

National Rental Affordability Scheme (NRAS)



NRAS - Information Brochure

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About NRAS

Introduction

Governments, the business sector and community organisations have recognised that housing affordability is an issue of significant community concern. The growing cost of housing is having an impact on the ability of many Australians to meet their financial commitments.

The National Rental Affordability Scheme (NRAS) is part of the Australian Government's long-term response to this issue. NRAS seeks to stimulate the supply of new affordable rental dwellings.

Under NRAS, the Australian Government in conjunction with the States and Territories is providing financial incentives to:

- increase the supply of affordable rental housing
- reduce the rental costs for low to moderate income households
- encourage the large-scale investment and innovative delivery of affordable rental housing.

NRAS commenced on 1 July 2008 and there have been five open calls for applications for NRAS allocations of incentives and one, smaller "shovel-ready" round. Successful applicants are referred to as approved participants.

Approved participants are eligible to receive the NRAS incentive for each approved dwelling where the conditions of allocation for the dwelling are met including the condition that they are rented to eligible low and moderate income households at a rate that is at least 20 per cent below market value rent.

Approved participants

NRAS aims to encourage large-scale investment in affordable housing (usually 100 or more houses). This generally means it is not directly available to small-scale, private, individual investors in the rental property market. However, such investors may become involved in NRAS by investing in or purchasing properties from approved participants or as part of a consortium arrangement.

Approved participants are usually property developers, not-for-profit organisations and community housing providers.

The Australian Government assesses applications for NRAS after an open call for applications in accordance with specified criteria, and makes offers of allocations of incentives on that basis. Successful approved participants are eligible to receive annual NRAS incentives if they meet the conditions of allocation each year for ten years from the date of activation.

NRAS Incentive

NRAS homes must be rented to eligible tenants at a rate that is at least 20 per cent below the market value rent and comply with all conditions of allocation in order to be eligible for the NRAS incentive annually.

The NRAS incentive is paid per dwelling, and is indexed each year in line with the Rents component of the Consumer Price Index.

The Scheme offers annual incentives for ten years. The two key elements of the incentive are:

- an Australian Government incentive per dwelling per year as a tax offset or direct payment
- state and territory governments may offer approved participants a contribution per dwelling per year in direct or in-kind financial support.

The current incentive payment rates are available on the NRAS Incentive (indexation) page.

Tenant eligibility requirements

A condition that approved participants need to fulfill to be entitled to an incentive is that dwellings are rented to eligible tenants.

Eligible tenants are persons in low and moderate income households as tested against household income thresholds which vary according to the household composition.

The Department requires all persons who are tenants of an approved rental dwelling to have their income included as a member of the one household, in accordance with the income limits.

New NRAS dwellings will continue to become available for rent up to 30 June 2016 and will continue to be rented under the scheme for up to 10 years. As there is considerable demand for these dwellings the Australian Government is unable to guarantee that all prospective tenants will be able to rent a dwelling developed under the Scheme.

Tenants are selected by the tenancy managers. Queensland tenants must also be registered with the Queensland Government's One Social Housing Register.

To find out whether you are eligible to rent an NRAS property, how to apply to rent an NRAS property and your rights as an NRAS tenant, visit Information for Tenants web page on www.dss.gov.au/nras.

NRAS mandatory requirements

The NRAS Act and NRAS Regulations provide mandatory conditions for allocation and receipt of NRAS incentives.

These mandatory conditions must be met in order for an approved participant to receive an incentive in respect of an approved rental dwelling. They include the following:

Dwellings must:

- comply with State, Territory and local government planning and building codes and requirements
- be rented to eligible tenants
- be rented at a rate that is at least 20 per cent below the market value rent for the dwelling.

Dwellings must either:

- not have been previously lived in as a residence
- not have been lived in as a residence since having been made fit for occupancy where previously the dwelling was uninhabitable
- if it has been converted to create additional residences, then a part of the dwelling or building that is capable of being lived in as a separate residence must not have been lived in as a separate residence.

Administration of NRAS

DSS is responsible for the administration of NRAS in consultation with the Australian Taxation Office. The Australian Government is also working closely with State and Territory governments in the ongoing management of NRAS.

