

AUSTRALIA'S FOREIGN INVESTMENT POLICIES ON REAL ESTATE

WHO NEEDS TO APPLY?

Privately-owned foreign investors

Foreign persons, who are not an ordinarily resident in Australia, generally need to notify the Government and get prior approval to take an interest in residential real estate, regardless of value.

Foreigners approved to buy established residential properties will have to pay extra when they purchase through the Foreign Investment Review Board (FIRB) under laws proposed by the federal government.

A \$5,000 fee will be payable on FIRB approved properties valued under \$1 million, while a \$10,000 application fee will apply at over \$1 million. It will be \$20,000 above \$2 million, then rising incrementally.

RULES FOR BUYING RESIDENTIAL REAL ESTATE

Temporary Residents

Established (second-hand) dwellings

Temporary residents need to apply if they wish to buy an established dwelling. Only one established dwelling may be purchased by a temporary resident and it must be used as their residence in Australia. Such proposals are normally approved subject to conditions, including that the temporary resident sells the property within three months of it ceasing to be their primary residence (including where the temporary resident leaves Australia or otherwise becomes ineligible to maintain ownership of the property).

Temporary residents cannot buy established dwellings as investment properties, but can buy established dwellings for redevelopment (see below).

New dwellings

Temporary residents need to apply if they wish to buy new dwellings in Australia. Such proposals are normally approved without conditions.

All other foreign persons

Established (second-hand) dwellings

Non-resident foreign persons, including individuals, foreign companies, Australian companies controlled by foreign persons and trustees of trusts for the benefit of foreign persons (irrespective of whether the trust is set-up in Australia or elsewhere) cannot buy established dwellings as investment properties or as homes, except as below.

Foreign persons that operate a substantial Australian business need to apply to buy established dwellings to house their Australian based staff. Such proposals are normally approved subject to conditions (such as, that the foreign person sells the property within three months if it is expected to remain vacant for six months or more).

Foreign persons need to apply to buy established dwellings for redevelopment (that is, to demolish the existing dwelling and build new dwellings). Proposals for redevelopment are normally approved as long as the redevelopment increases Australia's housing stock (at least two dwellings built for the one demolished) or where it can be shown that the existing dwelling is derelict or uninhabitable. Approvals are usually subject to conditions.

New dwellings

Foreign persons need to apply to buy new dwellings in Australia. Such proposals are normally approved without conditions.

Exemption

New dwellings bought from a developer that has pre-approval

You do not need the Government's approval to buy new dwellings in developments where the developer has provided a copy of the pre-approval certificate.

Foreign persons (and their associates) are able to purchase interests of up to a total of \$3 million in new dwellings, within a single development from a developer that has pre-approval to sell to foreign persons. Foreign persons need to apply separately if they wish to buy interests in new dwellings in the same development above the \$3 million limit.

Reference

For further information, please refer to:

Australia's Foreign Investment Policy, June 2015, <http://www.firb.gov.au/content/policy.asp>

<http://www.propertyobserver.com.au/forward-planning/investment-strategy/politics-and-policy/40541-firb-fee-to-buy-1-million-plus-home-tony-abbott-policy-unveiled.html>