in its global expansion, as other real estate franchises are doing the same with success. LeadingRE’s legacy of specialising in broker referrals, though, has caused it to turn attention to enhancing the success of cross-border referrals, which can be challenging given vastly different cultures, time zones, business practices and customs.

There are notable trends. Scandinavians are buying in distressed countries around the Mediterranean Sea as their currencies have strengthened significantly against the Euro and with house prices at an all-time high, especially in Sweden and Norway, a place in the sun now often costs less than a traditional summer cottage at home.

On the luxury side, we do not see as many \$20 million investments from Russians and Asians. Rather, it is more common for these buyers to spend \$1–\$2 million in a variety of locations.

Not long ago, the growth was in the BRIC countries (Brazil, Russia, India and China), but now we are seeing movement in TIMP countries (Turkey, Indonesia, Mexico and the Philippines). These countries are fostering young, well-trained people, who may be educated abroad but are returning home to build these economies, and such trends present opportunities available to our network’s affiliates.

As the global market continues to shift, real estate professionals who understand those implications and the power of international networking will have a distinct advantage.

For more information, visit www.leadingre.com

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NSW Residential tenancy agreement
Residential Tenancies Regulation 2010 Schedule 1 Standard Form Agreement (Clause 4(1))

Landlord Name:
Sharon Stone

Address for services of notices (can be an agent's address):
1 Chandos Street ST LEONARDS NSW 2065 Tel:(02) 9966 0900 Fax:(02) 9966 0922

Telephone number (of landlord or agent):
02 908 5555

Tenant's Name (1):
Brad Pitt & Angelina Jolie

Tenant's Name (2):

Tenant's Name (3):

Add all other tenants here:

Address for services of notices:
23 Bay Street BALMAIN NSW 2041

Telephone number/s: **H: 9966 8790 W: 9966 5435 M: 0417550555**

Landlord's agent:
Rockend Real Estate

Address for services of notices:
1 Chandos Street ST LEONARDS NSW 2065 Tel:(02) 9966 0900 Fax:(02) 9966 0922

Telephone number/s: **02 908 5555**

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Property Portfolio

23 Bay Street BALMAIN NSW 2041

Property details
GREAT LOCATION, GREAT PRICE!
Modern 3 bedroom home close to Balmain Village. All bedrooms with built ins, modern kitchen, brand new bathroom, and good size living area. Minutes to Balmain's cafes, restaurants and buses.

Tenancy details
Lease Name
Brad Pitt & Angelina Jolie
Rent
\$480.00
Period
W1
Paid to
25/04/2013

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Documents

Property Code	Document type	Date
BAY23	Property Photo	04/02/2013
BAY23	Correspondence - Owner	17/01/2013
BAY23	Lease Agreement	20/04/2012
BAY23	Management Agreement	13/04/2012

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INDUSTRY UPDATE

Industry news from around Australia



Reverse auction is a win/win

The owner of 5 Kathryn-Anne Crt, Crestmead decided to go with a reverse auction, dropping the price of her house by \$1000 every weekday until the house was sold or hit reserve.

Agent Claudia Escobar, of NAT group, said as soon as the property was listed as a reverse auction, the phones started ringing.

"It actually worked really well because we had the phone ringing the whole time and it was a rush to the end," she said.

The house sold for \$271,000 after starting on the auction at \$283,000.

"We had three offers, two strongly-interested investors and one from first-home buyers which is the couple that got the house," Ms Escobar said.

"I actually appraised a property in Regents Park and they are considering the reverse auction because it did work and it created the interest we wanted.

"There are so many properties on the market and each property is competing with each other so by doing this it puts you in a different spot."

Ms Escobar admitted the reverse auction wouldn't suit every vendor but said her client was very happy with the result.

Consumer complaints about small business

The Australian Competition and Consumer Commission (ACCC) received almost 3,000 complaints and enquiries about small business or franchising in the first six months of 2013.

The biggest single issue remains misleading advertising and false representations, with over 1,000 complaints and enquiries received in the past year alone. These contacts include credence claims which have become an area of priority for the ACCC. Credence claims, such as country of origin or claims of product quality are designed to improve the appeal of a product when compared to similar products.

The Small Business In Focus report also lists the sectors which are generating the most

complaints and enquiries within the small business and franchising communities. They include:

- 1 Advertising services
- 2 'Non-store' retailing (such as online retailers, milk vendors)
- 3 'Other' store-based retailing (e.g. art galleries, musical instrument stores, pet shops)
- 4 Travel agency and tour arrangement services
- 5 Wired telecommunication network operation

During the last six months, the ACCC also launched a free online education program for small business which has had more than 5,000 participants since its launch in April 2013. Another free online program, for would-be franchisees, also remains popular and has now had more than 4,500 completions. Both programs are available at <http://www.ccaeducationprograms.org/>

Global standard for measuring property

The International Property Measurement Standards Coalition (IPMSC) selected 19 real estate experts from around the world to join its Standards Setting Committee to develop a global standard for measuring property.