Legislation, regulations and guidelines

The legislative framework for the Scheme is provided through the National Rental Affordability Scheme Act 2008; the Tax Assessment Act 1997; and the NRAS Regulations.

The National Rental Affordability Scheme Policy Guidelines provide policy guidance on the administration of the National Rental Affordability Scheme within the legislative and regulatory framework.

NRAS related taxation issues

Interested parties with general taxation enquiries about the tax implications of their involvement in NRAS should visit the Australian Taxation Office website or contact the Australian Taxation Office on 13 2866. The call centre operates from 8am-6pm weekdays (AEST).

Charitable organisations can become involved in the scheme in a range of different capacities and the Australian Taxation Office can provide information and clarification on charitable status in relation to NRAS.

More information

For more information visit www.dss.gov.au/nras

General Information

The National Rental Affordability Scheme (NRAS) has been a part of the Australian Government's long-term response to stimulate the supply of new affordable rental dwellings.

To participate, investors with NRAS credit reduce their rent by a minimum of 20% and in return receive yearly tax free incentives, as described below, of \$11,270.59.

To qualify, tenants must not exceed the household income limits below (This is managed by your rental management company). All other normal rental requirements apply as per usual.

Your "NRAS provider" will typically receive the State/Territory Government incentive on behalf of investors and ensure compliance (for a fee) with legislation and subsequently pass it on. It is usually received around August - September. The Federal Government portion will be received as a refundable tax offset, when you complete your tax return.

Unlike a financial year or traditional calendar year, the NRAS year is from 1st May to 30 April.

There is a hard finish to this program in 2026, at which point properties revert to regular operation.

This process can be simply managed by a NRAS management company.

Household composition	Initial household income limit (\$)	Existing tenant income limit (\$)*
One adult	\$52,324	\$65,405
Two adults	\$72,341	\$90,427
Three adults	\$92,358	\$115,448
Four adults	\$112,375	\$140,469
Sole parent with one child	\$72,391	\$90,489
Sole parent with two children	\$89,748	\$112,185
Sole parent with three children	\$107,105	\$133,882
Couple with one child	\$89,698	\$112,123
Couple with two children	\$107,055	\$133,819
Couple with three children	\$124,412	\$155,515

2020-21 NRAS Year Payment

Australian Government Contribution	\$8,452.94
State/Territory Contribution	\$2,817.65
Total:	\$11,270.59



Investment Benefits

Increase in Value of Property

The value of many asset classes and investments may fluctuate over time. Investments in direct property have generally showed consistent returns and have demonstrated to be less volatile than other asset classes and investments such as listed equities. As your underlying investment is direct real property, you will benefit in any capital growth.

Other Taxation Benefits

A significant taxation benefit of an Approved NRAS Property is that the Government Incentives are a refundable tax offset (RTO) and non assessable non exempt income (NANE), which means the income is tax free.

All property investments enable the investor the ability to deduct associated costs with managing their property, including but not limited to property management fees, insurances, rates, interest costs, as well as specific taxation benefits such as depreciation.

By owning an Approved NRAS Property all these taxation benefits are still available to you. However, the expenses associated with deriving the NANE are non-deductible. As a result, the portion of expenses able to be claimed by an investor is aligned to the proportion of assessable income. You should speak with your accountant to find out what tax benefits are available to you.

Key Features

- For the current 20/21 NRAS year, the scheme provides for Federal, State and Territory Government incentive of up to \$11,270.59 per annum to an investor for an Approved NRAS Property.
- Your Approved NRAS Property will be managed on your behalf to ensure compliance with the NRAS legislation and regulations.
- Government Incentives are indexed annually and available for approved NRAS property until 2026.
- The Commonwealth Government Incentive is a refundable tax offset. A refundable tax offset is a tax rebate that gets paid even if you haven't paid any tax that year. This amount is required to be claimed through your Income Tax Return.
- The State Government Incentives are non assessable non exempt income. This means that the amount is not included in your income tax return (no tax payable).
- The Property is managed by professional property and tenancy managers.

