

Foreign resident capital gains withholding tax too low: REIA

The threshold for foreign resident capital gains tax withholding has been reduced to an unnecessarily low level and agents and conveyancers will be subject to additional red tape and costs for no valid reason, according to the Real Estate Institute of Australia (REIA).

The initiative outlined in the 2017 Budget sees the threshold for foreign resident capital gains tax withholding reduced to \$750,000 from the current \$2 million from 1 July 2017.

REIA President Malcolm Gunning said in REIA's view the proposed threshold of \$750,000 is unjustifiable.

"If the threshold was to be reduced it should be to no less than \$1.5 million," Mr Gunning said. "Based on data in the latest Foreign Investment Board Annual Report, 76 per cent of foreign purchasers bought in NSW and VIC and the average purchase price was \$1.6 million.

"QLD accounted for a further 17 per cent of properties at an average price of \$2.5 million. The remainder of the states and territories account for 7 per cent of properties purchased by foreign owners and the average price across Australia was \$1.8 million.

"The proposed \$750,000 threshold means that half the properties sold in Melbourne and Sydney will be subject to the withholding provisions yet foreign investors are buying properties at double this value," Mr Gunning said.

	NSW	VIC	QLD		SA	WA	ACT	TAS	NT
PERCENT OF FIRB APPROVALS 2015/16 ⁱ	32.2	43.7	16.7		2.2	4.1	0.7	0.2	0.05
AVERAGE PRICE OF APPROVAL (\$K) ⁱⁱ	1,597	1,601	2,511		1,075	2,217	601	440	Unknown
PERCENT OF PROPERTIES SOLD OVER \$750K ⁱⁱⁱ	60.3	45.8	BRIS	G COAST	6.1	5.7	20.0	Negligible	Negligible
			10.6	13.7					

Mr Gunning added an additional concern for REIA is the limited scope for an education campaign with a 1 July 2017 implementation.

"When the withholding tax was first introduced it applied to far less property and involved far fewer markets yet far more time was available for the REIA to work with the ATO in educating agents," Mr Gunning said.

"This isn't simply a case of letting agents know of a new threshold. There are a whole new set of agents in additional markets involved. A delay by six months would be more appropriate and introducing it part way through a financial year should be acceptable as the withholding tax was first introduced in the middle of a financial year.

"We have contacted Federal Treasurer Scott Morrison regarding our opposition and have asked that the government reconsider the threshold," Mr Gunning said.

The Real Estate Institute of Australia (REIA) is the national professional association for real estate agents in Australia. For further information or to interview REIA President Malcolm Gunning please contact Helen Hull at media@reia.com.au or 0419 642 961.

ⁱ From FIRB 2015/16 Annual Report

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ⁱⁱⁱ From REIA data for March quarter 2017. Relate to capital city rather than state.