The committee includes academics, real estate fund and asset managers, residential professionals, valuers and specialists in development and construction.

Currently, the way property assets – such as office, residential, retail and industrial – are measured can vary considerably from country to country. With so many different methods in use, it makes it difficult for global investors and occupiers to accurately compare space.

With the implementation of a global property measurement standard, properties will be consistently measured; creating a more transparent marketplace, greater public trust, stronger investor confidence, and increased market stability. The standard will have a significant impact on the way property is measured, leading to improvements in valuation and financial reporting consistency across international markets.

"There are many Standards in existence across the world but these have been largely uncoordinated. The Committee Members are focussed on ensuring the Standard is the World's Best Practice. We will know that we have succeeded when the new Standard is embraced globally by the Property Industry," says Allen Crawford, Vice Chair, Standard Setting Committee.

The Standards Setting Committee will start work on the drafting of the new methodology immediately and aims to have a draft ready for widespread consultation in the early part of 2014.

Merger

Real estate giant LJ Hooker has announced a return to the Geelong market, revealing a merger with CJ Keane & Co.

The agents' offices in Geelong, the Bellarine Peninsula and Apollo Bay will be rebranded over the next month, ending an 85-year tenure in the region.

LJ Hooker state manager Paul O'Regan said the business had been looking to break into the Geelong market over the past 12 months.

"We've done a fair bit of our homework and looked at the infrastructure in Geelong, with hospitals, schools and new businesses starting up down here," he said.

CJ Keane & Co director Laurie Thomson is preparing for the rebrand after 12 months of talks with LJ Hooker.

"CJ Keane & Co has been around for 85 years and this merger will ensure that our legacy will continue for the next 85 years," he said.

"The results for our vendors and landlords will be very positive as well."

Mr O'Regan has also pledged to ensure that the local agents will benefit from the company's network and experience.

The new brand will be launched on 1 September.

MAKING NEWS

General national news



Workplace gender equality

The Workplace Gender Equality Agency (WGEA) has developed a gender target-setting tool to assist employers set and meet gender diversity targets within their organisations.

WGEA believes organisations that set voluntary gender diversity targets are better able to set realistic goals that take into account their particular circumstances. By using the tool, organisations are well placed to improve their gender performance and reap the benefits, such as attraction and retention of the best talent, better organisational performance and competitive advantage.

The toolkit includes a set of guidelines and a calculator and can be accessed from the [Workplace Gender Equality Agency's website](#). If you have any questions regarding the toolkit, please contact the Agency on 02 9432 7000 and ask to speak to one of their Senior Advisors.

State of Australian cities

State of Australian Cities 2013 is the fourth in a series of annual Australian Government publications bringing together current research and data to present a comprehensive picture of how our major cities are evolving, and to strengthen the knowledge base used to develop policy. The publication finds:

The median incomes of households in Australia have risen substantially in real terms, with particular strong growth between 2003–04 and 2009–10. Growth was particularly strong for households at the top and bottom end of the scale. Income growth was widespread in a geographic sense across Perth, while more strongly concentrated on the inner parts of Melbourne and other cities.

In Australia's larger cities, home renters predominate in the centre while outright homeowners are generally found in the middle suburbs. In the outer suburbs new homes are being purchased – this is the so-called 'mortgage belt'. On the fringes of cities there is an outer belt of home renters. This outer belt of renters appears to be little studied.

Spending patterns of couple families

The ABS released an Australian Social Trends report looking at the way spending patterns change for Australian couples as they have children and grow older. Couples account for 36% of all Australian households. Priorities of couples when spending their money were analysed with the report focusing on five selected types of households. The analysis found that at 18% of total spending, housing costs remain the largest spending group. Housing costs account for 25% of the spending of young couple only households and couples with young children households. Couples with an eldest child aged 5 to 14 years devote less than 20% of their spending towards meeting housing costs while for couples with non-dependent children and older couples the figure is 11%.

Scam warning

There has been a surge in reports from small businesses who have received a fax claiming to be from 'Yellow Page Australia' and 'Open Business Directory Ltd'. On first glance, the fax appears to be seeking confirmation of the contact details for their business. However on closer inspection, the fax is in fact an agreement to sign up to an online business directory service charged at \$99 per month for a minimum two-year period.

However, Sensis warns that 'Yellow Page Australia', 'Online Business Directory' and the website 'www.yellow-page-australia.com' are in no way connected with Sensis or Telstra.

