



# National Rental Affordability Scheme (NRAS)

## Information for new and existing private individual investors

### What is NRAS?

The National Rental Affordability Scheme (NRAS or the Scheme) is an Australian Government initiative, delivered in partnership with the states and territories, to stimulate the supply of new, affordable rental dwellings.

The NRAS offers financial incentives to build and rent dwellings to low and moderate income households at a rate that is at least 20 per cent below the market value rent.

These may include financial institutions, private developers, investors, not-for-profit organisations and community housing providers.

NRAS is **not public housing or social housing** — NRAS dwellings are affordable rental homes. The Australian Government's regulatory role is deliberately limited to the provision of financial or tax incentives to approved participants who meet conditions mandated under the Scheme. As such, the Australian Government does not regulate building quality, tenancy management or ownership of NRAS dwellings other than through withholding incentives when conditions of allocation are not complied with.

NRAS dwellings range from studio apartments to family homes and are located where affordable rental accommodation is most needed, especially in areas where employment, schools and other services are available nearby.

NRAS dwellings may be 'bundled' with other non-NRAS dwellings, that is, private properties subject to an NRAS incentive may form part of a new multi-storey development, with the other non-NRAS dwellings sold to standard property investors or owner-occupiers.

NRAS dwellings are generally newly-built and must not have been lived in previously as a residence. In some cases, buildings can be refurbished. NRAS dwellings are likely to be indistinguishable from other middle market dwellings. Rigorous selection criteria were applied by the government during selection of approved participants relating to the location, design and amenity of NRAS dwellings, and ensuring that they comply with state, territory and local government planning requirements and building codes. All states and territories

had priority areas of affordable housing need, and applications were assessed according to whether they were consistent with the priorities of the relevant state or territory.

NRAS provides an **annual financial incentive** (for 10 years) per dwelling to NRAS approved participants. The value of the incentive is indexed each year in line with the Rents component of the Consumer Price Index (CPI).

There are two components of the incentive:

- an Australian government incentive per dwelling per year as a tax offset or a cash payment (for charitable institutions);
- state and territory governments may offer approved participants a contribution per dwelling as direct payment or payment in-kind.

## Are private individual investors able to participate in NRAS?

Individuals are able to become approved NRAS participants, subject to meeting eligibility requirements.

However, in light of the minimum number of incentives that must be applied for and the scheme's on-going compliance requirements, it is more likely that individuals/private investors will participate in the scheme as part of a joint venture arrangement, or by purchasing NRAS dwellings from an approved participant.

This includes:

- investing in entities that participate directly in NRAS, such as a superannuation fund or a property trust;
- purchasing individual properties from approved participants;
- as part of an NRAS consortium, which includes non-entity joint ventures or other joint venture arrangements.

Private individual investors should be aware that:

- there is no requirement under the Scheme for the incentives to be passed on by the approved participants to the owners of the properties. This is a matter to be negotiated between the two parties and will not be facilitated or prescribed by the Australian Government. Prospective investors should check their eligibility to have the tax offset passed on by contacting the Australian Taxation Office.
- the issuing of the incentive to the approved participant is dependent on compliance with all conditions of allocation.
- there are likely to be fees associated with purchasing, tenancing and managing properties purchased from NRAS approved participants.
- any contractual arrangements in place should be checked to ensure that the relevant NRAS approved participant will comply with all legislative requirements and conditions of allocation.
- the Australian Government does not endorse, guarantee or secure the investment in the approved dwellings in any way.

- the Australian Government will not provide investment advice to potential investors about the suitability of an NRAS dwellings as an investment.
- the Australian Government does not endorse organisations that promote the sale of the NRAS properties to private individual investors.
- standard procedures are likely to apply for loan defaults on NRAS properties. Some limited preliminary information is available on the [MoneySmart](https://www.moneysmart.gov.au)<sup>1</sup> website but you should also contact your financial institution for further information.

**Investors should undertake their own investigations and seek independent financial, legal and taxation advice to ensure that they are satisfied that investing in NRAS is the right investment for their individual circumstances.**

## Who can receive the NRAS incentive?

Only NRAS approved participants are eligible to directly receive the incentive. The incentive is generally issued in the form of a tax offset certificate to approved participants for dwellings which have remained compliant with the conditions of allocation over the course of the preceding NRAS year. Once the certificate is issued, other persons or entities such as members of NRAS consortia or persons or entities to whom NRAS rent flows indirectly, may be entitled to tax offsets under the terms of Division 380 of the *Income Tax Assessment Act 1997*. If an endorsed charitable institution passes on an amount of cash to a person or entity that is not exempt from income tax, that amount may be subject to income tax.

There are a number of mandatory conditions of allocation that must be met in order for NRAS approved participants to receive annual incentives for the rental dwelling. These include:

- dwellings must be rented to eligible tenants at a rate that is at least 20 per cent below the market value rent;
- dwellings and management of the dwellings must comply at all times with the landlord, tenancy, building and health and safety laws of the state or territory or local government area in which it is located;
- submitting annual reports on tenant eligibility and compliance with rent rates.

