



# NRAS Information Sheet

## National Rental Affordability Scheme Tax Offset

The object of the National Rental Affordability Scheme (NRAS or Scheme) is to encourage large-scale investment in housing so as to increase the supply of affordable rental dwellings and reduce rental costs for low and moderate income households. To accomplish this, the Scheme provides approved participants with a financial incentive for a period of 10 years (the incentive period) to rent dwellings to eligible tenants (being low to middle income earners) at a rate of at least 20 per cent below market rates.

In order to receive an incentive, approved participants must comply with conditions of allocation set out in the *National Rental Affordability Scheme Regulations 2008* (NRAS Regulations). Approved participants who satisfy the conditions of allocation receive a financial incentive each NRAS year (1 May to 30 April). The incentive comprises a Commonwealth contribution in the form of a Refundable Tax Offset (RTO) certificate or cash payment, and a state or territory contribution in the form of direct financial support or in-kind contribution.

Approved participants that are endorsed charitable institutions can receive the incentive as a cash payment or they can elect to receive the incentive as an RTO. Approved participants that are not endorsed charitable institutions can only receive the incentive as a tax offset, they do not have an option to receive the incentive as a cash payment.

This information sheet sets out who is eligible to receive the NRAS incentive and who is eligible to claim the Commonwealth component of the NRAS incentive as an RTO from the Australian Taxation Office (ATO) through the income tax system. It also provides guidance on the information the eligible person or entity 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) has a direct working and legal relationship only with the holders of NRAS allocations known under the legislation as approved participants. As such, the Department can only issue the NRAS incentive to approved participants, provided certain conditions are met.

**Note:** Any agreement to transfer the NRAS incentive to an investor is a private contractual matter between the approved participant and the investor and lies beyond the scope of the NRAS Regulations.

### 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 20 per cent below market rates is eligible to claim the Commonwealth component of the NRAS incentive as an RTO.

### ***When is the approved participant entitled to claim the RTO?***

An approved participant will be eligible to claim the 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 20 per cent below market rates, **and** derives the reduced rental income directly from the tenant
- the approved participant leases the dwelling from the owner of the dwelling (i.e. the investor) at the market rate, **and** sub-leases the dwelling to an eligible tenant at 20 per cent below the market rate, **and** the approved participant derives the reduced rental income directly from the tenant.

The approved participant is eligible to claim the RTO under these circumstances because it derives 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 property owner (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 leases the dwelling on behalf of the investor to an eligible tenant at 20 per cent below market rates, **and** the investor derives the reduced rental income from the tenant via the approved participant
- the approved participant leases the dwelling from the owner of the dwelling (i.e. the investor) at 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 under these circumstances because it derives the reduced rental income in respect of the dwelling in both scenarios.

In respect of the first scenario, it is recommended that the approved participant complete a ***National Rental Affordability Scheme (NRAS) tax offset entitlement*** form (as per the sample form provided at the end of this information sheet) 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, it must make an election for the investor to receive the NRAS tax offset from the ATO. This is done by completing a ***National Rental Affordability Scheme (NRAS) tax offset entitlement*** form (as per the sample form provided at the end of this information sheet with the additional sentence as noted by the (\*)) and providing it to the investor to enable the investor to submit a claim with the ATO for the RTO.

**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 NRAS dwelling.

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

Where the NRAS incentive is issued as an RTO to the approved participant of a 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)
- the partners of a partnership where the partnership derives the reduced rental income from the NRAS dwelling

- the beneficiaries of a trust where the trust derives the reduced rental income from the NRAS dwelling **and** the trust has income to distribute
- 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 NRAS dwelling.

## Can an approved participant claim the RTO and pass it on to the owner of an NRAS dwelling as a cash payment?

If the investor (or property owner) is entitled to claim the RTO, but the approved participant claims the RTO and passes it on to the property owner as a payment, the amount received by the property owner may be assessable income.

## Information to support a claim for the NRAS tax offset

Division 380 of the *Income Tax Assessment Act 1997* does not specify the information that the approved participant should provide to the person or entity entitled to claim the NRAS tax offset. Where the NRAS tax offset passes through the approved participant to the eligible person or entity, the approved participant could provide the information set out below, this will assist the ATO when reviewing any claims for the NRAS tax offset. If an election has been made then this information has to be provided in a signed and dated letter addressed to the member.

**Sample RTO certificate the approved participant could provide to a person or entity that is eligible to receive the RTO.**

### National Rental Affordability Scheme (NRAS) tax offset entitlement

You are a member of an NRAS consortium. The Department of Social Services has issued an NRAS certificate [certificate ID] to [name of approved participant] as the approved participant for the NRAS consortium. **The approved participant has elected on [date] for you to receive the NRAS tax offset.\*** Your NRAS tax offset entitlement details for the [NRAS year] NRAS year are as follows:

Dwelling ID	Dwelling address	NRAS tax offset
[Dwelling ID]	[[Dwelling address]	[Value]

Keep a copy of this statement with your tax records.

**\*Only insert this sentence if an election has been made.**

## Further information

Further queries about the NRAS incentive can be sent to [nras@dss.gov.au](mailto:nras@dss.gov.au)

Visit [www.ato.gov.au](http://www.ato.gov.au) and search for 'NRAS' for more information about the NRAS tax offset.

See the NRAS information sheet *How an approved participant can receive their NRAS incentive* at [dss.gov.au](http://dss.gov.au) for more information about the NRAS incentive.