The ACCC is urging small business operators to be alert and follow these three key rules:

- 1 If you receive a 'Yellow Pages' fax or email, bin it. Sensis will never approach you this way.
- 2 If you get a threatening phone call, email or fax demanding payment – ignore it and report it.
- 3 Spread the word. Ensure employees are aware of this scam and know how to protect your business

For more information, visit [SCAMwatch](#)

ATO hoax

NSW Fair Trading Commissioner Rod Stowe has issued a warning about a scam Australian Tax Office (ATO) letter that has been reported to the agency by a real estate agent in Lennox Head.

"The scammers seek to assume the identities of non-residents and sell their properties without the real owners' knowledge."

"A copy of the fake ATO letter is available on the Fair Trading website and attached for the information of the public and media and especially the real estate industry in NSW," Mr Stowe said.

"People should ignore this letter and warn their colleagues and report incidences of the scam to Fair Trading.

For more information about Fair Trading go to: www.fairtrading.nsw.gov.au

ASIC small business booklet

The Australian Securities and Investments Commission has released a booklet to help small businesses know and understand their compliance obligations.

Your Obligations As A Business Owner follows ASIC's National Small Business Survey last year and is one of a number of tools and resources being developed by ASIC to reduce red tape and make compliance easier for small business.

The booklet is a simple and easy to understand resource which provides small business operators with the following information:

- ASIC's regulatory role and functions,
- Types of business structures regulated by ASIC,
- Who cannot be a company officer, and
- Responsibilities for managing businesses under company and business name structures.

ASIC's booklet also explains the key legal obligations of small businesses who are operating under a company structure and the consequences of failing to comply.

We encourage you to make use of this free resource. Your Obligations As A Business Owner is available via ASIC's website at www.asic.gov.au. To download a copy, click [here](#).

POLITICAL WATCH

Information and news from government



Coalition's plan for small business

The Coalition will aim to involve small business in economic decision making by including a dedicated small business representative amongst Australian delegates on the Business 20 (B20) group.

The B20 provides business input into the Group of 20 (G20) which is the premier forum for global economic and financial co-operation. It brings together the world's big advanced and emerging economies, representing around 85 per cent of global GDP.

The Coalition's *Real Solutions* Plan details how they plan to boost the growth rate of small business formations meaning more new small businesses each year.

For more information available [here](#).

Homes for homes

Parliamentary Secretary for Housing and Homelessness Senator Doug Cameron has announced Australian Government funding to get the Homes for Homes project off the ground.

"Homes for Homes is an innovative project developed by The Big Issue to encourage people who own a home to help out those who don't," Senator Cameron said.

"Under this voluntary scheme, home owners, developers, banks, real estate agents, mortgage lenders and landlords contribute a very small portion of a housing transaction, such as when property is sold or rented.

"Over the long term, this will provide a pool of funding that will be used to build affordable homes for vulnerable Australians, increasing the amount of housing in areas of most need.

"The Big Issue has a long history of raising awareness of homelessness, and supporting vulnerable people in turning their lives around," Senator Cameron said.

E-Tax

The ATO has reached a new milestone this tax time, with more than one million people lodging their tax return electronically by the end of July.

"Last year 83 per cent of people who prepared their own tax returns used e-tax," said Tax Commissioner Chris Jordan. "We're likely to see this increase as more people take advantage of our information download service – what we call our 'pre-fill' service."

"Pre-filling helps people complete their tax return by downloading information the ATO has received from employers, financial institutions, government agencies and others straight into the relevant questions in e-tax."

"We progressively upload the pre-fill information, and you can subscribe to our alerts service in e-tax so we can send you an email or SMS when new or updated information becomes available."

The subscription service is available after downloading *e-tax*. Click on the 'alerts service' button below the navigator bar, enter your password, choose whether to receive alerts via email or SMS and enter your contact details.

The latest update on tax time lodgments and processing can be found on www.ato.gov.au

Greens on small business

The Australian Greens have announced a plan to ease the pressure on small business by expanding tax breaks and strengthening the role of the national Small Business Commissioner.

These new initiatives follow the announcement that the Greens would lower the company tax rate from 30% to 28% for companies with turnovers of less than \$2 million dollars.

"The Greens are delivering a comprehensive plan that cares for and supports the people behind small businesses," Senator Christine Milne said. "We recognise we should be supporting all small business owners, which is why we are lowering tax rates, expanding tax breaks and providing extra funding and legislative powers for the national Small Business Commissioner."