Example Investment Benefits Cashflow**

Example Investment Details	NRAS		NON - NRAS	
20% Deposit	\$59,800		\$59,800	
Loan at Start		\$239,200		\$239,200
Property Value		\$299,000		\$299,000
Costs	\$10,500		\$10,500	
INCOME				
Rental Income	\$270	\$14,040	\$270	\$14,040
Less 20% Discount		(\$2,808)		
NET RENT		\$11,232		\$14,040
EXPENSES				
Council/Water Rates/Strata approx		(\$5,000)		(\$5,000)
Property Management		(\$1,236)		(\$1,544)
Interest (Interest only)	3.5%	(\$8,372)	3.5%	(\$8,372)
Pre Tax Cashflow		(\$5,764)		(\$3,268)
Depreciation Example		(\$10,000)		(\$10,000)
TOTAL EXPENSES		(\$24,608)		(\$24,916)
TOTAL EXPENSES NANE ADJUSTED		(\$19,673)		
TAX				
Income for Tax Return		(\$8,441)		(\$10,876)
Tax Return (@ 39%)		\$3,292		\$4,242
CASHFLOW AFTER TAX		(\$84)		\$3,365
NRAS Admin Fee (8.25%)		(\$930)		
NRAS Incentive		\$11,270		
NET CASHFLOW		\$10,257		\$3,365

** The information provided for this example is for illustrative purposes only, potential investors should consult their professional advisor before proceeding with any investment decisions.

NRAS Incentive (Indexation)

Introduction

The NRAS Incentive is indexed according to movements in the Rents component of the Housing Group Consumer Price Index for the year, December quarter to December quarter as at 1 March, using the weighted average rate of eight capital cities housing component, and is effective from 1 May.

Incentive Values

Rents Component = Weighted average of eight capital cities - 0.2 per cent increase in 2020-21.

2020 - 2021 NRAS Year		
Year	Contributed by	Amount
2020/2021	Australian Government Contribution	\$8,452.94
	State/Territory Contribution	\$2,817.65
	Total	\$11,270.59

National Rental Affordability Scheme - Frequently Asked Questions

What is the National Affordability Scheme?

The National Rental Affordability Scheme (NRAS) is a long term commitment by the Australian Government to investors prepared to build affordable rental housing.

NRAS seeks to address the shortage of affordable rental housing by offering financial incentives to the persons or entities to build and rent dwellings to low and moderate income households at below-market rates for 10 years. It aims to:

- increase the supply of new affordable rental housing;
- reduce rental costs for low to moderate income households; and
- encourage large-scale investment and innovative management of affordable housing.

How does NRAS work?

NRAS provides a substantial annual incentive, to persons or entities to build and rent new dwellings to low and moderate income households at a rate that is at least 20 per cent below the market value rent. The incentive is available to approved participants who successfully apply through an open call for applications. There have been five calls for applications.

Who benefits from the scheme?

NRAS aims to increase the supply of affordable rental housing for low to moderate households across Australia. Eligible individuals and families are able to rent NRAS dwellings at a rate that is at least 20 per cent below market value rent.

Who can participate in NRAS?

Potential participants in NRAS include financial institutions, medium to large-scale investors, private developers, not-for-profit organisations and community housing providers who may build, own, finance or manage NRAS dwellings.

Participants apply for allocations of incentives under an open call for applications. There are many approved participants across Australia as a result of five previous calls for applications.

Who can rent an NRAS dwelling?

A condition that must continue to be fulfilled for an approved participant to receive the incentive is that dwellings must be rented to eligible tenants.

Income limits for eligible tenants are based on the gross income of each household and accommodate a range of low to moderate income earners.

Who manages the scheme?

The Department of Social Services (DSS) (previously known as the Department of Families, Housing, Community Services and Indigenous Affairs) is responsible for the ongoing management of NRAS, in consultation with the Australian Taxation Office and the States and Territories.

Why become an NRAS approved participant?

NRAS provides a substantial annual incentive per dwelling to approved participants who build and rent approved dwellings at a rate that is at least 20 per cent below the market value rent, to low and moderate income households.

