



30 August 2018

Ms Christine McDonald  
Secretary  
Environment and Communications Legislation Committee  
PO Box 6100  
Parliament House  
Canberra  
ACT 2600  
[ec.sen@aph.gov.au](mailto:ec.sen@aph.gov.au)

Dear Ms McDonald,

Re: Senate Inquiry into the **Treasury Laws Amendment (Improving the Energy Efficiency of Rental Properties) Bill 2018**

Thank you for this opportunity to contribute to the above-stated Senate Inquiry. I especially want to congratulate Senator Storer for introducing this Bill, one that aims to improve the living conditions and quality of life of Australian households on low-income and living in rental properties.

As findings from my Cooperative Research Centre for Low Carbon Living project [Lower income barriers to low carbon living](#) attest, financial constraints and the prevalence of split incentives are the leading causes of low-income households' experiencing of energy poverty and energy deprivation in Australia<sup>i,ii</sup>. These limitations have imparted significant impacts on the living costs and physical and mental health of these vulnerable households<sup>iii,iv</sup>. Proposals included in the current Bill will continue to provide impetus towards continually improving the quality of residential buildings in this country, which at present is limited to new-built properties through the enforcement of the Nationwide House Energy Rating Scheme (NatHERS), the National Australian Built Environment Rating System (NABERS), and NSW's Building Sustainability Index (BASIX).

I applaud the Bill's inclusion of different energy efficiency measures as part of the potential offset entitlements. This will allow landlords to choose the most appropriate and effective measures for their investments that will also (potentially) offer the best value for money. There are, however, a number of points that I encourage the Inquiry to seek further clarifications from the Senator and to consider evidence put forward by other submissions to this Inquiry.

First, the setting of a maximum eligible rent level at \$300 per week or less (section 381-5 (1) (a)). This maximum limit may potentially exclude a large number of renters who reside in high-cost areas such as the inner suburbs of major cities, where their weekly rent may be above this maximum threshold while the conditions of their rental properties are equally energy inefficient (if not more so). This argument follows similar critiques documented in an Australian Housing and Urban Research Institute report<sup>v</sup>—which reviewed the recommendations of the Henry Tax Review<sup>vi</sup>, especially in relation to the current provision of Commonwealth Rent Assistance to recipients—that renters in high value markets enjoy lesser benefits in real terms. I would encourage the Inquiry to consider options of opening such tax offset eligibility to all residential rental properties—therefore, setting a minimum standard across all rental properties in Australia as already

the case across the European Union<sup>vii</sup>, the United Kingdom<sup>viii</sup> and New Zealand<sup>ix</sup>—to ensure that low-income households that live in high value markets are not excluded from more energy efficient homes. With Budgetary constraints considered, however, (i.e. that a maximum rent level is set as an eligibility criteria), measures should be included so that the landlords are responsible for maintaining the rent level (bar nominal increases within the guidelines of residential tenancy legislations) so not to risk these low-cost rentals being priced out of reach of low-income households once the energy efficiency measures have been performed.

Second, capping the maximum tax offset amount at \$2,000 per income year (section 381-5 (2)). I concur that a maximum should be set for eligible tax offset. An annual maximum of \$2,000, however, limits the potential to carrying out the more substantial upgrades such as insulation and on-site solar electricity generation, notwithstanding other Federal and State/Territory-based subsidy schemes that landlords may also be eligible to benefit from for these upgrades. Considerations need to be given to landlords' eligibility to qualify for tax offset if they have already received other government-funded subsidies to ensure the best and most equitable use of public funds.

Third, that only one tax offset may be claimed per dwelling per income year (section 381-5 (3)). While it is understandable from a Budgetary standpoint that an annual maximum should be set for eligible tax offset, it should be clarified whether this refers to one claim to the maximum amount of \$2,000 or one energy efficiency measure undertaken. It should be considered that if landlords could only claim tax offset for one energy efficiency measure per income year, this can lead to substantive disruptions to tenants if/when landlords decide to carry out each upgrade separately over consecutive income years in order to remain eligible for the tax offset.

Fourth, that the installation or replacement of appliance is included as eligible measures (section 381-5 (4)). Findings from my research<sup>1</sup> show that low-income households are more open to purchasing their own energy efficient appliances than more costly measures such as solar electricity generation and solar hot water systems. This is especially the case where numerous assistance programs like the No Interest Loan Scheme and the NSW Office of Environment and Heritage's Home Energy Action Appliances Program<sup>x</sup> already exist to improve low-income households' access to such measures. To be eligible for the proposed tax offset, I suggest appliance replacements be limited to ones that are normally considered fixtures such as oven, dryer, air conditioning and hot water systems, and expressly exclude those that are not typically the responsibility of the landlord (e.g. fridges, washing machines) to maximise the potential of the proposal.

Once again, I thank the Committee for the opportunity to contribute to this Inquiry. Should you require further information regarding my research findings or clarifications of my suggestions, please contact me via the details listed below.

Yours sincerely,

Dr Edgar Liu  
Senior Research Fellow  
City Futures Research Centre  
Faculty of Built Environment  
UNSW Sydney

- 
- <sup>i</sup> Liu, E., Judd, B. and Matararachchi, S. (2017) RP3038 Lower income barriers to low carbon living: Policy pathways to addressing barriers. Sydney, Cooperative Research Centre for Low Carbon Living. <http://www.lowcarbonlivingcrc.com.au/resources/crc-publications/crclcl-project-reports/rp3038-final-project-report-lower-income-barriers>
- <sup>ii</sup> Liu, E. and Judd, B. (2018) 'Tenure as barrier to low carbon living'. State of Australian Cities Conference. Adelaide. <http://apo.org.au/node/178481>
- <sup>iii</sup> Liu, E. and Judd, B. (2016) RP3038 Lower income barriers to low carbon living: Summary of focus group and survey findings. Sydney, Cooperative Research Centre for Low Carbon Living. <http://www.lowcarbonlivingcrc.com.au/resources/crc-publications/crclcl-project-reports/rp3038-research-report-lower-income-barriers-low>
- <sup>iv</sup> Liu, E., Judd, B. and Santamouris, M. (2017, OnlineFirst). 'Challenges in transitioning to low carbon living for lower income households in Australia'. Advances in Building Energy Research. <https://www.tandfonline.com/doi/full/10.1080/17512549.2017.1354780>
- <sup>v</sup> Wood, G., Ong, R. and McMurray, C. (2011) The impacts of the Henry Review recommendations on the private rental market—savings income discount and rent assistance. Final Report No. 175. Melbourne, Australian Housing and Urban Research Institute. <https://www.ahuri.edu.au/research/final-reports/175>
- <sup>vi</sup> Henry, K., Hamer, J., Piggott, J., Ridout, H. and Smith, G. (2009) Australia's future tax system: Report to the Treasurer – Part One: Overview. [Recommendation 103, p.100]
- <sup>vii</sup> European Union (2010) Directive 2010/21/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings.
- <sup>viii</sup> Pinsent Masons (2015) Minimum energy efficiency standards for UK rented properties.
- <sup>ix</sup> Cabinet Social Policy Committee (no date) Insulation, smoke alarms and other residential tenancy improvements. Office of the Minister for Building and Housing, New Zealand Government.
- <sup>x</sup> <https://appliance.environment.nsw.gov.au/Suitability>