



# National Rental Affordability Scheme

## Income definition

### Income

The purpose of this information sheet is to provide the following guidance for tenants of approved rental dwellings under the National Rental Affordability Scheme (NRAS, the Scheme):

- the definition of income for NRAS
- examples of income
- examples of exempt income
- information on calculating the gross household income, and
- examples of documentation evidencing gross household income.

### Income definition

The definition of income under the Scheme is separate but broadly consistent with the definition in the *Social Security Act 1991* (the SS Act) in that it takes into account a tenant's income that is earned, derived or received including a periodical payment or benefit received as a gift or allowance. Examples of income and exempt income are set out below.

For the purposes of the Scheme, the tenant's income is not limited to taxable income but refers to the 'gross income' of the household that is living in the approved rental dwelling (see page 3 to calculate an NRAS household).

### Income Limits

The income limits for a household are set out in section 41 of the National Rental Affordability Scheme Regulations 2020 (the Regulations). Each NRAS year, tenant income limits are cumulatively indexed according to movements in the rents component of the Housing Group of the Consumer Price Index, December quarter to December quarter published by the Australian Statistician on 1 March of the immediately preceding NRAS year.

## Examples of income

The Department of Social Services (the department) considers the following to be examples of tenant income under the Scheme (this is not an exhaustive list):

- gross income from earnings, including fringe benefits (note that the non-grossed up amount of a fringe benefit will be calculated as income)
- deemed income from financial investments
- employment income salary sacrificed into superannuation (reportable superannuation contributions which include amounts voluntarily salary sacrificed to superannuation is included in gross income)
- net income from businesses or sole traders, including farms
- family trust distributions or dividends from private company shares
- net income from rental property
- income from boarders and lodgers
- redundancy payments
- non-Australian pensions and income
- any income from sources outside Australia
- a periodic payment from an immediate relative, that is father, mother, son, daughter, brother or sister
- income from income stream products, such as annuities and allocated products
- scholarship or tuition payments paid into the student's account
- a rent subsidy paid by the Commonwealth, or a State or Territory Government
- child support payments
- income support payments; and
- loans received for personal use (e.g. assist with bills, buy a car)\*.

\* NB: When assessing tenant income according to the NRAS gross income limits, amounts received by the applicant (potential tenant and/or eligible tenant) that are repayments of a loan they have previously made (e.g. to a family member or friend) are generally not considered income for NRAS eligibility purposes.

## Examples of exempt income

Examples of exempt income include but are not limited to:

- superannuation will not be considered income until the tenant reaches pension age or starts to receive a pension or annuity out of that fund
  - However, if someone is transitioning to retirement, and receiving even a part payment out of their superannuation account, it would be considered income under the SS Act and for NRAS purposes
- compensation for loss of, or damage to, building, plant effects
- inheritance (however, any interest earned from an inheritance, for example by placing in a trust, or leaving in a bank account where it is earning interest would be assessed as income, that is, income from interest or dividends)
- supported disability accommodation under an National Disability Insurance Scheme (NDIS) plan
- lump sum compensation payments

- scholarship or tuition payments paid directly to educational institutions
- state foster care allowance or benefit
- emergency relief or similar assistance
- costs of running a business e.g. staff wages, supplies
- receipt of periodic or lump sum payments of a previous loan made by the tenant
- a payment under the NDIS as part of a tenant's NDIS package, and
- loan repayments from a pre-existing loan made to family/friend by the tenant.\*

\* NB: When assessing tenant income according to the NRAS gross income limits, amounts received by the applicant (potential tenant and/or eligible tenant) that are repayments of a loan they have previously made (e.g. to a family member or friend) are generally not considered income for NRAS eligibility purposes.

## Calculating gross household income

In order to rent a rental dwelling, tenants must meet certain eligibility criteria, including gross household income limits. Under section 41 of the Regulations, when assessing whether a household will be eligible to rent an approved dwelling, approved participants must determine the gross household income for the **12 months prior to the day on which the household would become** tenants. For example, if a tenancy lease agreement for an NRAS dwelling commences on 1 April 2020, the tenant eligibility for NRAS would be assessed by calculating the gross household income for the period 1 April 2019 to 31 March 2020.

For NRAS purposes, a household consists of all persons who are tenants of the dwelling. All persons who ordinarily live in an approved rental dwelling must have their income included as a member of the household.

Approved participants should request income documentation from potential NRAS tenants in order to assess the gross household income and substantiate tenant eligibility under the Regulations. The department encourages approved participants to discuss with tenants the personal information and documentation that is required to be collected in order to calculate tenant eligibility.

Eligible tenants are required to substantiate the gross household income details to approved participants and to the Commonwealth in order to meet NRAS regulatory requirements.

The department has no responsibility for assessing tenant eligibility, the selection of tenants for approved rental dwellings is assessed by, and at the discretion of, the approved participant of the dwelling. As long as Commonwealth and the State or Territory tenant eligibility requirements are met, decisions will be made in line with the approved participant's usual policies and procedures.

## Examples of documentation evidencing gross household income

When determining household income for NRAS purposes, approved participants need to be satisfied that they have undertaken reasonable steps to determine the household income accurately, especially where this may have changed from the previous NRAS year.

The Regulations do not stipulate the exact number and types of evidence required to show household income; decisions about what amount and types of evidence are sufficient are made by the approved participant. To provide some guidance the following documents may be used in assessing gross household income (not an exhaustive list):

- copies of pay slips
- copies of bank statements
- notices of assessment of annual tax returns
- letters from employers – current and/or past
- statements from Centrelink
- written evidence of overseas income, such as pensions or dividend statements; or
- statements that provide information about other sources of income.

As a last resort, in the event an approved participant is unable to provide evidence of the gross income of a tenant from the last 12 months, approved participants may consider a statutory declaration from the tenant as acceptable evidence. Please note: sole reliance by the approved participant on a statutory declaration is at the risk of the approved participant and the department may request evidence that an approved participant has done all in its power to obtain other evidence of a tenant's gross income.

Under section 49 of the Regulations, approved participants must keep copies (for a minimum of 5 years) of any documents obtained as evidence of income, as the department may undertake an audit of approved participants' NRAS dwellings to ensure that the requirements of the Scheme are being met.

## Existing tenant eligibility

For existing tenants and calculating ongoing tenant eligibility, please see the information sheet titled [Information Sheet: Eligible Tenants](#).

## Further information

Further queries on the definition of income and associated enquiries (such as guidance on documentation required from tenants) can be sent to [nras@dss.gov.au](mailto:nras@dss.gov.au) or contact your [approved participant or property manager](#).