

Surcharge lift could curb foreign demand altogether

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The doubling of foreign buyer stamp duty surcharge in NSW could completely deter foreign demand for housing but do nothing to cool house prices, apartment agents and accountants say.

In an effort to cool demand, NSW will double its foreign investors stamp duty surcharge to 8 per cent and the annual land tax surcharge on foreign home owners will also increase to 2 per cent from 0.75 per cent.

"NSW is following Victoria which recently announced similar changes for first-home buyers and there is no evidence it is cooling the market in Victoria. In fact, it could add fuel to the lower end," KPMG State Taxes Partner Michelle Bennett said.

"Duties and land taxes on foreign land buyers is good politics but not necessarily good policy."

Worse, tightening restrictions on foreign buyers "could have the detrimental effect of stalling the turnover of housing stock in NSW", BDO's national leader for tax, Marcus Leonard, said.

"This could have further repercussions by causing the slowdown of development projects, thereby having a flow-on effect where sub-contractors and tradespeople see less work coming in the door."

CBRE National Director in Melbourne Mark Wizel agreed the policy was more a hit to developers than buyers.

"The policy has been communicated with no consultation, and is disrespectful to Asian capital and goes against the grain of why Chinese investors chose to build and sell in Australia, which is for its stability," he said.

Urban Taskforce's Chris Johnson said the policy this time could lead to a bigger departure of foreign buyers, unlike previous increases.

"Four to 8 per cent is a big disincentive, especially for a small outfit like Australia," Mr Johnson said.

Malaysian and Singaporean buyers would contract almost instantly, Mr Wizel said.

With Chinese buyers, the impact would be more moderate, Chinese online housing portal ACProperty and Sodichan director Esther Yong said. "The bigger issue for Chinese buyers is still the transfer of capital to buy property."

That said, an 8 per cent surcharge was not nearly as high as Canada and Ontario, which has a 15 per cent non-residents tax, and the short-term impact of this tax has been a decline in foreign demand in Vancouver and a 3 per cent fall in median house prices, KPMG chief economist Brendan Rynne said.