The Greens small business plan includes:

- Increasing the instant asset write off threshold from \$6,500 to \$10,000 as recommended by the Henry Tax Review. The independent Parliamentary Budget Office estimates this initiative would cost \$600 million over the forward estimates. This will help small businesses to purchase productive assets to help grow their businesses.
- Doubling the funding for the national Small Business Commissioner to \$10 million to provide adequate resources for staffing, mediating disputes, carrying out research and advising the federal government on key policy decisions. The Greens also want to legislate this position to ensure the Commissioner has the power to be an effective advocate for small business and to prevent any incoming government from abolishing the position, which is what happened in Queensland when Campbell Newman took power.
- Cutting the company tax rate for small business by 2% at a cost of \$1.75 billion over the forward estimates.
- Strengthening competition policy to prevent big business using their market power to gain unfair advantages over small business.

THE WORLD

Property news from around the world



Young Americans still dream of home ownership

Research has been undertaken in the United States to determine what people buying and selling homes think about the residential real estate market today as the property recovery is well underway following the crash of 2007.

It looked at the generational differences of recent home buyers and sellers and found that while eight out of 10 buyers considered their purchase a good financial investment, the number was even higher for young buyers. Some 85% of buyers under the age of 32 thought it made good financial sense.

This is among the findings of the inaugural 2013 National Association of Realtors Home Buyer and Seller Generational Trends report which concludes that the sheer size of the Millennial generation, the largest in history after the baby boomers, is going to give a powerful boost to long term housing demand.

The study found that the largest group of recent buyers was Generation X Americans, those born between 1965 and 1979, who comprised 31% of recent purchases, followed closely by Millennials, sometimes called Generation Y, those born between 1980 and 2000, at 28%. Percentages of recent home purchases among prior generations was significantly lower. Some 18% were Younger Boomers, those born between 1955 and 1964, 14% were Older Boomers, Americans born between 1946 and 1954 and 10% were from the Silent Generation, those born between 1925 and 1945.

The reason for buying a home also varies across the generations. Younger buyers most often cited the desire to own a home of their own whereas older buyers wanted to be closer to family and friends. When it comes to factors influencing neighbourhood choice, younger generations cited convenience to jobs, affordability of homes, and quality of the school district. Older generations placed higher importance on convenience to family and friends and healthcare facilities.

UK help to buy

The UK's latest attempt to kick start the economy by spending billions of pounds on underwriting a home buying revival, has come under fire from economists and politicians.

Some are saying the scheme to partially guarantee more than 500,000 low-deposit mortgages over three years risks creating a new housing bubble.

The mortgage guarantee element of Help to Buy, due to come into effect in January 2014, is aimed at enabling people to obtain a home loan without the need for a prohibitively large deposit. This will apply to all homes – not just new-build properties – and will be available to those who are already homeowners as well as first-time buyers.

The government will make available £12bn of guarantees to lenders – enough, it believes, to support £130bn of mortgages where a deposit of as little as 5% is required. Lenders who offer low-deposit mortgages will have the opportunity to buy a guarantee on the “top slice” of the mortgage – the portion between 80% and 95%. If a borrower gets into financial difficulty and their property is repossessed, the government will cover a chunk of the lender's losses.

Some commentators claimed the government should not be underwriting mortgages in this way, and that the scheme risked driving up prices.

Holland

Following a poor first quarter, the housing market in Holland appears to be recovering with a nearly 20% increase in sales numbers for the second quarter according to the [Dutch Association of Estate Agents \(NVM\)](#).

NVM chairman Ger Hukker indicated cautious optimism with the rise in home sales and decline of new homes on the market. “We are not there yet, but it points out that the market is slowly coming into balance. Consumers have more confidence, thanks to the favourable

affordability and more political stability in the housing market specification.

Home prices appear to have stabilised with the price of the average home now at €205,000. A detached house averaged €341,000 euros and €158,000 euros for an apartment. Property prices in the quarter saw a very slight drop of -0.3% compared to the previous quarter. Prices compared to a year ago are 5.3% lower, but are declining less rapidly.

“That's a good prospect for homeowners,” said Hukker who noted that since the beginning of the property market crisis, prices fell by 17.7%, without taking into account inflation.”

Papua New Guinea

After several years of rapid growth in Port Moresby's residential real estate sector, the market is in consolidation mode. In response, investors are eyeing commercial and retail segments for new opportunities. Government data show that the finance, real estate and business services sector grew by 10% in 2012, down from 20% the prior year. In 2013, expansion is projected to fall further to 1.5%.

Another indicator of a slow-down in the residential market is a decline in the rate of growth for home loans, which fell from 150% for the year ended March 2012 to 41% for the year ended September 2012, according to the World Bank.

While this is still fast-paced expansion, caution among lenders is rising. Equity demands for loan approval have reportedly risen from 10% in 2009 to more than 30% in 2013.

Fewer projects are being launched, but on-going market deceleration is not all bad news. It has provided the first opportunity since 2009 for renovations in mid-tier properties, and market conditions have not yet affected the top-end residential market, which has held its ground according to a local realtor.

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