Each approved dwelling is eligible to receive an annual incentive for 10 years, provided all conditions of allocation are complied with.

The NRAS year is from 1 May until 30 April. Incentives are issued once compliance processes are completed. Investors should discuss the timing of receipt of incentives with their approved participants.

Potential private individual investors should ensure that they have satisfactory arrangements in place to receive timely and accurate advice from the NRAS approved participant with whom they entered into an arrangement or consortium. This advice and information is likely to include the amount they may be eligible to receive as a result of the NRAS incentive, dwelling identification details and other information required for the completion of their tax return.

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<sup>1</sup> <https://www.moneysmart.gov.au>

## Who is eligible to rent an NRAS property?

NRAS rental homes are available to low and moderate income Australians — people who may find it hard to pay market rental rates.

The income limits for eligible tenants are specified in the *National Rental Affordability Scheme Regulations 2008*. Income levels are assessed against gross income according to the household composition.

Each year, household income limits are indexed against percentage changes in the All Groups component of the Consumer Price Index. The 2015-16 limits can be found at the [NRAS household income webpage](#)<sup>2</sup>.

## What is involved in managing an NRAS tenancy?

Tenancy arrangements for NRAS dwellings are the same as for any other tenancy and must comply with all state and territory residential tenancy laws.

Tenancy managers may be not-for-profit organisations, private real estate agents, or NRAS approved participants.

In order to qualify for incentives, NRAS approved participants must ensure that only eligible tenants are renting NRAS dwellings and that the appropriate rent is being charged.

Tenants are selected by the NRAS approved participant, except in Queensland where they are selected from the Queensland Government's One Social Housing Register.

**Investors purchasing an NRAS dwelling should note that they are likely to be charged by the NRAS approved participant for tenancy management services and fees may vary.**

## Are private individual investors able to sell their NRAS property or remove it from the NRAS and rent it at market rates?

Subject to the terms of their arrangements with the NRAS approved participant, private individual investors purchasing NRAS properties may sell their dwelling or cease their participation at any time prior to completion of the 10 year NRAS term. However, generally they will not receive an NRAS incentive for the part of the year in which the dwelling is withdrawn from NRAS, or for subsequent years.

**Investors should carefully check the contract or agreement with the NRAS approved participant from whom they intend to purchase, or have purchased a property, for any penalties that may be incurred.**

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<sup>2</sup> <https://www.dss.gov.au/our-responsibilities/housing-support/programs-services/national-rental-affordability-scheme/national-rental-affordability-scheme-nras-household-income-indexation>

## Information for Existing Investors

### Claiming the tax offset

If an NRAS investor thinks they are likely to have an entitlement to claim the NRAS tax offset in a given financial year, but have not yet been advised of the amount by the due date for lodgement of their tax return, they can ask the Australian Taxation Office (ATO) for an extension of time to lodge their tax return.

Alternatively, they may lodge their tax return by the due date without claiming an NRAS tax offset and, if it is later determined they have an entitlement; they can request an amendment to their return.

For more information visit the [ATO website](https://www.ato.gov.au/)<sup>3</sup>.

### Implications for Customers of the Department of Human Services (Centrelink or Child Support)

Investors should be aware that in some instances, any delay in the lodgement of a tax return or lodgement of an amended tax return, may have implications for an investor who receives a payment from Centrelink (such as Family Tax Benefit) and/or is a payer or payee of child support.

If a Centrelink or Child Support customer is concerned about the possible implications for their particular circumstances, they should contact the Department of Human Services for advice.

For further information visit the [Department of Human Services website](http://www.humanservices.gov.au/)<sup>4</sup>.

### Consent form to release information to investors

The National Rental Affordability Scheme Act 2008 does not refer to investors. The National Rental Affordability Scheme Regulations 2008 contain two provisions that emphasise that the Commonwealth does not deal directly with investors. Therefore it is not possible for the Department to release information about an NRAS dwelling or the status of an incentive related to an NRAS dwelling to the investor who owns that dwelling without explicit written permission from the approved participant to whom the NRAS incentive is allocated.

If an investor wishes to seek information about an NRAS dwelling that they own from the Department, they must use the *NRAS consent to release information to investors form* to request consent from their approved participant for the Department to liaise directly with the investor. The form can be found on the [NRAS website](https://www.dss.gov.au/our-responsibilities/housing-support/programmes-services/nras-resources-documents-and-information/consent-to-release-information-to-investors-forms)<sup>5</sup>.

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<sup>3</sup> <https://www.ato.gov.au/>

<sup>4</sup> <http://www.humanservices.gov.au/>

<sup>5</sup> <https://www.dss.gov.au/our-responsibilities/housing-support/programmes-services/nras-resources-documents-and-information/consent-to-release-information-to-investors-forms>

## More information

For more information visit the [NRAS website](#)<sup>6</sup>.

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<sup>6</sup> <https://www.dss.gov.au/our-responsibilities/housing-support/programmes-services/national-rental-affordability-scheme>