

Government strengthens the foreign investment framework

Written by Tony Abbott



The Commonwealth Government is taking action to strengthen the integrity of the foreign investment framework. Foreign investment is integral to Australia's economy and we welcome all investment that is not contrary to our national interest.

After extensive consultations on our Options Paper, we are announcing important reforms to foreign investment that will help to demonstrate that it is for our country's benefit.

We will ensure stronger enforcement of new and existing foreign investment rules by transferring all residential real estate functions to the Australian Taxation Office.

The ATO will use its data-matching systems to identify possible breaches and the Commonwealth will pursue those foreign investors who break the rules.

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Australia's foreign investment regime generally does not allow foreign investors to purchase existing residential properties.

There will now be stricter penalties to make it easier to pursue foreign investors who breach the rules. Criminal penalties will be increased to \$127,500 or three years imprisonment for individuals and to \$637,500 for companies.

Divestment orders will be supplemented by civil pecuniary penalties and infringement notices for less serious breaches.

The Government will also ensure that people who break the rules do not profit by introducing a civil penalty to capture any capital gain made on divestment of a property.

Third parties who knowingly assist a foreign investor to breach the rules will also now be subject to civil and criminal penalties, including fines of \$42,500 for individuals and \$212,500 for companies.

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Australian taxpayers will no longer foot the bill for screening foreign investment application applications. Fees will be levied on all foreign investment applications. For residential properties valued at \$1 million or less, foreign investors will pay a fee of \$5,000. Higher fees will apply to more expensive residential properties as well as business, agriculture and commercial real estate applications.

Australia's foreign investment policy for residential real estate is designed to increase Australia's housing stock, but lack of enforcement over recent years has threatened the integrity of the framework.

We will enforce the rules, ensuring that all foreign investors follow the rules and don't profit from breaking them.

The Government will introduce legislation into Parliament in the Spring Sittings to ensure that the reforms will commence on 1 December 2015.

There will also be increased scrutiny around foreign investment in agriculture and increased transparency on the levels of foreign ownership in Australia through a comprehensive land register.