What is the annual NRAS incentive?

The NRAS incentive is an annual amount, indexed annually provided to approved participants for each approved dwelling which complies with the conditions of the allocation of incentive for the dwelling. The incentive comprises:

- An Australian Government contribution per dwelling per year for up to 10 years as either a tax offset or cash (for endorsed charitable organisations who have not made an election to receive a tax offset).
- State and Territory Governments may offer approved participants a contribution per dwelling per year as direct payment or payment in-kind.

What are the commercial benefits of investing in NRAS?

NRAS is intended as a commercial investment option for approved participants while also increasing the supply of affordable rental housing in Australia.

Investors in the scheme may benefit from the annual incentive for up to 10 years as well as through rental yields and potential capital gains.

Where the investor is not the approved participant in the Scheme, investors will need to have contractual arrangements in place for the approved participant to pass on any Australian Government incentives. These arrangements are outside the scope of the Australian Government.

Can small-scale or private investors participate in the Scheme?

As NRAS aims to encourage medium to large-scale investment in affordable housing (generally more than 100 dwellings), it is not generally available to small-scale, private, individual investors in the rental property market who may own or build a small number of properties. Individual investors could become involved by investing in entities that participate directly in the Scheme, for example, through a superannuation fund or property trust, through a consortium arrangement, or may, under some circumstances, purchase a dwelling which is subject to an allocation of an NRAS incentive.

What are the characteristics of an NRAS dwelling?

The design and quality of NRAS dwellings compare favourably with any other private market dwellings. Typically, they are likely to be indistinguishable from other 'middle-market' dwellings.

Selection criteria are applied when assessing applications for allocations under the Scheme. These criteria relate to the proposed location, design and amenity of proposed dwellings. A condition that needs to be satisfied for an approved participant to receive an incentive under the Scheme is that all dwellings must also comply with State, Territory and local Government planning and building codes and requirements.

Can I sell my NRAS property or remove it from the Scheme and rent it at market rates?

Yes. Subject to any other contractual obligations, approved participants no longer wanting to participate in the scheme can sell their dwelling or cease their participation prior to completion of the 10 year NRAS term without incurring any Government penalties. However, no incentive will be payable once the conditions of allocation for the dwelling cease to be met.

How can I purchase an NRAS property?

The Australian Government is not directly involved in buying and selling individual properties. Potential purchasers may wish to contact the NRAS approved participants in the States or Territories where they wish to purchase dwellings.

[Can I buy a house and then get it included in NRAS?](#)

No. Only NRAS approved participants can have dwellings approved under the Scheme. These participants are selected through an application process and have approved dwellings in approved locations.

[I recently purchased an NRAS property. How can I get my tax offset certificate so I can submit my tax return?](#)

Any arrangements between NRAS approved participants and individual purchasers of NRAS dwellings are solely between the parties involved and do not involve the Australian Government. Purchasers should put their own arrangements in place with the relevant approved participant in order to ensure that they receive the tax offset certificate. The Australian Government only provides tax offset certificates directly to NRAS approved participants, and only if they comply with the requirements of the Scheme.

State and Territory Governments pay their annual contribution as a direct payment or payment in-kind to approved participants.

[What happens if I sell my NRAS dwelling?](#)

The NRAS incentive is only payable when approved participants meet the conditions of allocation under the Scheme. If a dwelling is sold, it may no longer be eligible to receive the incentive if it ceases to meet the conditions of allocation. No penalties are imposed by the Australian Government beyond this.

[I bought an NRAS dwelling but have changed my mind and don't want to participate in the Scheme. What can I do?](#)

Subject to any other contractual obligations, approved participants no longer wanting to participate in the scheme can sell their dwelling or cease their participation prior to completion of the 10 year NRAS term without incurring any Government penalties. The Australian Government has a direct relationship with NRAS approved participants only. Any arrangements between approved participants and individual purchasers or investors is beyond the scope of the Australian Government's responsibilities and powers under the Scheme. Purchasers are urged to seek independent financial, legal and taxation advice before purchasing NRAS properties.

