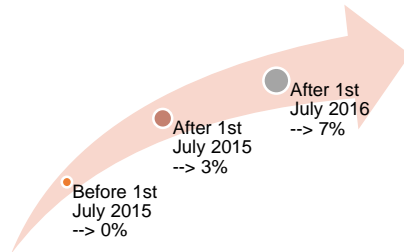


## What Do We think About the Increment of Levy on Foreign Purchase of Properties in Melbourne?

With the recent announcement from the Victorian government in Australia with regards to an increase of levy on property purchases from a foreign person in the state in a few months' time, many has approached us for our opinion and views. While we would like to share this new announcement with you, we thought to also put in our thoughts in the way the local Melbourne market may move.



### The New Levy

This levy was firstly introduced on 27<sup>th</sup> May 2015 by the Victorian government. Many has imagined that the market will cool down substantially after that but, from the various reports and statistics available to the public, we have not seen a major effect on the market. On 27<sup>th</sup> April 2016, the Victorian government announced that the levy imposed on foreign purchasers for properties in Victoria will be increased from the current 3% to 7% applicable to all contracts signed on or after 1 July 2016.

### The Rationale

While countries like Hong Kong and Singapore introduced hefty double digit taxes/stamp duties on foreigners buying real estate in their countries as the main measure to cool off the property market, the Victorian government has a slightly different point of view, "It is only fair that foreign buyers who do not pay taxes such as payroll tax and GST - fairly contributed to the maintenance and development of government services and infrastructure, just like Victorian taxpayers do." Melbourne's world class liveability recognition was what brought the investors to invest there in the first place.

Foreigner's Stamp Duty on Buying Residential Properties in the Following Countries:-

Country	Stamp Duty
<b>Australia</b>	<u>Land Transfer Duty (Applicable in Victoria State)</u> 5% of the land/property value <u>Foreign Purchase Levy</u> Currently is 3%; effective from 1 <sup>st</sup> July 2016, it will be 7% of the property value.
<b>UK</b>	<u>Stamp Duty Land Tax</u> 0 – 12% of the property value, by tier *3% stamp duty is to be paid on buying additional property on top of the above rate.
<b>Hong Kong</b>	<u>Ad-Valorem Stamp Duty</u> 1.5% - 8.5% of the property value, by tier <u>Buyer's Stamp Duty</u> 15% of the property value
<b>Singapore</b>	<u>Buyer Stamp Duty</u> 1% - 3% of the property value, by tier <u>Additional Buyer Stamp Duty</u> 15% of the property value

Source: Inland Revenue Authority of Singapore; Inland Revenue Department of Hong Kong; State Revenue Office of Victoria State Government, Australia; HM Revenue and Customs of UK

### How it might affect the market?

In our honest opinion, this new tax will definitely take its toll on the traditionally recognised as “overseas sales” market, such as high rise apartment buildings in the CBD and its surrounding and areas with a huge concentration of investment properties (those who bought for rental income). We do not foresee it will affect much of the locally favoured suburbs and properties. Although there has been a huge number of foreign investors pouring into the Melbourne market, we need to be clear that majority of the transactions especially in the secondary market has been supported only by the local sales. Hence, as we had always advised our clients when it comes to selecting properties in Melbourne, always buy in an area where the locals will want to live.

Also, while people might be too concerned of the short term changes that might happen to the market, do not lose sight of why Melbourne properties have been able to maintain at low vacancies and steady growth. One of the key factor is population growth. **There will be continuous demand for housing in Melbourne as long as there is growth, and Melbourne’s population is expected to overtake Sydney’s in 2056 according the Australian Bureau of Statistics.**

Statistics & Media Release by Australian Bureau of Statistics of Australia Population Growth:

<http://www.abs.gov.au/ausstats/abs@.nsf/lookup/3218.0Media%20Release12014-15>

<http://www.abs.gov.au/ausstats/abs@.nsf/mf/3218.0>

### Would you like to know more?

Our team would be more than happy to speak with you further if you need to know more. Please do not hesitate to contact us at 03-6203 9268 or e-mail us at [jolene.teo@areproperty.com](mailto:jolene.teo@areproperty.com) / [phoebe.teo@areproperty.com](mailto:phoebe.teo@areproperty.com) if you wish to schedule an appointment with us.

Prepared by:

Ms. Jolene Teo, BOVAEA Malaysia Registered Valuer and Estate Agent

Ms. Phoebe Teo, BOVAEA Malaysia Probationary Valuer

#### **AMAX REAL ESTATE SDN BHD (1110643-X)**

**(A company of ARE Property Group)**

A: C-5-7, Level 5, Block C, Plaza Mont Kiara, No.2, Jalan Kiara, Mont Kiara, 50480 Kuala Lumpur, Malaysia.

T: +603-6203 9268 F: +603-6203 9568 W: [www.areproperty.com](http://www.areproperty.com)

#### **ARE PROPERTY PTY LTD**

**(A company of ARE Property Group)**

Estate Agent’s license: ACN 606 230 415

A: Suite 3, Level 2, 517 Flinders Lane, Melbourne, VIC 3000, Australia

T: +61 431 229 202