



April 2020

National Rental Affordability Scheme

NRAS Tax Offset

In order to receive an incentive, approved participants must comply with the conditions of allocation set out in the National Rental Affordability Scheme Regulations 2020 (the Regulations). Approved participants who satisfy the conditions of allocation will be eligible to receive a financial incentive for the allocation for each National Rental Affordability Scheme (NRAS or Scheme) year (1 May to 30 April). The incentive comprises a Commonwealth contribution in the form of a Refundable Tax Offset (RTO) certificate or a cash payment and a state or territory incentive in the form of direct financial support or in-kind contribution.

Approved participants that are 'endorsed charitable institutions' (that is, their charitable status has been endorsed by the Australian Taxation Office, or 'ATO') will receive the Commonwealth incentive as a monetary payment unless they elect to receive the incentive as an RTO. Approved participants that are not endorsed charitable institutions can only receive the Commonwealth incentive as a tax offset; they do not have an option to receive the incentive as a monetary payment.

This information sheet sets out who is eligible to receive NRAS incentives and who is eligible to claim the Commonwealth component of the NRAS incentive as an RTO from the ATO through the Australian income tax system ('the income tax system'). This information sheet also provides guidance on the information the approved participant will need to provide to the ATO to support their claim.

Who is eligible to receive the NRAS incentive

The Department of Social Services (the department) issues the Commonwealth component of the NRAS incentive to approved participants.

Under section 63 of the Regulations, the approved participant is required to pass on an incentive or state or territory contribution to an investor in a timely manner.

Under section 64 of the Regulations, the approved participant must comply with the requirement to pass on the incentive or the state or territory contribution by the earliest of the following: (a) if there is a legal obligation that requires the incentive or contribution to be passed on within a particular period (however described), before the end of that period; or (b) within 90 days after the approved participant is given the incentive or contribution.

Who can claim the tax offset in respect of the NRAS incentive?

The person or entity that derives a reduced rental income as a result of renting a dwelling to low and moderate income households at rent that is at least 20 per cent below market rates is eligible to claim the Commonwealth component of the NRAS incentive as an RTO. This person or entity could be the approved participant or it could be a person who owns the dwelling ('the investor').

When is the approved participant entitled to claim the RTO?

An approved participant for a rental dwelling covered by an NRAS allocation will be eligible to claim an RTO from the ATO through the income tax system if:

- the approved participant is the owner of the dwelling, **and** rents the dwelling to an eligible tenant at rent at least 20 per cent below market rates, **and** derives the reduced rental income directly from the tenant; or
- the approved participant rents the dwelling from the investor at the market rate, **and** sub-leases the dwelling to an eligible tenant at rent at least 20 per cent below the market rate, **and** the approved participant derives the reduced rental income directly from the tenant.

In the circumstances described at the first dot point above, the approved participant is eligible to claim the RTO because they derive the reduced rental income in respect of the dwelling. In the second scenario, the investor is not eligible to claim the RTO because they derived the full market rent from the approved participant and incurred no loss in rental income.

When is the investor entitled to claim the RTO?

An investor can claim the RTO from the ATO through the income tax system if:

- the approved participant acts as an agent and rents the dwelling on behalf of the investor to an eligible tenant at rent at least 20 per cent below market rates, **and** the investor derives the reduced rental income from the tenant via the approved participant; or

- the approved participant rents the dwelling from the investor at rent at least 20 per cent below the market rate, **and** the approved participant derives the reduced rental income directly from the tenant and elects for the investor to receive the RTO.

The investor is eligible to claim the RTO in both of the circumstances described above because they derive the reduced rental income in respect of the dwelling in both scenarios.

In respect of the scenario described at the first dot point above, it is recommended that the approved participant complete an **NRAS tax offset entitlement** form and provide it to the investor to enable the investor to submit a claim with the ATO for the RTO.

In respect of the second scenario, pursuant to subsection 380-11(2) or 380-16(2) of the *Income Tax Assessment Act 1997*, within 30 days of the approved participant receiving the RTO certificate from the department, the approved participant must make an election for the investor to receive the NRAS tax offset from the ATO. This is done by completing an [NRAS tax offset entitlement form](#) and providing it to the investor to enable the investor to submit a claim with the ATO for the RTO.

Which investor in a consortium is entitled to claim the RTO?

Where the NRAS incentive is issued as an RTO certificate to an approved participant who is the member of an NRAS consortium, the RTO can be claimed by:

- the entity which derives the reduced rental income from the NRAS property (only if the entity is not a partnership or a trust); or
- the partners of a partnership where the partnership derives the reduced rental income from the NRAS dwelling; or
- the beneficiaries of a trust where the trust derives the reduced rental income from the NRAS dwelling **and** the trust has income to distribute; or
- the trustee, where the trust derives the reduced rental income from the NRAS property but the trust has no net income to distribute.

Note: Where two or more entities derive rent from an NRAS dwelling, the RTO is apportioned according to the share of rent each entity derives in respect of the dwelling.

Further information

Further queries about the NRAS incentive can be sent to nras@dss.gov.au.

Visit www.ato.gov.au and search for 'NRAS' for more information about the NRAS tax offset.