[Who can be a tenancy manager of an NRAS dwelling?](#)

Tenancy managers for NRAS dwellings may include:

- not-for-profit organisations (such as a community housing provider)
- commercial businesses (such as a private real estate agent)
- local government bodies
- State or Territory governments on a fee-for-service basis.

Approved participants may contract a service provider to manage dwellings on their behalf or the tenancy manager could form part of the consortium which makes the NRAS application.

[What is the tenancy manager's role?](#)

NRAS tenancy managers may perform services to help an approved participant satisfy conditions of allocation such as:

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- assessing tenant eligibility and retaining tenant records
 - managing determination of market rents and the below-market rents charged to tenants of approved NRAS dwellings
 - providing property management and maintenance functions
 - managing the ongoing tenancy of an NRAS dwelling
 - reporting compliance with tenant eligibility, rent levels and other regulatory requirements under the Scheme to approved participants
 - retaining tenancy compliance records for at least five years.

A condition of allocation is that approved participants must ensure that each approved rental dwelling, and the management of it, complies at all times with the landlord, tenancy, building, health and safety laws of the State or Territory and local government area in which the dwelling is located. Failure to comply with this condition of allocation will lead to an incentive not being payable.

In some jurisdictions, tenancy managers may need to hold a real-estate license. The relevant State or Territory government housing agency can provide details of any local requirements.

Can an approved participant manage the NRAS property themselves?

Yes. Approved participants may undertake the tenancy manager role.

Who is responsible for checking tenants' incomes?

The approved participant is responsible for ensuring that tenants' household incomes remain within the household income limits. The approved participant may engage a tenancy manager to perform this function, however, responsibility remains with the approved participant as failure to meet this condition can result in an incentive not being payable to the approved participant.

How should tenants' incomes be checked?

It is a condition of allocation that rental dwellings covered by the Scheme are only rented to a tenant or tenants who are eligible tenants, as prescribed in the NRAS Regulations. Eligible tenants are defined according to household income thresholds which are subject to annual indexation.

Approved participants are obliged to lodge annual statements of compliance including a statement that, at all times during an NRAS year, the household income of tenants in a dwelling was within the thresholds (or details of any way in which this requirement was not met).

Approved participants (or tenancy managers on their behalf) should take reasonable steps to accurately determine the household income of NRAS tenants. The collection and holding of this information must be done in accordance with the requirements of the Privacy Act 1988. Documents that may assist in determining household income include:

- copies of payslips
- notices of assessment for annual income tax returns
- letters from employers
- statements from superannuation funds
- statements from Centrelink
- statements of dividends or rents paid.

Apart from reporting household income information in statements of compliance, an approved participant must maintain all records in relation to an allocation or payment of an incentive, including records relevant to household incomes of tenants, for 5 years.

How are tenants selected for NRAS dwellings?

Assessment and selection of tenants is at the discretion of the approved participant. In Queensland tenants must also be registered with the Queensland Government's One Social Housing Register.

What are the requirements of an NRAS approved dwelling?

NRAS dwellings must meet certain criteria:

- The dwelling must be either brand new – that is, it must not have been previously lived in as a residence, or, if it was previously uninhabitable and has been made habitable for the purposes of NRAS, it must not have been lived in as a residence since it was made fit for living in.
- The dwelling must be rented at a rate that is at least 20 per cent below the market value rent.
- Where a dwelling has not been lived in as a residence before but has been converted to create additional residences, then a part of the dwelling or building that is capable of being lived in as a separate residence must not have been lived in as a separate residence before the first day of the incentive period.
- A rental dwelling under the Scheme is a dwelling for which rent is payable and includes (but is not limited to):
 - a part of a dwelling or building that is capable of being lived in as a separate residence
 - a unit that is a dwelling but does not include a caravan, houseboat or other kind of mobile dwelling
- The tenants of NRAS dwellings must meet the income requirements prescribed by the Regulations.

What is the typical length of a lease?

Approved participants are not required to provide longer term leases or other rights for tenants beyond those which are required by relevant State and Territory landlord and tenant legislation. NRAS does not provide tenants with any special rights in relation to the length of leases over and above the relevant residential tenancy legislation in the State or Territory where the dwelling is located.

