

Chapter 1

Introduction

1.1 On 15 October 2008 the Senate, on the recommendation of the Selection of Bills Committee, referred the National Rental Affordability Scheme Bill 2008 and the National Rental Affordability Scheme (Consequential Amendments) Bill 2008 to this committee for inquiry and report by 20 November 2008. Together, the Bills provide for the establishment of the National Rental Affordability Scheme (NRAS).

1.2 Reasons provided for referral of the bills and principal issues for consideration are:

- whether the Bills are targeted to deliver affordable housing to those in greatest need;
- whether the Bills are an efficient and effective way to deliver increased affordable housing; and
- whether the Bills facilitate investment in social housing by not for profit community housing organisations, as well as private investors.

1.3 Regulations form an important part of the operation of the scheme. A draft version was released by the Minister on 13 October 2008 and is available on the committee's website. The use of regulations is described in the Explanatory Memorandum to the Bill as being desirable for the purposes of maximising flexibility in the administration of the Scheme, and in particular, to respond to changes in determining market rent, tenant eligibility criteria, acceptable periods of vacancy, and reporting requirements in support of eligibility for incentives.¹

1.4 The Scheme was announced on 13 August 2007 during the 2007 Federal election. The measure was also announced in the 2008–09 Budget on 13 May 2008. A detailed proposal was released by the Minister for Housing for public consultation on 2 May 2008 in a paper titled *National Rental Affordability Scheme — technical discussion paper*. A prospectus calling for expressions of interest in the scheme was released by the Treasurer and the Minister for Housing on 24 July 2008.² The legislation is retrospective to allow for eligibility for incentives to date from 1 July 2008. Applicants were advised that they will be informed of any changes to the Scheme.

1 National Rental Affordability Scheme Bill 2008, Explanatory Memorandum, p. 5.

2 National Rental Affordability Scheme (Consequential Amendments) Bill 2008, Explanatory Memorandum, p. 3.

National Rental Affordability Scheme Bill 2008

1.5 Part 1 of the Bill deals with introductory matters, including the commencement date, objective and definitional matters. The objective of the bill is to encourage large-scale investment in housing by offering an incentive to participants in the National Rental Affordability Scheme so as to increase the supply of affordable rental dwellings and reduce rental costs for low and moderate income households.

1.6 Part 2 provides for regulations to prescribe the new Scheme, addressing matters such as the approval of participants, approval of rental dwellings and providing incentives to an approved participant if certain conditions are satisfied. There are a number of pre-requisites for eligibility, including that the dwelling is:

- new, or has been made newly habitable;
- rented to a tenant of a kind prescribed the regulations;
- rented for at least 20 per cent less than the market value rent.

1.7 The Scheme also imposes various requirements relating to the length of time the dwelling goes untenanted.³

1.8 Assessment criteria for applications include whether:

- there is a demonstrated need for the proposed housing capacity;
- accessibility and sustainability outcomes would be delivered;
- the proposal is financially viable; and
- the extent to which the proposal is consistent with certain priority areas of interest.

1.9 Priority Areas of Interest enumerated for the first round of the Scheme include:

- properties that will come onto the rental market in 2008–09;
- large-scale developments that will result in at least 100 dwellings;
- projects consistent with state, territory and local government affordable housing priorities;
- dwellings designed for tenants with special needs (such as older or Indigenous people, or those with disabilities); and
- maximising long term affordable housing for tenants.⁴

3 Clause 7, National Rental Affordability Scheme Bill 2008. See also Explanatory Memorandum, p. 7.

4 Clause 6, National Rental Affordability Scheme Bill 2008. See also Explanatory Memorandum, p. 5.

1.10 The Scheme offers incentives to providers of new dwellings on the condition that they are rented to low and moderate income households at 20 per cent below market rates. The incentive comprises a Commonwealth contribution in the form of a refundable tax offset or payment to the value of \$6000 per dwelling per year and a State or Territory contribution in the form of direct financial support or in-kind contribution to the value of \$2000 per dwelling per year. The incentive will be provided each year for 10 years to complying participants and will be indexed in line with the rental component of the Consumer Price Index (CPI). These arrangements are provided for in Divisions 2 and 3 of Part 2.

1.11 Part 3 provides for certain miscellaneous matters, such as a delegation power for the Secretary and the power for the Governor-General to make regulations.

1.12 The cost of the National Rental Affordability Scheme package, of which the National Rental Affordability Scheme Bill 2008 and the National Rental Affordability Scheme (Consequential Amendments) Bill 2008 are a part, is estimated at \$622.6 million over four years (including administration costs).

National Rental Affordability Scheme (Consequential Amendments) Bill 2008

1.13 The National Rental Affordability Scheme (Consequential Amendments) Bill 2008 amends the Income Tax Assessment Act 1997 (ITAA 1997) as a consequence of the substantive provisions in the National Rental Affordability Scheme Bill 2008. Amendments will enable entities participating in the Scheme to claim a refundable tax offset in their annual tax return, or through lodgement of a short form application by not-for-profit entities who would not ordinarily lodge a tax return. Amendments will also rule out any capital gains tax consequences from the receipt of incentives under the Scheme.⁵

1.14 The Bill makes provision for particular claimant circumstances, prescribing arrangements for access to the scheme in each case. Particular circumstances addressed include where a claimant:

- is an individual, company or a superannuation fund; or
- is a party to a non-entity joint venture; or
- receives the tax offset indirectly (such as in the case of a trust).

1.15 Amendments will also ensure that state and territory contributions to entities participating in the Scheme, whether in cash or in-kind, are non-assessable and non-exempt income for taxation purposes, ensuring that the after-tax treatment of assistance provided by state and territory governments is equivalent to the refundable tax offset.⁶

5 Schedule 1, item 6, paragraphs 118-37(h), (i) and (j).

6 Schedule 1, item 7, section 380-35.

Conduct of the inquiry

1.16 The inquiry was advertised in *The Australian* and posted on the Committee's website calling for submissions by 24 October 2008. The Committee also wrote to relevant organisations and individuals to notify them of the inquiry and to invite submissions. The Committee received 26 public submissions as listed in Appendix 1.

1.17 The Committee conducted public hearings in Canberra on 6 November 2008. Witnesses who appeared before the Committee are listed at Appendix 2.

Acknowledgement

1.18 The Committee thanks those who made written submissions to the committee, and who gave oral evidence at the committee's hearings.