What are the income limits for NRAS tenants?

Current income limits are:

The gross income limits for households to rent NRAS dwellings are specified in the NRAS Regulations. Income levels are assessed against gross income limits according to the household composition. For NRAS purposes, a household is considered to be all persons ordinarily residing in the home. All persons who ordinarily reside in a NRAS home should have their income included as a member of the household in order to determine gross household income.

A household's gross income for the 12 months ending on the day before tenancy of an NRAS dwelling commences, must be equal to or less than the relevant income limit for the household's composition. Household income may then increase above the income limit. However, existing tenants will cease to be eligible if their household income exceeds the applicable household income limit by 25 per cent or more in two consecutive years.

Each year, household income limits are indexed according to percentage changes of the All Groups component of the Consumer Price Index so that the limits effectively maintain the same target group of tenants over the life of the Scheme.

Failure to lease a NRAS dwelling to eligible tenants may result in an incentive not being payable to an approved participant. This also needs to be reported in an approved participant's statement of compliance.

How can I find an NRAS dwelling to rent?

Potential tenants should contact one of the approved participants or their tenancy managers for available properties. NRAS properties for rent may also be specified in real estate web pages. In Queensland, tenants must register with the Queensland Government's One Social Housing Register

Do the income limits for tenants have exceptions?

No. In order to be eligible to rent an NRAS dwelling, a tenant's gross household income must not exceed the applicable household income limit. For existing tenants, gross household income may exceed the applicable income limit. However, if the limit is exceeded by more than 25 per cent in two consecutive years, a tenant will cease to be an eligible tenant.

Who are the tenancy managers in each state?

There are a number of tenancy managers in each State and Territory.

What protections are in place for tenants?

NRAS does not provide tenants with any special rights over and above the relevant residential tenancy legislation in the State or Territory where the dwelling is located. Tenants should be offered a standard lease for the property the same as for any other rental.

NRAS is simply a Scheme which allows for incentives to be paid to approved participants who meet conditions. Tenants have no specific rights or protections under the NRAS legislation. Failure of an approved participant to meet their conditions of allocation, including as they relate to tenants, results in an incentive not being payable for the approved participant.

NRAS incentives

The NRAS incentive is an annual amount, indexed annually according to the movement in the Rents component of the Housing Group of the Consumer Price Index, and paid to approved participants for each approved dwelling which complies with the requirements of the Scheme. The incentive comprises:

An Australian Government contribution per dwelling per year for up to 10 years as either a tax offset or cash (for endorsed charitable organisations who have not made an election to receive a tax offset).

State and Territory governments may offer approved participant a contribution per dwelling per year as direct payment or as payment in kind.

How much is the NRAS incentive?

The value of the NRAS incentive can be found on the NRAS incentive webpage.

What is a tax offset?

Under the Scheme, approved participants who are not endorsed charitable institutions are issued a tax offset certificate. Some endorsed charitable institutions can also elect to receive their incentive in this way.

For more information on NRAS related tax issues visit the Australian Taxation Office website.

How is the NRAS incentive calculated each year?

It is calculated using the rents component of the Housing Group of the CPI for the year, December quarter to December quarter as at 1 March of the immediately preceding NRAS year, using the summary table weighted rate of eight capital cities housing component, as published in the Australian Bureau of Statistics publication Cat. no. 6401-0 – CPI, Australia, CPI: Group, Sub-group and Expenditure Class, rounded to the nearest single decimal point.

When are NRAS incentives issued?

If the conditions of the allocation of an incentive for a dwelling have been met, the NRAS approved participant is issued with a tax offset certificate or payment (for charitable institutions).

Can I get my state component of the NRAS incentive paid as a tax offset?

No. The State/Territory component of the incentive is generally paid directly or as payment in-kind. NRAS participants should contact the relevant State or Territory to discuss this payment. For more detailed taxation advice, contact the Australian Tax Office directly.

When is tax payable?

If private individual investors receive the Australian Government component of the incentive in cash from an approved participant, this may be assessed as taxable income.

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